

NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2  
Form N-CSRS  
September 07, 2005

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, 2005  
-----

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.

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

ITEM 1. REPORTS TO STOCKHOLDERS.

SEMIANNUAL REPORT June 30, 2005

Nuveen Investments  
Closed-End  
Exchange-Traded  
Funds

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND  
JPC

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2  
JQC

Photo of: Man, woman and child at the beach.  
Photo of: A child.

HIGH CURRENT INCOME FROM A PORTFOLIO OF PREFERRED AND CONVERTIBLE SECURITIES

Logo: NUVEEN Investments

Photo of: Woman  
Photo of: Man and child  
Photo of: Woman

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.

-----  
DELIVERY DIRECT TO  
YOUR E-MAIL INBOX  
-----

IT'S FAST, EASY & FREE:

[WWW.INVESTORDELIVERY.COM](http://WWW.INVESTORDELIVERY.COM)  
if you get your Nuveen Fund dividends  
and statements from your financial  
advisor or brokerage account.

OR

[WWW.NUVEEN.COM/ACCOUNTACCESS](http://WWW.NUVEEN.COM/ACCOUNTACCESS)  
if you get your Nuveen Fund dividends

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

and statements directly from Nuveen.

(Be sure to have the address sheet that accompanied this report handy. You'll need it to complete the enrollment process.)

Logo: NUVEEN Investments

Photo of: Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

Chairman's  
LETTER TO SHAREHOLDERS

I am pleased to report that for the six months ended June 30, 2005, 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 details about the management strategy and performance of your Fund, please see the Portfolio Managers' Comments and Performance Overview sections of this report.

As you'll see as you review this report, we continue to believe that your Fund provides a valuable source of regular monthly income, and that it also may provide an opportunity to reduce the overall risk of your entire investment portfolio. This

"WE CONTINUE TO BELIEVE THAT YOUR FUND PROVIDES A VALUABLE SOURCE OF REGULAR MONTHLY INCOME, AND THAT IT ALSO MAY PROVIDE AN OPPORTUNITY TO REDUCE THE OVERALL RISK OF YOUR ENTIRE INVESTMENT PORTFOLIO."

is because the price of your Fund's shares may move differently than the prices of other investments that you may own. Your financial advisor can explain the advantages of portfolio diversification in more detail. I urge you to contact him or her soon for more information on this important investment strategy.

I also urge you to consider receiving future Fund reports and other Fund information faster by using e-mail and the Internet. Sign up is quick and easy - see the inside front cover of this report for step-by-step instructions.

Earlier in 2005, The St. Paul Travelers Companies, Inc., which owned 79% of Nuveen Investments, Inc. (the parent of your Fund's investment adviser), sold a substantial portion of its stake in Nuveen. More recently, St. Paul sold the balance of its shares in Nuveen to us or to others. Please be assured that these transactions only affect Nuveen's corporate structure, and they do not have any impact on the investment objectives or management of your Fund.

For more than 100 years, Nuveen has specialized in offering quality investments such as your Fund to those seeking to accumulate and preserve wealth. Our mission continues to be to assist you and your financial advisor by offering the investment solutions and services that can help you secure your long-term financial goals. We thank you for choosing us as a partner as you work toward that objective.

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

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

August 15, 2005

Nuveen Preferred and Convertible Income Funds (JPC, JQC)

Portfolio Managers'  
COMMENTS

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

Spectrum, an affiliate of Principal Capital<sup>SM</sup>, 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.

Froleys, 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 instruments in both Funds is led by Gunther Stein and Lenny Mason. Gunther and Lenny have more than 25 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, Froleys, Revy and Symphony talk about their management strategies and the performance of both Funds for the six-month period ended June 30, 2005.

WHAT WAS YOUR OVERALL MANAGEMENT STRATEGY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2005?

In the preferred securities sleeve of each Fund's portfolio, our focus for this six-month period was on trying to maintain Fund income levels as much as possible without sacrificing quality in the face of a surprisingly strong bond market. Contrary to what many market observers predicted, intermediate- and long-term interest rates dropped significantly during the first six months of 2005 at the same time as the Federal Reserve was raising short-term rates. As might be expected in this type of environment, a number of the Funds' higher coupon preferred securities issues were called away and the proceeds generally had to be reinvested at lower current rates.

As the period progressed, we tried to turn some of this yield curve flattening to our advantage by shortening the average durations - and therefore reducing the interest rate risk - of the preferred securities holding within the Funds. We did this by purchasing securities with shorter effective maturities, since the flatter yield curve meant that we would give up less income to buy these less risky investments. Helping this process, certain sectors of both the \$1000

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

par capital securities market and the \$25 par listed securities market also afforded opportunities to reinvest in ways that provided more yield for a given level of interest rate risk.

4

Generally, as intermediate- and long-term bonds rallied during this reporting period, \$25 par preferred securities tended to lag behind. This was especially true during the first three months of 2005, when the \$25 par sector experienced one of its worst quarters ever, both on an absolute basis as well as relative to the general fixed-income markets. While this hurt the overall performance of the Funds, it also meant that many \$25 par securities were available at yields that were the most attractive relative to the corporate bond market since 2001. To take advantage of this situation, we reallocated a small percentage of each Fund's portfolios into the \$25 par sector by selling some \$1000 par capital securities.

Other parts of the preferred securities market that appeared very attractive to us were Dividends Received Deduction (DRD) and the Qualified Dividend Income (QDI) issues. Due to a recent change by Moody's in how they would evaluate an issuer's preferred securities, there was a large amount of issuance of this type of paper during this reporting period. In nearly all cases, the new issues were priced attractively to the current market and at levels that allowed investors to buy without giving up much income relative to fully taxable securities. Even though the Funds do not emphasize tax-advantaged income to either individuals or corporations as an objective, we increased our concentration in these types of issues since we believed that we were getting the tax advantages for little or no cost. Moreover, we believed that there were potential total return benefits that existed if these types of preferred investments ever begin to trade at levels that reflect their tax benefits.

The overall management strategy for the convertible sleeves of JPC and JQC remained consistent during this period. We continued to focus on the "balanced" portion of the convertible universe, which includes securities that capture the features of both bonds and stocks by being priced much like bonds while maintaining the upside potential of equities. We thought these securities had an attractive risk/reward trade off between equity sensitivity and downside risk. We had a slight bias towards yield-oriented convertibles while making sure that the convertible securities sleeves of both Funds maintained a minimum of 50% investment grade issues. The Funds' convertible securities sleeves also remained more equity sensitive than the Merrill Lynch All Convertibles Index (VXA0).

5

The first six months of 2005 were very difficult in the convertible securities market due to intense selling pressure from convertible arbitrage hedge funds. This resulted in four consecutive months of negative returns for the VXA0 Index. One reason behind the massive selling pressure was the large number of redemptions suffered by hedge funds as a result of weak performance in 2004 and early 2005. As the selling pressure mounted, many of both Funds' convertible securities holdings declined in value for reasons that we believed were unrelated to their fundamentals.

In addition to troubles in the convertible securities market, the credit default (CDO) market experienced a serious but short-lived crisis. Redemption worries were compounded by a general loosening of correlations between equity and debt.

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

This was best exemplified with the almost simultaneous bid by investor Kirk Kerkorian for General Motors stock and the rating agencies' downgrade to junk of GM debt.

For the high yield debt portion of both portfolios, we continued to employ a value-oriented strategy, focusing on relatively higher-quality credits with strong fundamental business models, diversified revenue streams, and relatively low earnings volatility. Investing our assets across a variety of industry sectors and rating tiers also remains a priority. We continued to evaluate the entire group of holdings, eliminating positions that we believed had escalating credit issues, limited upside potential or significant downside risk.

### HOW DID THE FUNDS PERFORM OVER THIS PERIOD?

The performance of each Fund, as well as the performance of a comparative benchmark, is shown in the accompanying table.

### CUMULATIVE TOTAL RETURN ON NET ASSET VALUE For periods ended June 30, 2005

	6-MONTH	1-YEAR
JPC	-0.68%	9.65%
JQC	-0.80%	9.76%
Comparative Benchmark1	-1.27%	6.48%

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

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

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

1 Comparative benchmark performance is a blended return consisting 1) 60% of the Merrill Lynch Preferred Stock Hybrid Securities Index, an unmanaged index of investment-grade, exchange-traded preferred stocks with outstanding market values of at least \$30 million and at least one year to maturity; 2) 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 3) 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 sales charges or management fees. It is not possible to invest directly in an index.

For the six months ended June 30, 2005, both Funds outperformed an unmanaged, unleveraged comparative benchmark. One of the primary factors benefiting the

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

performance of these Funds relative to that of the benchmark was the Funds' use of financial leverage. While leveraging can add volatility to a Fund's NAV and share price, especially during periods of rising interest rates, this strategy can also provide opportunities for additional income and total return for common shareholders when short-term interest rates remain relatively low and long-term rates fall or remain relatively constant.

While the Funds' performance was unremarkable in absolute terms, they did perform well when compared with their benchmark. Helping the performance of the Funds during this period was the decision to focus on some of the recent DRD and QDI issuance. These purchases produced positive results quickly as many of these offerings traded immediately to premiums. The Funds also benefited from the trades that took profits on a number of \$1000 par capital security positions such as Centaur, Abbey National and KN Energy, with the proceeds then reinvested in both fully taxable and QDI \$25 par securities. We sold our positions in Ameren, Keyspan, Public Service Enterprise and Alltel at significant gains after having enjoyed book yields of 8% or more from these issues over the past couple of years.

On the other hand, auto industry securities were a bad news story during the six month period. As of June 30, 2005, we had liquidated all of our holdings in GM and Delphi, and most of our holdings in Ford. In hindsight, we wish we had acted more quickly. The bonds and preferred securities of these issuers traded down considerably as market share concerns and unfunded pension and health care obligations took center stage in the press. Rating agency downgrades followed and even though most of our investments were in the senior debt of these companies, prices of all securities of these companies dropped as investors reacted to the unfavorable news.

In addition, the underperformance of the \$25 par sector relative to both the \$1000 par capital securities sector and the general bond market hurt the performance of the Funds. We believed this to be a temporary phenomenon, and we actually increased our concentrations in this sector. While we believe this may help the Funds over the longer term, it did constrain their performance over this six month period.

7

In the convertible securities portion of both Funds' portfolios, the energy sector was by far the best performer in the first half of 2005 as oil prices rose substantially. In addition, utilities had a strong second quarter after a slightly negative first quarter. As a result, four of the five best performing securities held for JPC and JQC were from the energy and utilities sectors.

Looking at JPC, the top convertible securities contributors to performance were Chesapeake Energy, FPL Group, Diamond Offshore, Corning Inc. (Telecomm Equipment/Fiber Optics Supplier) and Amerada Hess. The top contributors for JQC were Chesapeake Energy, Kerr-McGee Corp., Public Service Enterprises, Diamond Offshore, and Corning Inc. (Kerr-McGee and Corning were sold prior to June 30, 2005.)

Conversely, the convertible securities sector with the most negative impact was the consumer discretionary area, largely driven by autos. The technology and healthcare areas also had generally poor returns during this period. In JPC, the securities with the largest negative impact were Ford Motor Co., OSI Pharmaceuticals, Nortel Networks, Liberty Media/Viacom, and Comcast PCS. The primary performance detractors for JQC were General Motors, OSI Pharmaceuticals, Ford Motor Co., Tyco International, and Nortel Networks.

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

Despite some volatility in the high yield debt market, several holdings in JPC and JQC performed well. The bond prices for Fisher Scientific, Warnaco, Cienna, Georgia Pacific all gained over 3%. At the same time, these sleeves within the Funds were hurt by their holdings of Affinia, an auto components supplier which was adversely affected by the GM and Ford downgrades. The bond price for Affinia dropped 9% in the quarter.

8

### Distribution and Share Price 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 FundPreferredTM shareholders. As short-term rates rose through this reporting period, the Funds paid higher dividends to their FundPreferred shareholders. As a result, the leveraging strategy - while still beneficial - did not provide as much income enhancement as it did before short-term interest rates began to rise. Over this reporting period, both JPC and JQC announced two reductions in their monthly distribution to shareholders.

Both Funds seek to pay stable distributions at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay distributions at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in distributions, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid distributions in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income in distributions to shareholders. As of June 30, both Funds had negative UNII balances for financial statement purposes and positive UNII balances for tax purposes.

In addition, due to normal portfolio management activity, common shareholders of the following Funds received capital gains and/or net ordinary income distributions at the end of December 2004 as follows:

	LONG-TERM CAPITAL GAINS (PER SHARE)	ORDINARY INCOME (PER SHARE)
JPC	\$0.0710	\$0.1626
JQC	\$0.0196	\$0.0001

The relatively large distributions from JPC represented important parts of this Fund's total return for this period. Generally, these types of distributions were generated by bond calls or by sales of appreciated securities that occurred in the course of normal portfolio management activities. The proceeds of these calls or sales then were reinvested in securities paying lower, current interest rates. On balance, this had a slight negative impact on the Funds' earning power and was a minor factor in the reductions noted above.



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

As of June 30, 2005, the Funds' shares were trading at discounts to their NAVs as shown in the accompanying chart:

	6/30/05 DISCOUNT	6-MONTH AVERAGE DISCOUNT
JPC	-8.69%	-7.79%
JQC	-9.93%	-9.28%

9

Nuveen Preferred and Convertible Income Fund  
JPC

Performance

OVERVIEW As of June 30, 2005

Pie Chart:

PORTFOLIO ALLOCATION

(as a % of total investments)

\$25 Par (or similar) Securities	34.9%
Capital Preferred Securities	22.4%
Convertible Bonds	19.5%
Convertible Preferred Securities	11.3%
Corporate Bonds	10.6%
Repurchase Agreements	1.0%
Common Stocks	0.3%

Bar Chart:

2004-2005 MONTHLY DIVIDENDS PER SHARE<sup>1</sup>

Jul	0.1005
Aug	0.1005
Sep	0.1005
Oct	0.1005
Nov	0.1005
Dec	0.1005
Jan	0.1005
Feb	0.1005
Mar	0.096
Apr	0.096
May	0.096
Jun	0.09

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

7/1/04	13.49
	13.6
	13.66
	13.65
	13.7
	13.69
	13.78
	13.77
	13.68

13.89  
13.88  
13.9  
13.91  
13.86  
13.91  
13.83  
13.69  
13.62  
13.8  
13.94  
13.95  
13.95  
14.07  
14.19  
14.12  
14.05  
14.01  
14  
14.15  
14.01  
14.13  
14.21  
14.09  
14.01  
14.03  
14.1  
14.16  
14.2  
14.24  
14.39  
14.47  
14.56  
14.53  
14.56  
14.52  
14.44  
14.54  
14.55  
14.59  
14.59  
14.69  
14.55  
14.36  
14.31  
14.45  
14.41  
14.46  
14.49  
14.53  
14.54  
14.56  
14.65  
14.69  
14.6  
14.57  
14.6  
14.65  
14.7  
14.72  
14.67  
14.75

14.76  
14.76  
14.62  
14.56  
14.54  
14.54  
14.49  
14.44  
14.39  
14.4  
14.34  
14.38  
14.57  
14.65  
14.73  
14.85  
14.95  
14.98  
14.96  
14.54  
14.36  
14.46  
14.51  
14.49  
14.53  
14.61  
14.55  
14.54  
14.56  
14.56  
14.48  
14.46  
14.49  
14.52  
14.37  
14.26  
14.25  
14.16  
14.29  
14.43  
14.48  
14.45  
14.46  
14.47  
14.38  
14.19  
14.07  
14.04  
13.97  
13.86  
13.99  
14.06  
14.02  
13.82  
13.89  
14.07  
14.19  
14.33  
14.26  
14.34  
14.32  
14.47

14.47  
14.45  
14.5  
14.35  
14.36  
14.28  
14.26  
14.23  
14.27  
14.23  
14.21  
14.15  
14.09  
14.24  
14.35  
14.43  
14.5  
14.56  
14.53  
14.59  
14.69  
14.66  
14.68  
14.75  
14.6  
14.65  
14.57  
14.51  
14.45  
14.29  
14.08  
14.34  
14.47  
14.54  
14.63  
14.62  
14.55  
14.41  
14.34  
14.35  
14.38  
14.1  
14  
13.69  
13.39  
13.29  
13.06  
13.22  
13.05  
12.82  
12.69  
12.42  
12.51  
12.32  
12.55  
12.87  
13.08  
12.97  
13.04  
12.9  
12.98  
13

13  
12.9  
12.94  
12.83  
12.8  
12.6  
12.58  
12.62  
12.59  
12.55  
12.62  
12.63  
12.67  
12.8  
12.93  
12.93  
12.93  
12.89  
12.99  
13.14  
13.13  
13.09  
13.13  
13.2  
13.11  
13.11  
13.1  
13.05  
13.02  
13.05  
13.01  
13.12  
13.17  
13.19  
13.23  
13.25  
13.25  
13.36  
13.43  
13.44  
13.36  
13.36  
13.41  
13.35  
13.4  
13.41  
13.13  
13.19  
13.2  
13.24  
13.28  
13.25  
13.28  
13.42  
13.46  
13.44  
13.39  
13.37  
13.37  
13.35

6/30/05

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

### PORTFOLIO STATISTICS

Common Share Price	\$13.35
Common Share Net Asset Value	\$14.62
Premium/(Discount) to NAV	-8.69%
Latest Dividend	\$.0900
Market Yield	8.09%
Net Assets Applicable to Common Shares (\$000)	\$1,463,774

### INDUSTRIES

(as a % of total investments)

Commercial Banks	17.9%
Insurance	12.4%
Real Estate	9.0%
Capital Markets	7.7%
Diversified Financial Services	7.6%
Media	5.4%
Hotels Restaurants & Leisure	4.5%
Thrifts & Mortgage Finance	3.8%
Pharmaceuticals	2.6%
Oil, Gas & Consumable Fuels	2.6%
Electric Utilities	2.4%
Repurchase Agreements	1.0%
Other	23.1%

### TOP FIVE ISSUERS

(EXCLUDING REPURCHASE AGREEMENTS)

(as a % of total investments)

Wachovia Corporation	2.0%
JPMorgan Chase & Company	1.9%
Citigroup	1.9%
HBOS Public Limited Company	1.7%
HSBC Holdings Public Limited Company	1.7%

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

## ANNUALIZED TOTAL RETURN (Inception 3/26/03)

	ON SHARE PRICE	ON NAV
6-Month (Cumulative)	-2.81%	-0.68%
1-Year	10.93%	9.65%
Since Inception	3.72%	9.80%

1 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2004 of \$0.2336 per share.

10

Nuveen Preferred and Convertible Income Fund 2  
JQC

### Performance

OVERVIEW As of June 30, 2005

### Pie Chart:

#### PORTFOLIO ALLOCATION

(as a % of total investments)

\$25 Par (or similar) Securities	33.8%
Capital Preferred Securities	23.3%
Convertible Bonds	19.0%
Convertible Preferred Securities	11.0%
Corporate Bonds	10.6%
Repurchase Agreements	1.9%
Common Stocks	0.4%

### Bar Chart:

#### 2004-2005 MONTHLY DIVIDENDS PER SHARE<sup>1</sup>

Jul	0.0975
Aug	0.0975
Sep	0.0975
Oct	0.0975
Nov	0.0975
Dec	0.0975
Jan	0.0975
Feb	0.0975
Mar	0.093
Apr	0.093
May	0.093
Jun	0.0885

### Line Chart:

#### SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

7/1/04 13.06

13.21  
13.23  
13.27  
13.36  
13.35  
13.44  
13.19  
13.19  
13.26  
13.43  
13.43  
13.42  
13.29  
13.29  
13.3  
13.2  
13.13  
13.31  
13.43  
13.54  
13.54  
13.6  
13.65  
13.68  
13.62  
13.68  
13.63  
13.77  
13.71  
13.7  
13.71  
13.6  
13.53  
13.56  
13.63  
13.73  
13.62  
13.67  
13.75  
13.83  
13.9  
13.94  
14.01  
14.08  
14.02  
14.05  
14.03  
14.11  
14.19  
14.26  
14.18  
14.16  
14.09  
14.08  
14.11  
14.13  
14.13  
14.2  
14.21  
14.17  
14.13  
14.22



14.18  
14.11  
14.16  
14.24  
14.32  
14.27  
14.26  
14.33  
14.38  
14.35  
14.22  
14.15  
14.18  
14.07  
14.12  
14.1  
14  
13.93  
13.98  
14.02  
14.11  
14.17  
14.23  
14.29  
14.31  
14.45  
14.49  
14.07  
13.82  
13.99  
14.01  
14.03  
14.04  
14.05  
14.05  
14.16  
14.22  
14.09  
14.03  
14.04  
14.04  
14.05  
13.94  
13.83  
13.82  
13.71  
13.81  
13.98  
14.04  
14.03  
13.99  
13.98  
13.84  
13.69  
13.62  
13.57  
13.52  
13.57  
13.77  
13.7  
13.65  
13.56

13.5  
13.7  
13.81  
13.87  
13.87  
13.88  
13.83  
13.91  
13.94  
13.99  
14.02  
13.93  
13.93  
13.89  
13.88  
13.83  
13.85  
13.85  
13.85  
13.8  
13.76  
13.86  
13.95  
13.98  
14.05  
14.04  
14  
14.12  
14.22  
14.25  
14.35  
14.37  
14.28  
14.15  
14.17  
14.14  
14.02  
13.85  
13.67  
13.98  
14.04  
14.06  
14.09  
14.07  
14.04  
13.91  
13.84  
13.83  
13.88  
13.54  
13.48  
13.21  
13.02  
12.94  
12.75  
12.9  
12.82  
12.59  
12.56  
12.33  
12.4  
12.3

12.55  
12.72  
12.76  
12.64  
12.73  
12.63  
12.69  
12.69  
12.74  
12.69  
12.74  
12.61  
12.54  
12.4  
12.45  
12.57  
12.54  
12.47  
12.44  
12.42  
12.4  
12.39  
12.52  
12.6  
12.6  
12.7  
12.76  
12.92  
12.88  
12.78  
12.82  
12.85  
12.78  
12.74  
12.74  
12.77  
12.78  
12.82  
12.83  
12.85  
12.94  
12.91  
12.86  
12.83  
12.9  
12.97  
13.08  
13.09  
13.07  
13.07  
13.16  
13.14  
13.12  
13.08  
12.9  
12.98  
12.94  
12.96  
13.07  
13.05  
13.05  
13.1

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

	13.09
	13.1
	13.05
	13.05
	13.06
6/30/05	13.06

PORTFOLIO STATISTICS

Common Share Price	\$13.06
Common Share Net Asset Value	\$14.50
Premium/(Discount) to NAV	-9.93%
Latest Dividend	\$.0885
Market Yield	8.13%
Net Assets Applicable to Common Shares (\$000)	\$2,044,450

INDUSTRIES

(as a % of total investments)

Commercial Banks	20.8%
Insurance	12.1%
Real Estate	8.3%
Diversified Financial Services	8.2%
Capital Markets	6.7%
Media	5.7%
Hotels Restaurants & Leisure	4.0%
Oil, Gas & Consumable Fuels	2.8%
Pharmaceuticals	2.4%
Thrifts & Mortgage Finance	1.9%
Specialty Retail	1.7%
Energy Equipment & Services	1.7%
Repurchase Agreements	1.9%
Other	21.8%

TOP FIVE ISSUERS

(EXCLUDING REPURCHASE AGREEMENTS)

(as a % of total investments)

Wachovia Corporation	2.2%
----------------------	------

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

JPMorgan Chase & Company	2.1%
Citigroup	1.9%
HBOS Public Limited Company	1.8%
ING Groep NV	1.6%

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

	ON SHARE PRICE	ON NAV
6-Month (Cumulative)	-1.77%	-0.80%
1-Year	10.28%	9.76%
Since Inception	1.12%	8.45%

1 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2004 of \$0.0197 per share.

11

Shareholder  
MEETING REPORT

The annual shareholder meeting was held on March 22, 2005, in Chicago at Nuveen's headquarters.

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	96,638,297	--
Withhold	694,786	--
Total	97,333,083	--
Lawrence H. Brown		
For	96,630,734	--
Withhold	702,349	--
Total	97,333,083	--
Jack B. Evans		
For	96,668,478	--

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

Withhold	664,605	--
Total	97,333,083	--
=====		
William C. Hunter		
For	96,640,331	--
Withhold	692,752	--
Total	97,333,083	--
=====		
David J. Kundert		
For	96,640,310	--
Withhold	692,773	--
Total	97,333,083	--
=====		
William J. Schneider		
For	--	25,488
Withhold	--	43
Total	--	25,531
=====		
Timothy R. Schwertfeger		
For	--	25,496
Withhold	--	35
Total	--	25,531
=====		
Judith M. Stockdale		
For	96,622,037	--
Withhold	711,046	--
Total	97,333,083	--
=====		
Eugene S. Sunshine		
For	96,635,068	--
Withhold	698,015	--
Total	97,333,083	--
=====		

12

Nuveen Preferred and Convertible Income Fund (JPC)  
 Portfolio of  
 INVESTMENTS June 30, 2005 (Unaudited)

SHARES	DESCRIPTION(1)
	COMMON STOCKS - 0.5% (0.3% OF TOTAL INVESTMENTS)
	DIVERSIFIED FINANCIAL SERVICES - 0.2%
71,370	Gabelli Asset Management Inc.
	IT SERVICES - 0.1%

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

62,025	Acxiom Corporation		
-----			
	SOFTWARE - 0.2%		
102,711	Computer Associates International Inc.		
-----			
	Total Common Stocks (cost \$7,196,915)		
-----			
			RATING
SHARES	DESCRIPTION(1)	COUPON	MOODY'S
-----			
	\$25 PAR (OR SIMILAR) SECURITIES - 51.6% (34.9% OF TOTAL INVESTMENTS)		
	AUTOMOBILES - 0.5%		
169,229	Ford Motor Company (CORTS)	8.000%	Baa3
123,079	Ford Motor Company, Series F (CORTS)	8.000%	Baa3
-----			
	CAPITAL MARKETS - 5.0%		
2,500	ABN AMRO North America, Series L, 144A (a)	6.460%	A3
17,900	Bear Stearns Capital Trust III	7.800%	A2
500	BNY Capital Trust IV, Series E	6.875%	A1
300,800	BNY Capital Trust V, Series F	5.950%	A1
129,800	Compass Capital Trust III	7.350%	A3
9,900	CSFB USA, Series 2002-10 (SATURNS)	7.000%	Aa3
29,000	First Union Capital II, Series II, (CORTS)	7.500%	A1
41,500	First Union Institutional Capital II, (CORTS)	8.200%	A1
39,600	Goldman Sachs Group Inc., Series 2004-4, (CORTS)	6.000%	A1
13,100	Goldman Sachs Group Inc., Series2003-06 (SATURNS)	6.000%	Aa3
526,388	Lehman Brothers Holdings Capital Trust III, Series K	6.375%	A2
2,400	Lehman Brothers Holdings Capital Trust IV, Series L	6.375%	A2
109,800	Merrill Lynch Capital Trust	7.000%	A1
29,000	Merrill Lynch Preferred Capital Trust	7.750%	A1
227,900	Merrill Lynch Preferred Capital Trust V	7.280%	A1
119,200	Merrill Lynch Preferred Capital Trust IV	7.120%	A1
23,300	Morgan Stanley (PPLUS)	7.050%	Aa3
67,100	Morgan Stanley Capital Trust II	7.250%	A1
365,739	Morgan Stanley Capital Trust III	6.250%	A1
717,800	Morgan Stanley Capital Trust IV	6.250%	A1
25,000	Safeco Capital Trust I (CORTS)	8.750%	Baa2
13,200	Safeco Capital Trust IV (CORTS)	8.375%	Baa2
-----			
	COMMERCIAL BANKS - 7.2%		
170,000	Abbey National plc	7.375%	A2
92,400	Abbey National plc, Series B	7.250%	A1
16,600	Abbey National plc, Series B	7.375%	A2
37,900	ABN AMRO Capital Fund Trust V	5.900%	A2
69,300	ASBC Capital I	7.625%	Baa1
68,185	BAC Capital Trust I	7.000%	Aa3
135,755	BAC Capital Trust II	7.000%	Aa3
284,700	BAC Capital Trust III	7.000%	Aa3
59,750	Banco Santander	6.410%	A2
63,400	Banco Totta & Acores Finance, Series A	8.875%	A3

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

207,400 Banesto Holdings, Series A, 144A 10.500% A2

13

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

SHARES	DESCRIPTION(1)	COUPON	RATING MOODY'S
COMMERCIAL BANKS (continued)			
81,700	Bank One Capital Trust VI	7.200%	A1
35,200	BankNorth Capital Trust II	8.000%	A3
62,600	Chittenden Capital Trust I	8.000%	Baa1
4,700	Citigroup Capital X	6.100%	Aa2
107,000	Cobank ABC, 144A (a)	7.000%	NR
83,400	Comerica Capital Trust I	7.600%	A3
306,079	Fleet Capital Trust VII	7.200%	Aa3
337,000	Fleet Capital Trust VIII	7.200%	Aa3
15,500	KeyCorp, Series 2001-7 (CORTS)	7.750%	A3
25,400	KeyCorp, Series B (CORTS)	8.250%	A3
156,300	National Commerce Capital Trust II	7.700%	A1
32,900	National Westminster Bank plc, Series A	7.875%	Aa2
32,200	PNC Capital Trust	6.125%	A3
21,400	Regions Finance Trust I	8.000%	A2
175,000	Royal Bank of Scotland Group plc, Series L	5.750%	A1
77,700	SunTrust Capital Trust IV	7.125%	A1
57,700	SunTrust Capital Trust V	7.050%	A1
71,100	USB Capital Trust III	7.750%	Aa3
189,300	USB Capital Trust IV	7.350%	Aa3
70,300	USB Capital Trust V	7.250%	Aa3
344,300	USB Capital Trust VI	5.750%	Aa3
33,400	VNB Capital Trust I	7.750%	Baa1
21,400	Washington Mutual Capital Trust I, Series 2001-22, Class A-1 (CORTS)	7.650%	Baa1
9,100	Wells Fargo Capital Trust IV	7.000%	Aa2
77,235	Wells Fargo Capital Trust V	7.000%	Aa2
14,700	Wells Fargo Capital Trust VI	6.950%	Aa2
225,700	Wells Fargo Capital Trust VII	5.850%	Aa2
80,200	Zions Capital Trust B	8.000%	Baa1
COMPUTERS & PERIPHERALS - 0.1%			
13,100	IBM Inc. (CORTS)	7.125%	A1
20,700	IBM Inc., Series 2001-1 (SATURNS)	7.125%	A1
2,700	IBM Inc., Trust Certificates, Series 2001-2	7.100%	A1
5,100	IBM Trust III (CORTS)	7.200%	A1
CONSUMER FINANCE - 1.5%			
773,900	HSEC Finance Corporation	6.875%	A1
27,800	Household Capital Trust VI	8.250%	A2
39,200	Household Capital Trust VII	7.500%	A2
DIVERSIFIED FINANCIAL SERVICES - 5.8%			



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

15,100	BBVA Preferred Capital Ltd., Series B	7.750%	A1
15,200	CIT Group Incorporated (CORTS)	7.750%	A3
215,900	Citigroup Capital Trust IX	6.000%	Aa2
79,500	Citigroup Capital Trust VII	7.125%	Aa2
355,200	Citigroup Capital Trust VIII	6.950%	Aa2
4,800	Citigroup Capital Trust XI	6.000%	Aa2
33,200	Citigroup Inc., Series F (a)	6.365%	Aa3
94,000	Citigroup Inc., Series G (a)	6.213%	Aa3
59,300	Citigroup Inc., Series H (a)	6.231%	Aa3
4,600	Citigroup Inc., Series M (a)	5.864%	Aa3
5,400	General Electric Capital Corporation	5.875%	NR
33,100	General Electric Capital Corporation	6.625%	Aaa
2,200	General Electric Capital Corporation (CORTS)	6.000%	Aaa
769,075	ING Group NV	7.050%	NR
560,618	ING Group NV	7.200%	A2
16,800	ING Group NV	6.200%	A2
30,000	JPM Capital Trust (CORTS)	7.200%	A2
52,200	JPMorgan Chase & Company (PCARS)	7.125%	A2
395,367	JPMorgan Chase Capital Trust X	7.000%	A1
22,800	JPMorgan Chase Capital Trust XVI	6.350%	A1
47,200	JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS)	7.125%	A1

14

SHARES	DESCRIPTION(1)	COUPON	RATING MOODY'S
DIVERSIFIED FINANCIAL SERVICES (continued)			
29,900	Merrill Lynch Capital Trust II	8.000%	A1
91,395	Royal Bank of Scotland Group plc, Series N	6.350%	A1
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.4%			
2,500	BellSouth Capital Funding (CORTS)	7.100%	A1
11,600	BellSouth Corporation	7.125%	A2
2,200	BellSouth Corporation (CORTS)	7.000%	Aa3
29,000	BellSouth Corporation, Series 2001-3, (SATURNS)	7.125%	A2
9,800	BellSouth Inc. (CORTS)	7.000%	A2
16,700	BellSouth Telecommunications (PPLUS)	7.300%	Aa3
44,750	Deutsche Telekom International Finance B.V., Series 2001-24, Class A-1 (CORTS)	7.875%	A3
16,900	SBC Communications Inc.	7.000%	A2
17,100	Verizon Communications (CORTS)	7.625%	A2
22,200	Verizon Communications (CORTS)	7.375%	A2
13,900	Verizon New England Inc., Series B	7.000%	A2
41,555	Verizon South Inc., Series F	7.000%	A2
ELECTRIC UTILITIES - 1.4%			
10,000	Consolidated Edison Company	7.250%	A2
7,000	Consolidated Edison Company of New York Inc.	7.500%	A1
22,200	DTE Energy Trust I	7.800%	Baa3
33,470	Entergy Louisiana Inc.	7.600%	Baa1

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

43,670	Georgia Power Capital Trust V	7.125%	A3
6,600	Georgia Power Company	5.700%	Aaa
228,700	Georgia Power Company	5.900%	A2
4,100	National Rural Utilities Cooperative Finance Corporation	7.600%	A3
80,000	National Rural Utilities Cooperative Finance Corporation	6.100%	A3
116,800	National Rural Utilities Cooperative Finance Corporation	5.950%	A3
113,432	Tennessee Valley Authority, Series D	6.750%	Aaa
128,000	Virginia Power Capital Trust	7.375%	Baal
-----			
	FOOD PRODUCTS - 0.4%		
58,000	Dairy Farmers of America Inc., 144A (a)	7.875%	Ba1
-----			
	GAS UTILITIES - 0.0%		
23,000	AGL Capital Trust II	8.000%	Baa2
-----			
	HEALTHCARE PROVIDERS & SERVICES - 0.5%		
274,000	Aetna Incorporated	8.500%	Baal
-----			
	INSURANCE - 10.5%		
5,500	ACE Capital Trust I, Series 1999	8.875%	Baal
538,010	Ace Ltd., Series C	7.800%	Baa2
777,500	Aegon NV	6.375%	A3
13,000	Allstate Insurance Company (CORTS)	8.000%	A2
6,000	AMBAC Financial Group Inc.	7.000%	Aa2
53,200	AMBAC Financial Group Inc.	5.950%	Aa2
5,000	AMBAC Financial Group Inc.	5.875%	Aa2
1,218,400	Delphi Financial Group Inc.	8.000%	Baa3
158,005	EverestRe Capital Trust II	6.200%	Baal
99,400	EverestRe Group Limited	7.850%	Baal
8,600	Financial Security Assurance Holdings	6.875%	Aa2
18,300	Financial Security Assurance Holdings	6.250%	Aa2
208,400	Hartford Capital Trust III, Series C	7.450%	Baal
37,400	Hartford Life Capital Trust II, Series B	7.625%	Baal
38,400	Lincoln National Capital Trust V, Series E	7.650%	Baal
3,500	Lincoln National Capital Trust VI	6.750%	Baal
557,500	MetLife Inc., Series B (a)	6.500%	Baal
962,000	PartnerRe Limited, Series C	6.750%	Baal
2,600	PartnerRe Limited, Series D	6.500%	Baal
81,300	PLC Capital Trust III	7.500%	Baal
35,700	PLC Capital Trust IV	7.250%	Baal
6,000	PLC Capital Trust V	6.125%	Baal

15

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

SHARES	DESCRIPTION(1)	COUPON	RATING MOODY'S
--------	----------------	--------	-------------------

INSURANCE (continued)

37,400	Prudential plc	6.750%	Baa1
325,410	RenaissanceRe Holdings Ltd., Series B	7.300%	Baa2
12,000	RenaissanceRe Holdings Ltd., Series C	6.080%	Baa2
96,100	RenaissanceRe Holdings Ltd., Series A	8.100%	Baa2
23,500	Safeco Capital Trust I (CORTS)	8.700%	Baa2
11,300	Safeco Capital Trust I, Series 2001-4, (CORTS)	8.750%	Baa2
33,700	Safeco Capital Trust III (CORTS)	8.072%	Baa2
47,400	Safeco Corporation, Series 2001-7, (SATURNS)	8.250%	Baa2
40,600	Safeco Corporation, Series 2002-5, (SATURNS)	8.250%	Baa2
33,000	Torchmark Capital Trust I	7.750%	Baa1
74,000	W.R. Berkley Capital Trust, Series 2002-1, (CBTCS)	8.125%	Baa3
86,700	XL Capital Ltd., Series A	8.000%	Baa1
292,100	XL Capital Ltd., Series B	7.625%	Baa1

MEDIA - 0.1%

43,700	Viacom Inc.	7.300%	A3
--------	-------------	--------	----

MULTI-UTILITIES & UNREGULATED POWER - 0.2%

49,100	Dominion CNG Capital Trust I	7.800%	Baa1
56,100	Energy East Capital Trust I	8.250%	Baa3

OIL, GAS & CONSUMABLE FUELS - 0.9%

477,200	Nexen Inc.	7.350%	Baa3
1,000	TransCanada Pipeline	8.250%	A3

REAL ESTATE - 12.2%

10,700	AvalonBay Communities, Inc., Series H	8.700%	Baa2
3,000	BRE Properties, Series B	8.080%	Baa3
22,500	BRE Properties, Series C	6.750%	Baa3
345,825	CarrAmerica Realty Corporation, SeriesE	7.500%	Baa3
20,600	Developers Diversified Realty Corporation, Series F	8.600%	Ba1
657,885	Developers Diversified Realty Corporation, Series G	8.000%	Ba1
72,600	Developers Diversified Realty Corporation, Series H	7.375%	Ba1
80,400	Duke Realty Corporation, Series L	6.600%	Baa2
208,656	Equity Office Properties Trust, Series G	7.750%	Baa3
6,100	Equity Residential Properties Trust	9.125%	Baa2
19,200	Equity Residential Properties Trust, Series C	9.125%	Baa2
9,900	Equity Residential Properties Trust, Series D	8.600%	Baa2
424,173	Equity Residential Properties Trust, Series N	6.480%	Baa2
7,000	HRPT Properties Trust, Series A	9.875%	Baa3
309,400	HRPT Properties Trust, Series B	8.750%	Baa3
755,483	Kimco Realty Corporation, Series F	6.650%	Baa2
13,693	New Plan Excel Realty Trust, Series D	7.800%	Baa3
974,075	New Plan Excel Realty Trust, Series E	7.625%	NR
32,982	Prologis Trust, Series C	8.540%	Baa2
13,600	Prologis Trust, Series G	6.750%	Baa2
37,500	Public Storage Inc., Series E	6.750%	Baa2
159,800	Public Storage Inc., Series R	8.000%	Baa2
34,900	Public Storage Inc., Series S	7.875%	Baa2

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

28,200	Public Storage Inc., Series T	7.625%	Baa2
29,200	Public Storage Inc., Series U	7.625%	Baa2
32,000	Public Storage Inc., Series V	7.500%	Baa2
186,500	Regency Centers Corporation	7.450%	Baa3
7,000	Simon Property Group, Inc., Series G	7.890%	Baa2
16,800	Vornado Realty Trust, Series G	6.625%	Baa3
1,461,445	Wachovia Preferred Funding Corporation	7.250%	A2
707,700	Weingarten Realty Trust, Preferred Securities	6.750%	Baa1

-----  
SPECIALTY RETAIL - 0.0%

11,900	Sherwin Williams Company, Series III, (CORTS)	7.250%	A2
--------	---	--------	----

16

SHARES	DESCRIPTION(1)	COUPON	RATING ----- MOODY'S
-----			
THRIFTS & MORTGAGE FINANCE - 4.0%			
96,300	Countrywide Capital Trust III (PPLUS)	8.050%	Baa1
1,200,900	Countrywide Capital Trust IV	6.750%	Baa1
184,300	Fannie Mae (a)	0.000%	Aa3
143,300	Fannie Mae (a)	5.125%	Aa3
90,200	Federal Home Loan Mortgage Corporation (a)	6.000%	Aa3
20,600	Federal Home Loan Mortgage Corporation (a)	6.140%	Aa3
47,300	Federal Home Loan Mortgage Corporation (a)	5.100%	Aa3
8,000	Federal Home Loan Mortgage Corporation (a)	5.000%	Aa3
-----			
US AGENCY - 0.1%			
17,000	Federal Home Loan Mortgage Corporation (a)	5.300%	Aa3
-----			
WIRELESS TELECOMMUNICATION SERVICES - 0.8%			
18,300	AT&T Wireless Services Equity, Series 2002-B (SATURNS)	9.250%	Baa2
31,300	AT&T Wireless, Series 2002-7 (CORTS)	8.000%	Baa2
84,500	Telephone and Data Systems Inc.	7.600%	Baa1
35,800	United States Cellular Corporation	8.750%	Baa1
271,600	United States Cellular Corporation	7.500%	Baa1
-----			
Total \$25 Par (or similar) Securities (cost \$745,121,049)			
-----			
CONVERTIBLE PREFERRED SECURITIES - 16.7% (11.3% OF TOTAL INVESTMENTS)			
AUTOMOBILES - 0.4%			
152,050	Ford Motor Company Capital Trust II	6.500%	Ba1
-----			
CAPITAL MARKETS - 1.0%			
108,560	Goldman Sachs Group Inc., Series EMC	6.125%	Aa3

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

89,675	Lehman Brothers Holdings Inc., Series GIS	6.250%	A1
53,200	State Street Corporation	6.750%	NR
-----			
CHEMICALS - 0.9%			
133,290	Celanese Corporation	4.250%	NR
112,625	Huntsman Corporation	5.000%	NR
52,800	The Mosaic Company	7.500%	Caal
-----			
COMMERCIAL BANKS - 2.0%			
10,730,000	Fortis Insurance NV, 144A	7.750%	A1
97,950	HSBC Finance Corporation	8.875%	A1
164,000	Sovereign Capital Trust IV, Convertible Security	4.375%	Bal
105,800	Washington Mutual Inc., Unit 1 Trust	5.375%	Baal
-----			
COMMERCIAL SERVICES & SUPPLIES - 0.3%			
97,375	Allied Waste Industries Inc.	6.250%	Caa3
-----			
CONSTRUCTION MATERIALS - 0.3%			
85,800	TXI Capital Trust I	6.500%	B2
-----			
DIVERSIFIED FINANCIAL SERVICES - 0.7%			
217,900	Citigroup Global Markets	2.000%	Aa1
-----			
ELECTRIC UTILITIES - 1.6%			
213,350	DTE Energy Company	8.750%	Baa2
217,900	FPL Group Inc.	8.000%	NR
56,800	PNM Resources Inc.	6.750%	Baa3
-----			
ENERGY EQUIPMENT & SERVICES - 0.1%			
25,000	Hanover Compressor Capital Trust	7.250%	Caal
-----			
FOOD & STAPLES RETAILING - 0.1%			
90,465	Albertson's, Inc.	7.250%	Baa2
-----			
GAS UTILITIES - 0.2%			
39,750	Southern Union Company, Series B	5.750%	Baa3

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

SHARES	DESCRIPTION(1)	COUPON	MOODY'S
-----			
HOTELS, RESTAURANTS & LEISURE - 1.0%			
250,000	Host Marriott Financial Trust	6.750%	B2
-----			
HOUSEHOLD DURABLES - 0.3%			
106,675	Newell Financial Trust I	5.250%	Baa3
-----			
INSURANCE - 3.9%			
66,550	Conseco Inc., Series B	5.500%	Caa2
398,965	Genworth Financial Inc.	6.000%	A2
61,200	Hartford Financial Services Group Inc.	7.000%	NR
418,700	MetLife Inc., Convertible, Series B	6.375%	NR
90,000	Phoenix Companies Inc.	7.000%	NR
166,000	Reinsurance Group of America Inc.	5.750%	Baa2
100,000	The Chubb Corporation	7.000%	NR
65,000	UnumProvident Corporation	8.250%	Ba1
256,250	XL Capital Ltd	6.500%	A2
-----			
MEDIA - 0.7%			
185,000	Emmis Communications Corporation, Series A	6.250%	Caal
53,375	Interpublic Group Companies Inc., Series A	5.375%	NR
-----			
MULTI-UTILITIES & UNREGULATED POWER - 0.6%			
56,625	Aquila Inc.	6.750%	B2
133,155	Dominion Resources Inc.	8.750%	Baa1
-----			
OIL, GAS & CONSUMABLE FUELS - 0.9%			
40,125	Amerada Hess Corporation	7.000%	Ba3
6,725	Chesapeake Energy Corporation, 144A	4.125%	NR
-----			
PHARMACEUTICALS - 0.4%			
126,150	Schering-Plough Corporation	6.000%	Baa3
-----			
REAL ESTATE - 0.6%			
165,000	Equity Office Properties Trust, Series B	5.250%	Baa2
-----			
THRIFTS & MORTGAGE FINANCE - 0.7%			
81	Fannie Mae	5.375%	Aa3
87,475	PMI Group Inc.	5.875%	A1
-----			
Total Convertible Preferred Securities (cost \$221,319,523)			

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

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
CONVERTIBLE BONDS - 28.9% (19.5% OF TOTAL INVESTMENTS)			
AEROSPACE & DEFENSE - 0.4%			
2,900	AAR Corporation, 144A	2.875%	2/01/24
2,500	EDO Corporation, Convertible Subordinate Note	5.250%	4/15/07
-----			
AIRLINES - 0.2%			
2,625	Pinnacle Airlines Corporation, 144A	3.250%	2/15/25
-----			
AUTOMOBILES - 0.6%			
785	Fleetwood Enterprises Inc., 144A	5.000%	12/15/23
185,250	General Motors Corporation, Convertible Notes, Senior Debentures, Series A	4.500%	3/06/32
185,100	General Motors Corporation, Convertible Notes, Senior Debentures, Series B	5.250%	3/03/32
-----			
BIOTECHNOLOGY - 1.0%			
1,320	CV Therapeutics Inc.	2.750%	5/16/12
1,645	CV Therapeutics Inc.	3.250%	8/16/13
4,500	Ivax Corporation, Convertible Bonds, 144A	1.500%	3/01/24
6,500	Ivax Corporation, Convertible Senior Subordinated Notes	4.500%	5/15/08

18

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
COMMERCIAL SERVICES & SUPPLIES - 0.7%			
4,015	DST Systems Inc.	4.125%	8/15/23
6,435	Electronic Data Systems, Convertible Senior Notes, 144A	3.875%	7/15/23
-----			
COMMUNICATIONS EQUIPMENT - 2.2%			
5,565	Comverse Technology Inc.	0.000%	5/15/23
6,735	JDS Uniphase Corporation	0.000%	11/15/10
10,850	Liberty Media Corporation, Senior Debentures Exchangeable for Motorola Common Stock	3.500%	1/15/31
625	Lucent Technologies Inc.	2.750%	6/15/23
1,610	Lucent Technologies Inc., Series B	2.750%	6/15/25

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

2,985	Nortel Networks Corp	4.250%	9/01/08
3,355	Powerwave Technologies Inc.	1.825%	11/15/24
1,240	Powerwave Technologies Inc.	1.875%	11/15/24
-----			
COMPUTERS & PERIPHERALS - 0.2%			
2,500	Mercury Computer Systems Inc.,144A	2.000%	5/01/24
-----			
CONSUMER FINANCE - 0.5%			
6,900	Providian Financial Corporation, Convertible Senior Notes	3.250%	8/15/05
-----			
CONTAINERS & PACKAGING - 0.2%			
3,400	Sealed Air Corporation, 144A	3.000%	6/30/33
-----			
DIVERSIFIED FINANCIAL SERVICES - 0.1%			
1,990	Leucadia National Corporation, 144A	3.750%	4/15/14
-----			
ELECTRIC UTILITIES - 0.4%			
1,835	PG&E Corporation	9.500%	6/30/10
755	Unisource Energy Corporation, 144A	4.500%	3/01/35
-----			
ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.8%			
255	Gateway Inc.	1.500%	12/31/09
1,725	Gateway Inc., 144A	2.000%	12/31/11
3,250	Gateway Inc., 144A	1.500%	12/31/09
6,600	Solectron Corporation, Series B	0.500%	2/15/34
2,720	Vishay Intertechnology Inc.	3.625%	8/01/23
-----			
ENERGY EQUIPMENT & SERVICES - 1.9%			
2,600	Cal Dive International Inc.	3.250%	12/15/25
6,275	Diamond Offshore Drilling Inc.	1.500%	4/15/31
2,325	Oil States International Inc., Series 144A	2.375%	7/01/25
5,265	Pride International Inc.	3.250%	5/01/33
7,000	Schlumberger Limited	2.125%	6/01/23
510	Willbros Group Inc., 144A	2.750%	3/15/24
-----			
HEALTHCARE EQUIPMENT & SUPPLIES - 0.9%			
4,315	Advanced Medical Optics	2.500%	7/15/24
8,835	Fisher Scientific International Inc.	3.250%	3/01/24
-----			
HEALTHCARE PROVIDERS & SERVICES - 0.5%			
3,100	Health Management Associates Inc.	1.500%	8/01/23
6,210	Roche Holdings Inc., 144A	0.000%	7/25/21



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

---

HOTELS, RESTAURANTS & LEISURE - 3.1%			
11,300	Carnival Corporation	1.132%	4/29/33
2,550	Hilton Hotels Corporation	3.375%	4/15/23
5,400	Kerzner International Limited, 144A	2.375%	4/15/24
15,500	Royal Caribbean Cruises Limited, Senior Convertible Liquid Yield Option Notes	0.000%	2/02/21
6,305	Scientific Games Corporation	0.750%	12/01/24
3,525	Six Flags Inc.	4.500%	5/15/15
5,830	Starwood Hotels and Resorts Worldwide Inc.	3.500%	5/16/23

19

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
<hr/>			
INDUSTRIAL CONGLOMERATES - 0.3%			
3,350	Tyco International Group SA, Convertible Notes, 144A	3.125%	1/15/23
<hr/>			
INSURANCE - 0.5%			
5,075	American Equity Investment Life Holding Company	5.250%	12/06/24
2,300	American International Group Inc.	0.500%	5/15/07
<hr/>			
INTERNET & CATALOG RETAIL - 0.1%			
220	Overstock.com, Inc.	3.750%	12/01/11
2,030	Overstock.com, Inc.	3.750%	12/01/11
<hr/>			
INTERNET SOFTWARE & SERVICES - 0.2%			
5,845	Open Solutions Inc., 144A	1.467%	2/02/35
<hr/>			
IT SERVICES - 0.4%			
5,390	Digital River Inc., 144A	1.250%	1/01/24
<hr/>			
LEISURE EQUIPMENT & PRODUCTS - 1.1%			
3,675	Collegiate Pacific Inc.	5.750%	12/01/09
5,300	Hasbro Inc.	2.750%	12/01/21
6,195	K2 Corporation, Convertible Notes, 144A	5.000%	6/15/10
<hr/>			
MACHINERY - 0.3%			
4,180	AGCO Corporation, Series B	1.750%	12/31/33

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

-----			
MEDIA - 4.2%			
PRINCIPAL AMOUNT (000) / SHARES	DESCRIPTION (1)	COUPON	MATURITY
-----			
325,000	Comcast Corporation	2.000%	10/15/29
4,000	Echostar Communications Corporation, Convertible Subordinated Notes	5.750%	5/15/08
3,400	Interpublic Group Companies Inc.	4.500%	3/15/23
5,275	Liberty Media Corporation	0.750%	3/30/23
8,250	Liberty Media Corporation, Senior Debentures, Exchangeable for Class B Viacom Common Stock	3.250%	3/15/31
2,500	Lions Gate Entertainment Corporation, 144A	3.625%	3/15/25
2,625	Lions Gate Entertainment Corporation, 144A	2.938%	10/15/24
500	Sinclair Broadcast Group	6.000%	9/15/12
3,425	Sinclair Broadcast Group, Convertible Senior Subordinated Notes, 144A	4.875%	7/15/18
2,600	Sirius Satellite Radio Inc.	3.250%	10/15/11
6,100	The Walt Disney Company, Convertible Senior Notes	2.125%	4/15/23
96,000	Tribune Company, Exchangeable Subordinated Debentures	2.000%	5/15/29
-----			
OIL, GAS & CONSUMABLE FUELS - 0.9%			
6,295	Devon Energy Corporation	4.900%	8/15/08
4,150	McMoran Exploration Corporation, Notes, 144A	6.000%	7/02/08
-----			
PHARMACEUTICALS - 2.6%			
1,380	Abgenix Inc., Senior Convertible Note, 144A	1.750%	12/15/11
3,390	Alexion Pharmaceuticals Inc., 144A	1.375%	2/01/12
7,125	Allergan Inc., Convertible Senior Notes	0.000%	11/06/22
7,050	Alza Corporation	0.000%	7/28/20
4,005	OSI Pharmaceuticals, Inc.	3.250%	9/08/23
3,275	Sepracor Inc.	0.000%	10/15/24
1,475	Teva Pharmaceutical Finance, Series B	0.250%	2/01/24
1,940	Valeant Pharmaceuticals International, 144A	4.000%	11/15/13
3,295	Valeant Pharmaceuticals International, 144A	3.000%	8/16/10
6,400	Wyeth, 144A	1.000%	1/15/24
-----			
REAL ESTATE - 0.2%			
2,725	Avatar Holdings Inc., 144A	4.500%	4/01/24
-----			
ROAD & RAIL - 0.1%			
585	Yellow Roadway Corporation	3.375%	11/25/23
-----			
SEMICONDUCTORS & EQUIPMENT - 1.7%			
3,100	Agere Systems Inc.	6.500%	12/15/09
-----			

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

5,875	ASM International NV	4.250%	12/06/11
4,890	ASM Lithography Holding NV	5.750%	10/15/06
4,000	FEI Company, Convertible Notes	5.500%	8/15/08
6,475	LSI Logic Corporation	4.000%	5/15/10
-----			
SOFTWARE - 0.7%			
6,600	Mentor Graphics Corporation, Convertible Subordinated Notes	6.875%	6/15/07
3,350	Sybase Inc., 144A	1.750%	2/22/25
-----			
SPECIALTY RETAIL - 1.3%			
7,500	Lowes Companies Inc.	0.861%	10/19/21
6,000	Sonic Automotive Inc., Convertible Senior Subordinated Notes	5.250%	5/07/09
6,000	The TJX Companies, Inc.	0.000%	2/13/21
-----			
TEXTILES & APPAREL - 0.3%			
4,800	Reebok International Limited, Series B	2.000%	5/01/24
-----			
WIRELESS TELECOMMUNICATION SERVICES - 0.3%			
3,125	NII Holdings Inc., 144A	2.875%	2/01/34
-----			
Total Convertible Bonds (cost \$406,664,354)			
-----			
CORPORATE BONDS - 15.7% (10.6% OF TOTAL INVESTMENTS)			
AEROSPACE & DEFENSE - 0.2%			
3,500	K&F Acquisition Inc.	7.750%	11/15/14
-----			
AUTO COMPONENTS - 0.3%			
2,100	Affinia Group Inc.	9.000%	11/30/14
2,500	Tenneco Auto, Inc.	10.250%	7/15/13
-----			
AUTOMOBILES - 0.8%			
3,500	Ford Motor Company, Debentures	7.700%	5/15/97
5,590	Ford Motor Company, Debentures	9.980%	2/15/47
2,575	Keystone Automotive Operations Inc.	9.750%	11/01/13
-----			
CHEMICALS - 0.6%			
2,000	Freeport McMoran Resources Inc.	7.000%	2/15/08
1,335	OM Group Inc.	9.250%	12/15/11
3,000	Resolution Performance Products LLC	8.000%	12/15/09
1,500	Rockwood Specialties Group	7.500%	11/15/14
-----			
COMMERCIAL SERVICES & SUPPLIES - 0.1%			

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

1,000	Allied Waste North America	7.875%	4/15/13
667	Allied Waste North America, Series B	9.250%	9/01/12
-----			
COMMUNICATIONS EQUIPMENT - 0.4%			
7,057	Ciena Corporation	3.750%	2/01/08
-----			
CONSTRUCTION MATERIALS - 0.2%			
2,500	Texas Industries Inc.	10.250%	6/15/11
-----			
CONTAINERS & PACKAGING - 0.5%			
1,520	Berry Plastics Corporation	10.750%	7/15/12
2,000	MDP Acquisitions plc, Senior Notes	9.625%	10/01/12
2,000	Owens-Brockway Glass Containers, Guaranteed Senior Note	8.250%	5/15/13
2,000	Owens-Illinois Inc.	7.800%	5/15/18

21

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.2%			
2,000	INTELSAT Bermuda Limited, 144A	8.250%	1/15/13
1,500	Valor Telecommunications Enterprises LLC, 144A	7.750%	2/15/15
-----			
ELECTRIC UTILITIES - 0.2%			
3,000	Midwest Generation LLC	8.750%	5/01/34
-----			
ENERGY EQUIPMENT & SERVICES - 0.1%			
1,500	Pride International Inc.	7.375%	7/15/14
-----			
FOOD & STAPLES RETAILING - 0.1%			
2,000	Stater Brothers Holdings Inc.	8.125%	6/15/12
-----			
FOOD PRODUCTS - 0.5%			
5,943	Dole Foods Company	7.875%	7/15/13
356	Dole Foods Company	8.875%	3/15/11
-----			

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

HEALTHCARE EQUIPMENT & SUPPLIES - 0.3%			
4,000	Fisher Scientific International Inc.	8.000%	9/01/13
-----			
HEALTHCARE PROVIDERS & SERVICES - 0.5%			
1,500	Quintiles Transnational Corporation	10.000%	10/01/13
2,000	Select Medical Corporation, 144A	7.625%	2/01/15
1,000	US Oncology Inc.	9.000%	8/15/12
2,500	US Oncology Inc.	10.750%	8/15/14
-----			
HOTELS, RESTAURANTS & LEISURE - 2.7%			
2,000	Boyd Gaming Corporation	8.750%	4/15/12
2,000	Boyd Gaming Corporation	7.750%	12/15/12
2,552	Dominos Inc.	8.250%	7/01/11
1,500	Herbst Gaming Inc.	7.000%	11/15/14
2,900	Intrawest Corporation	7.500%	10/15/13
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
4,040	Park Place Entertainment	7.875%	12/15/05
6,000	Penn National Gaming Inc., Senior Subordinated Notes	8.875%	3/15/10
750	Pinnacle Entertainment Inc.	8.750%	10/01/13
2,000	Pinnacle Entertainment Inc.	8.250%	3/15/12
2,000	Town Sports International Inc.	9.625%	4/15/11
4,000	Universal City Development Partners	11.750%	4/01/10
-----			
HOUSEHOLD DURABLES - 0.8%			
2,000	K. Hovnanian Enterprises Inc., Senior Subordinated Notes	8.875%	4/01/12
3,000	KB Home	8.625%	12/15/08
5,175	Technical Olympic USA Inc., Senior Subordinated Notes	10.375%	7/01/12
-----			
HOUSEHOLD PRODUCTS - 0.1%			
1,650	Central Garden & Pet Company	9.125%	2/01/13
-----			
INSURANCE - 0.1%			
2,000	Fairfax Financial Holdings Ltd	7.750%	4/26/12
-----			
IT SERVICES - 0.2%			
2,500	Global Cash Access LLC	8.750%	3/15/12
-----			
MACHINERY - 0.5%			
1,220	Terex Corporation, Senior Subordinated Notes	10.375%	4/01/11
6,095	Terex Corporation, Senior Subordinated Notes	9.250%	7/15/11
-----			
MEDIA - 3.2%			
4,000	Allbritton Communications Company, Series B	7.750%	12/15/12

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

2,000	American Media Operations Inc.	8.875%	1/15/11
4,180	American Media Operations Inc., Series B	10.250%	5/01/09

22

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
MEDIA (continued)			
5,000	Cablevision Systems Corporation	7.250%	7/15/08
1,000	Cablevision Systems Corporation, Series B	8.125%	8/15/09
2,750	Canwest Media Incorporated	7.625%	4/15/13
2,000	Charter Communications Operating LLC, 144A	8.000%	4/30/12
1,000	DIRECTV Holdings LLC, 144A	6.375%	6/15/15
1,500	Loews Cineplex Entertainment Corporation, 144A	9.000%	8/01/14
2,800	Mail-Well I Corporation, Senior Unsecured Note, 144A	9.625%	3/15/12
1,950	Panamsat Corporation	9.000%	8/15/14
6,000	Primedia Inc., Senior Notes	8.875%	5/15/11
5,550	Vertis Inc.	9.750%	4/01/09
4,000	Young Broadcasting Inc., Senior Subordinated Notes	10.000%	3/01/11
-----			
METALS & MINING - 0.1%			
2,000	Chaparral Steel Company, 144A (WI, settling 7/06/05)	10.000%	7/15/13
-----			
MULTI-UTILITIES & UNREGULATED POWER - 0.1%			
1,500	NRG Energy Inc., 144A	8.000%	12/15/13
-----			
OIL, GAS & CONSUMABLE FUELS - 0.5%			
2,400	Baytex Energy Ltd	9.625%	7/15/10
2,345	Chesapeake Energy Corporation	7.750%	1/15/15
250	Tesoro Petroleum Corporation	8.000%	4/15/08
2,000	Tesoro Petroleum Corporation, Senior Subordinated Notes, Series B	9.625%	11/01/08
-----			
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
-----			
PERSONAL PRODUCTS - 0.1%			
1,500	Prestige Brands Inc.	9.250%	4/15/12
-----			
PHARMACEUTICALS - 0.1%			
1,000	Alpharma Inc., 144A	8.625%	5/01/11

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

REAL ESTATE - 0.2%			
1,625	CB Richard Ellis Services Inc.	9.750%	5/15/10
1,000	TruStreet Properties Inc., 144A	7.500%	4/01/15
500	Ventas Realty LP, 144A	7.125%	6/01/15
ROAD AND RAIL - 0.3%			
1,000	Greenbrier Companies Inc., 144A	8.375%	5/15/15
3,000	Laidlaw International Inc.	10.750%	6/15/11
SPECIALTY RETAIL - 0.9%			
4,100	Asbury Automotive Group Inc.	9.000%	6/15/12
2,000	Movie Gallery Inc., 144A	11.000%	5/01/12
5,000	Warnaco Inc., Senior Notes	8.875%	6/15/13
TEXTILES & APPAREL - 0.2%			
3,000	Jostens IH Corporation	7.625%	10/01/12
TRADING COMPANIES & DISTRIBUTORS - 0.1%			
2,000	United Rentals North America Inc.	6.500%	2/15/12
Total Corporate Bonds (cost \$225,726,673)			
CAPITAL PREFERRED SECURITIES - 33.1% (22.4% OF TOTAL INVESTMENTS)			
CAPITAL MARKETS - 5.3%			
2,500	Ahmanson Capital Trust I, 144A	8.360%	12/01/26
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

23

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
CAPITAL MARKETS (continued)			
27,500	C.A. Preferred Funding Trust	7.000%	1/30/49
3,000	First Security Capital I	8.410%	12/15/26
20,000	M&I Capital Trust A	7.650%	12/01/26
1,000	Mellon Capital II, Series B	7.995%	1/15/27
8,000	UBS Preferred Funding Trust I	8.622%	10/29/49

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

---

COMMERCIAL BANKS - 17.2%			
3,000	AB Svensk Exportkredit, 144A	6.375%	10/27/49
9,500	Abbey National Capital Trust I	8.963%	12/30/49
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
15	BBVA Privanza International Gibraltar, 144A	7.764%	9/30/47
3,000	Centura Capital Trust I, 144A	8.845%	6/01/27
1,500	DBS Capital Funding Corporation, 144A	7.657%	3/15/49
1,000	First Chicago NBD Institutional Capital, 144A	7.950%	12/01/26
6,200	First Empire Capital Trust I	8.234%	2/01/27
2,000	First Midwest Bancorp Inc.	6.950%	12/01/33
2,400	HSBC Capital Funding LP, 144A	9.547%	12/31/49
5,750	HSBC Capital Funding LP, Debt	10.176%	6/30/50
11,000	KBC Bank Fund Trust III, 144A	9.860%	11/02/49
1,000	KeyCorp Capital II	6.875%	3/17/29
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
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
12,000	North Fork Capital Trust II	8.000%	12/15/27
1,000	Popular North American Capital Trust I	6.564%	9/15/34
16,500	RBS Capital Trust B	6.800%	12/31/49
100	Reliance Capital Trust I, Series B	8.170%	5/01/28
3,250	Royal Bank of Scotland Group plc	7.648%	8/31/49
2,365	SocGen Real Estate Company LLC, 144A	7.640%	12/29/49
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 Forenings Sparbanken AB, 144A	9.000%	12/29/49
2,000	Unicredito Italiano Capital Trust, 144A	9.200%	10/05/49
300	Union Planters Preferred Fund, 144A	7.750%	7/15/53
100	Wachovia Capital Trust I, Capital Securities, 144A	7.640%	1/15/27
3,800	Washington Mutual Capital Trust I	8.375%	6/01/27
5,000	Zions Institutional Capital Trust, Series A	8.536%	12/15/26

---

DIVERSIFIED FINANCIAL SERVICES - 4.6%			
7,750	BNP Paribas Capital Trust	7.200%	12/31/49
18,125	Chase Capital Trust I, Series A	7.670%	12/01/26
36,000	HBOS Capital Funding LP, Notes	6.850%	3/01/49
2,800	Old Mutual Capital Funding, Notes	8.000%	6/22/53

---

DIVERSIFIED TELECOMMUNICATION SERVICES - 0.9%			
9,957	Centaur Funding Corporation, Series B, 144A	9.080%	4/21/20

---

INSURANCE - 3.5%			
250	Allstate Financing II	7.830%	12/01/45
2,300	American General Capital II	8.500%	7/01/30
18,596	Berkeley Capital Trust	8.197%	12/15/45
4,000	Mangrove Bay, Class 3, 144A	6.102%	7/15/33
1,000	MIC Financing Trust I	8.375%	2/01/27



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

7,250	Prudential plc	6.500%	6/29/49
9,500	Sun Life Canada Capital Trust, Capital Securities, 144A	8.526%	5/06/47
5,000	Zurich Capital Trust I, 144A	8.376%	6/01/37

24

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
	OIL, GAS & CONSUMABLE FUELS - 0.6%		
1,200	KN Capital Trust I, Preferred Securities	8.560%	4/15/27
6,110	KN Capital Trust III	7.630%	4/15/28
-----			
	THRIFTS & MORTGAGE FINANCE - 1.0%		
12,250	Dime Capital Trust I, Series A	9.330%	5/06/27
1,000	Great Western Financial Trust II, Series A	8.206%	2/01/27
-----			
	Total Capital Preferred Securities (cost \$480,528,268)		
-----			
	REPURCHASE AGREEMENTS - 1.5% (1.0% OF TOTAL INVESTMENTS)		
\$ 21,944	State Street Bank, 2.600%, dated 6/30/05, due 7/01/05, repurchase price \$21,945,000		
=====	\$15,495,000, U.S. Treasury Bonds, 8.125%, due 8/15/19, value \$22,382,822		
-----			
	Total Repurchase Agreements (cost \$21,943,512)		
-----			
	Total Investments (cost \$2,108,500,294) - 148.0%		
-----			
	Other Assets Less Liabilities - 0.4%		
-----			
	FundPreferred Shares, at Liquidation Value - (48.4)%		
-----			
	Net Assets Applicable to Common Shares - 100%		
=====			

INTEREST RATE SWAP CONTRACTS OUTSTANDING AT JUNE 30, 2005:

COUNTERPARTY	NOTIONAL AMOUNT	FIXED RATE	FLOATING RATE
JPMorgan	\$71,000,000	1.9735%	3.2800
JPMorgan	71,000,000	3.3950	3.1500
Morgan Stanley	71,000,000	2.5670	3.2800
JPMorgan	71,000,000	2.9935	3.2800
Morgan Stanley	71,000,000	3.4060	3.2800
-----			
=====			

(1) All percentages shown in the Portfolio of Investments

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

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

\* Ratings below Baa by Moody's Investor Service, Inc. or BBB by Standard and Poor's Group are considered to be below investment grade.

\*\* Based on LIBOR (London Interbank Offered Rate)

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

144A 144A securities are those which are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities 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.

NR Security is not rated.

WI Security purchased on a when-issued basis.

See accompanying notes to financial statements.

25

Nuveen Preferred and Convertible Income Fund 2 (JQC)  
Portfolio of  
INVESTMENTS June 30, 2005 (Unaudited)

SHARES	DESCRIPTION(1)
	COMMON STOCKS - 0.5% (0.4% OF TOTAL INVESTMENTS)
	DIVERSIFIED FINANCIAL SERVICES - 0.3%
143,223	Gabelli Asset Management Inc.
	SOFTWARE - 0.2%
172,555	Computer Associates International Inc.
	Total Common Stocks (cost \$11,782,712)

RATIN

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

SHARES	DESCRIPTION(1)	COUPON	MOODY'S
\$25 PAR (OR SIMILAR) SECURITIES - 49.6% (33.8% OF TOTAL INVESTMENTS)			
AUTOMOBILES - 0.0%			
3,000	DaimlerChrysler AG (CORTS)	7.875%	A3
2,200	DaimlerChrysler Corp. (PPLUS)	7.250%	A3
CAPITAL MARKETS - 4.1%			
113,300	Bear Stearns Capital Trust III	7.800%	A2
27,000	BNY Capital Trust IV, Series E	6.875%	A1
306,984	BNY Capital Trust V, Series F	5.950%	A1
204,700	Compass Capital Trust III	7.350%	A3
31,000	CSFB USA, Series 2002-10 (SATURNS)	7.000%	Aa3
49,000	First Union Capital II, Series II (CORTS)	7.500%	A1
22,600	First Union Institutional Capital II (CORTS)	8.200%	A1
18,800	First Union Institutional Capital II, Series III (CORTS)	7.500%	A1
12,300	Goldman Sachs Group Inc., Series 2003-06 (SATURNS)	6.000%	Aa3
22,000	JPMorgan Chase Capital Trust IX, Series I	7.500%	A1
198,350	Lehman Brothers Holdings Inc., Series C (a)	5.940%	NR
96,800	Lehman Brothers Holdings Inc., Series D (a)	5.670%	A3
425,000	Lehman Brothers Holdings Inc., Series F (a)	6.500%	A3
247,400	Merrill Lynch Capital Trust	7.000%	A1
47,800	Merrill Lynch Preferred Capital Trust	7.750%	A1
188,800	Merrill Lynch Preferred Capital Trust IV	7.120%	A1
283,400	Merrill Lynch Preferred Capital Trust V	7.280%	A1
117,580	Morgan Stanley (PPLUS)	7.050%	Aa3
211,850	Morgan Stanley Capital Trust II	7.250%	A1
203,200	Morgan Stanley Capital Trust III	6.250%	A1
137,900	Morgan Stanley Capital Trust IV	6.250%	A1
21,900	Safeco Capital Trust I (CORTS)	8.750%	Baa2
16,800	Safeco Capital Trust IV (CORTS)	8.375%	Baa2
14,400	UBS Preferred Funding Trust III	7.250%	A1
COMMERCIAL BANKS - 10.7%			
301,600	Abbey National plc	7.375%	A2
53,700	Abbey National plc, Series B	7.250%	A1
34,200	Abbey National plc, Series B	7.375%	A2
863,770	ABN AMRO Capital Fund Trust V	5.900%	A2
80,779	ABN AMRO Capital Fund Trust VI	6.250%	A2
17,021	ABN AMRO Capital Trust Fund VII	6.080%	A2
113,900	ASBC Capital I	7.625%	Baa1
203,410	BAC Capital Trust I	7.000%	Aa3
560,200	BAC Capital Trust II	7.000%	Aa3
163,900	BAC Capital Trust III	7.000%	Aa3
1,010,000	Banco Santander	6.410%	A2

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

SHARES	DESCRIPTION(1)	COUPON	MOODY'S
COMMERCIAL BANKS (continued)			
71,750	Banco Totta & Acores Finance, Series A	8.875%	A3
20,400	BancWest Capital I	9.500%	A3
13,400	Banesto Holdings, Series A, 144A	10.500%	A2
167,700	Bank One Capital Trust VI	7.200%	A1
52,800	BankNorth Capital Trust II	8.000%	A3
145,900	Chittenden Capital Trust I	8.000%	Baa1
146,500	Cobank ABC, 144A (a)	7.000%	NR
110,200	Comerica Capital Trust I	7.600%	A3
18,900	Fleet Capital Trust II (CORTS)	8.000%	Aa3
512,200	Fleet Capital Trust VII	7.200%	Aa3
430,300	Fleet Capital Trust VIII	7.200%	Aa3
36,000	KeyCorp (PCARS)	7.500%	A3
105,400	KeyCorp Capital Trust V	5.875%	A3
29,600	KeyCorp, Series 2001-7 (CORTS)	7.750%	A3
34,500	KeyCorp, Series B (CORTS)	8.250%	A3
86,100	National Commerce Capital Trust II	7.700%	A1
63,900	National Westminster Bank plc, Series A	7.875%	Aa2
21,700	ONB Capital Trust II	8.000%	Baa2
54,200	PNC Capital Trust	6.125%	A3
26,000	Regions Finance Trust I	8.000%	A2
270,700	Royal Bank of Scotland Group plc, Series L	5.750%	A1
156,100	SunTrust Capital Trust IV	7.125%	A1
109,100	SunTrust Capital Trust V	7.050%	A1
664,800	USB Capital Trust III	7.750%	Aa3
337,800	USB Capital Trust IV	7.350%	Aa3
298,600	USB Capital Trust V	7.250%	Aa3
39,100	VNB Capital Trust I	7.750%	Baa1
47,600	Washington Mutual Capital Trust I, Series 2001-22, Class A-1 (CORTS)	7.650%	Baa1
40,000	Wells Fargo Capital Trust IV	7.000%	Aa2
480,300	Wells Fargo Capital Trust V	7.000%	Aa2
112,800	Wells Fargo Capital Trust VI	6.950%	Aa2
236,550	Wells Fargo Capital Trust VII	5.850%	Aa2
117,800	Zions Capital Trust B	8.000%	Baa1
COMPUTERS & PERIPHERALS - 0.1%			
17,000	IBM Inc. (CORTS)	7.125%	A1
28,200	IBM Inc., Series 2001-1 (SATURNS)	7.125%	A1
11,100	IBM Trust II (CORTS)	7.125%	A1
4,200	IBM Trust III (CORTS)	7.200%	A1
18,600	IBM Trust IV (CORTS)	7.000%	A1
CONSUMER FINANCE - 0.8%			
40,900	Household Capital Trust VI	8.250%	A2
98,900	Household Capital Trust VII	7.500%	A2
62,200	HSBC Finance Corporation	6.875%	A1
18,300	SLM Corporation	6.000%	A2
174,000	SLM Corporation, Series A (a)	6.970%	Baa1
DIVERSIFIED FINANCIAL SERVICES - 5.3%			

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

13,800	BBVA Preferred Capital Ltd., Series B	7.750%	A1
26,700	CIT Group Incorporated (CORTS)	7.750%	A3
268,800	Citigroup Capital Trust IX	6.000%	Aa2
193,600	Citigroup Capital Trust VII	7.125%	Aa2
1,073,422	Citigroup Capital Trust VIII	6.950%	Aa2
24,000	Citigroup Inc., Series H (a)	6.231%	Aa3
2,800	Citigroup, Series CIT (CORTS)	6.750%	A3
40,100	General Electric Capital Corporation	6.625%	Aaa
2,300	Goldman Sachs Group Incorporated, Series 2004-04 (SATURNS)	6.000%	A1
755,475	ING Group NV	7.050%	NR
584,220	ING Group NV	7.200%	A2
43,200	JPM Capital Trust (CORTS)	7.200%	A2
9,900	JPM Capital Trust I, Series 2001-1, Class A-1 (CORTS)	7.850%	A1

27

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

SHARES	DESCRIPTION(1)	COUPON	RATING MOODY'S
DIVERSIFIED FINANCIAL SERVICES (continued)			
71,965	JPMorgan Chase & Company (PCARS)	7.125%	A2
712,420	JPMorgan Chase Capital Trust X	7.000%	A1
32,200	JPMorgan Chase Capital Trust XVI	6.350%	A1
73,600	JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS)	7.125%	A1
71,500	Merrill Lynch Capital Trust II	8.000%	A1
124,740	Royal Bank of Scotland Group plc, Series N	6.350%	A1
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.6%			
37,900	BellSouth Capital Funding (CORTS)	7.100%	A1
25,800	BellSouth Corporation (CORTS)	7.000%	Aa3
49,200	BellSouth Corporation, Series 2001-3 (SATURNS)	7.125%	A2
30,800	BellSouth Inc. (CORTS)	7.000%	A2
71,000	BellSouth Telecommunications (PPLUS)	7.300%	Aa3
60,600	Deutsche Telekom International Finance B.V., Series 2001-24, Class A-1 (CORTS)	7.875%	A3
59,500	SBC Communications Inc.	7.000%	A2
27,300	Verizon Communications (CORTS)	7.625%	A2
48,100	Verizon Communications (CORTS)	7.375%	A2
50,700	Verizon New England Inc., Series B	7.000%	A2
30,300	Verizon South Inc., Series F	7.000%	A2
ELECTRIC UTILITIES - 0.8%			
5,000	Consolidated Edison Company	7.250%	A2
16,300	Consolidated Edison Company of New York Inc.	7.500%	A1
21,100	DTE Energy Trust I	7.800%	Baa3
27,400	Entergy Louisiana Inc.	7.600%	Baa1
7,300	Entergy Mississippi Inc.	7.250%	Baa2
3,000	Georgia Power Capital Trust V	7.125%	A3
130,000	Interstate Power and Light Company (a)	7.100%	Baa3

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

11,300	Mississippi Power Capital Trust II	7.200%	A2
4,500	National Rural Utilities Cooperative Finance Corporation	7.600%	A3
41,200	National Rural Utilities Cooperative Finance Corporation	6.100%	A3
138,200	National Rural Utilities Cooperative Finance Corporation	5.950%	A3
33,600	Northern States Power Company	8.000%	A3
32,200	Southern Company Capital Trust I (CORTS)	7.375%	Baa1
14,700	Southern Company Capital Trust I (CORTS)	8.190%	Baa1
13,100	Southern Company Capital Trust VI	7.125%	Baa1
3,400	Tennessee Valley Authority, Series A	3.064%	Aaa
122,500	Virginia Power Capital Trust	7.375%	Baa1
-----			
FOOD PRODUCTS - 0.4%			
75,000	Dairy Farmers of America Inc., 144A (a)	7.875%	Ba1
-----			
GAS UTILITIES - 0.1%			
75,300	AGL Capital Trust II	8.000%	Baa2
-----			
HEALTHCARE PROVIDERS & SERVICES - 0.8%			
587,500	Aetna Incorporated	8.500%	Baa1
-----			
INDUSTRIAL CONGLOMERATES - 0.0%			
3,000	General Electric Company (CORTS)	6.800%	Aaa
-----			
INSURANCE - 10.3%			
157,500	ACE Capital Trust I, Series 1999	8.875%	Baa1
1,171,383	Ace Ltd., Series C	7.800%	Baa2
1,181,300	Aegon NV	6.375%	A3
6,100	Allstate Corporation (PCARS)	7.150%	A2
1,100	AMBAC Financial Group Inc.	7.000%	Aa2
89,800	AMBAC Financial Group Inc.	5.950%	Aa2
675,101	Delphi Financial Group Inc.	8.000%	Baa3
196,956	EverestRe Capital Trust II	6.200%	Baa1
94,500	EverestRe Group Limited	7.850%	Baa1
12,600	Financial Security Assurance Holdings	6.875%	Aa2
285,600	Hartford Capital Trust III, Series C	7.450%	Baa1

28

SHARES	DESCRIPTION(1)	COUPON	RATING MOODY'S
-----			
INSURANCE (continued)			
45,700	Hartford Life Capital Trust II, Series B	7.625%	Baa1

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

56,500	Lincoln National Capital Trust V, Series E	7.650%	Baa1
1,403,200	Lincoln National Capital Trust VI	6.750%	Baa1
827,600	MetLife Inc., Series B (a)	6.500%	Baa1
82,600	PartnerRe Limited	7.900%	A3
902,402	PartnerRe Limited, Series C	6.750%	Baa1
80,000	PLC Capital Trust III	7.500%	Baa1
67,900	PLC Capital Trust IV	7.250%	Baa1
14,300	PLC Capital Trust V	6.125%	Baa1
38,800	Prudential plc	6.750%	Baa1
124,700	RenaissanceRe Holdings Ltd., Series B	7.300%	Baa2
3,400	RenaissanceRe Holdings Ltd., Series C	6.080%	Baa2
115,800	RenaissanceRe Holdings Ltd., Series A	8.100%	Baa2
25,400	Safeco Capital Trust I (CORTS)	8.700%	Baa2
21,700	Safeco Capital Trust I, Series 2001-4 (CORTS)	8.750%	Baa2
46,900	Safeco Capital Trust III (CORTS)	8.072%	Baa2
38,200	Safeco Corporation, Series 2001-7 (SATURNS)	8.250%	Baa2
38,600	Safeco Corporation, Series 2002-5 (SATURNS)	8.250%	Baa2
61,500	Torchmark Capital Trust I	7.750%	Baa1
119,400	W.R. Berkley Capital Trust, Series 2002-1, (CBTCS)	8.125%	Baa3
68,800	XL Capital Ltd., Series A	8.000%	Baa1
103,900	XL Capital Ltd., Series B	7.625%	Baa1
-----			
	MEDIA - 0.1%		
52,700	Viacom Inc.	7.300%	A3
-----			
	MULTI-UTILITIES & UNREGULATED POWER - 0.2%		
52,400	Dominion CNG Capital Trust I	7.800%	Baa1
30,700	Dominion Resources Capital Trust II	8.400%	Baa2
85,700	Energy East Capital Trust I	8.250%	Baa3
-----			
	OIL, GAS & CONSUMABLE FUELS - 0.9%		
685,000	Nexen Inc.	7.350%	Baa3
-----			
	PHARMACEUTICALS - 0.1%		
50,000	Bristol Myers Squibb Company (CORTS)	6.250%	A1
-----			
	REAL ESTATE - 11.4%		
318,355	AMB Property Corporation, Series L	6.500%	Baa2
77,100	AvalonBay Communities, Inc., Series H	8.700%	Baa2
220,400	BRE Properties, Series B	8.080%	Baa3
111,466	BRE Properties, Series D	6.750%	Baa3
939,184	CarrAmerica Realty Corporation, Series E	7.500%	Baa3
104,100	Developers Diversified Realty Corporation, Series G	8.000%	Ba1
1,264,845	Developers Diversified Realty Corporation, Series H	7.375%	Ba1
124,800	Duke Realty Corporation, Series L	6.600%	Baa2
98,000	Duke-Weeks Realty Corporation	6.625%	Baa2
25,000	Duke-Weeks Realty Corporation, Series B	7.990%	Baa2
5,400	Duke-Weeks Realty Corporation, Series I	8.450%	Baa2
192,100	Equity Office Properties Trust, Series G	7.750%	Baa3
3,200	Equity Residential Properties Trust, Series C	9.125%	Baa2
15,400	Equity Residential Properties Trust, Series D	8.600%	Baa2
348,622	Equity Residential Properties Trust, Series N	6.480%	Baa2

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

140,000	Federal Realty Investment Trust	8.500%	Baa3
11,600	First Industrial Realty Trust Inc., Series C	8.625%	Baa3
426,229	HRPT Properties Trust, Series A	9.875%	Baa3
458,600	HRPT Properties Trust, Series B	8.750%	Baa3
99,800	New Plan Excel Realty Trust, Series E	7.625%	NR
3,997	Prologis Trust, Series C	8.540%	Baa2
96,275	Prologis Trust, Series G	6.750%	Baa2
299,600	PS Business Parks Inc.	7.000%	Ba1
700	PS Business Parks Inc., Series K	7.950%	Ba1
240,000	PS Business Parks Inc., Series L	7.600%	Ba1

29

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

SHARES	DESCRIPTION(1)	COUPON	RATING MOODY'S
REAL ESTATE (continued)			
149,000	Public Storage Inc., Series E	6.750%	Baa2
31,400	Public Storage Inc., Series Q	8.600%	Baa2
149,850	Public Storage Inc., Series R	8.000%	Baa2
55,860	Public Storage Inc., Series S	7.875%	Baa2
44,100	Public Storage Inc., Series T	7.625%	Baa2
174,300	Public Storage Inc., Series U	7.625%	Baa2
31,500	Public Storage Inc., Series V	7.500%	Baa2
166,100	Regency Centers Corporation	7.450%	Baa3
20,500	Simon Property Group, Inc., Series F	8.750%	Baa2
20,650	Simon Property Group, Inc., Series G	7.890%	Baa2
165,000	Vornado Realty Trust, Series G	6.625%	Baa3
1,987,734	Wachovia Preferred Funding Corporation	7.250%	A2
130,000	Weingarten Realty Trust, Series E	6.950%	Baa1
SPECIALTY RETAIL - 0.0%			
28,100	Sherwin Williams Company, Series III (CORTS)	7.250%	A2
THRIFTS & MORTGAGE FINANCE - 2.0%			
79,000	Countrywide Capital Trust II, Series II (CORTS)	8.000%	Baa1
69,800	Countrywide Capital Trust III (PPLUS)	8.050%	Baa1
666,900	Countrywide Capital Trust IV	6.750%	Baa1
30,700	Fannie Mae (a)	0.000%	Aa3
23,100	Fannie Mae (a)	5.125%	Aa3
44,300	Fannie Mae (a)	3.780%	Aa3
55,000	Fannie Mae (a)	5.810%	Aa3
61,800	Federal Home Loan Mortgage Corporation (a)	6.000%	Aa3
108,000	Federal Home Loan Mortgage Corporation (a)	6.140%	Aa3
48,300	Federal Home Loan Mortgage Corporation (a)	5.100%	Aa3
12,700	Federal Home Loan Mortgage Corporation (a)	5.000%	Aa3
U.S. AGENCY - 0.1%			



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

40,000	Federal Home Loan Mortgage Corporation (a)	5.100%	Aa3
23,000	Federal Home Loan Mortgage Corporation (a)	5.300%	Aa3
-----			
WIRELESS TELECOMMUNICATION SERVICES - 0.8%			
28,000	AT&T Wireless Services Equity, Series 2002-B (SATURNS)	9.250%	Baa2
58,200	AT&T Wireless, Series 2002-7 (CORTS)	8.000%	Baa2
117,300	Telephone and Data Systems Inc.	7.600%	Baal
50,600	United States Cellular Corporation	8.750%	Baal
343,500	United States Cellular Corporation	7.500%	Baal
-----			
Total \$25 Par (or similar) Securities (cost \$1,008,443,007)			
-----			
CONVERTIBLE PREFERRED SECURITIES- 16.2% (11.0% OF TOTAL INVESTMENTS)			
AUTOMOBILES - 0.6%			
327,225	Ford Motor Company Capital Trust II	6.500%	Ba1
-----			
CAPITAL MARKETS - 0.6%			
144,555	Goldman Sachs Group Inc., Series EMC	6.125%	Aa3
143,200	Lehman Brothers Holdings Inc., Series GIS	6.250%	A1
29,725	State Street Corporation	6.750%	NR
-----			
CHEMICALS - 1.0%			
179,435	Celanese Corporation	4.250%	NR
152,195	Huntsman Corporation	5.000%	NR
84,400	The Mosaic Company	7.500%	Caal
-----			
COMMERCIAL BANKS - 2.3%			
12,090,000	Fortis Insurance NV, 144A	7.750%	A1
130,500	HSBC Finance Corporation	8.875%	A1
273,600	National Australia Bank Limited	7.875%	NR
217,375	Sovereign Capital Trust IV, Convertible Security	4.375%	Ba1
115,725	Washington Mutual Inc., Unit 1 Trust	5.375%	Baal

30

SHARES	DESCRIPTION(1)	COUPON	RATING MOODY'S
-----			
CONSTRUCTION MATERIALS - 0.5%			
216,700	TXI Capital Trust I	6.500%	B2
-----			
DIVERSIFIED FINANCIAL SERVICES - 0.7%			
281,600	Citigroup Global Markets	2.000%	Aa1

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

-----				
ELECTRIC UTILITIES - 1.1%				
260,000	Centerpoint Energy Inc.		2.000%	Ba2
154,500	FPL Group Inc.		8.000%	NR
76,430	PNM Resources Inc.		6.750%	Baa3
-----				
FOOD & STAPLES RETAILING - 0.2%				
180,520	Albertson's, Inc.		7.250%	Baa2
-----				
GAS UTILITIES - 0.1%				
30,150	Southern Union Company, Series B		5.750%	Baa3
-----				
HEALTHCARE EQUIPMENT & SUPPLIES - 0.3%				
124,000	Baxter International Inc.		7.000%	Baa1
-----				
HOTELS, RESTAURANTS & LEISURE - 0.4%				
157,000	Host Marriott Financial Trust		6.750%	B2
-----				
HOUSEHOLD DURABLES - 0.4%				
187,325	Newell Financial Trust I		5.250%	Baa3
-----				
INSURANCE - 3.2%				
108,450	Conseco Inc., Series B		5.500%	Caa2
543,600	Genworth Financial Inc.		6.000%	A2
570,475	MetLife Inc., Convertible, Series B		6.375%	NR
167,000	Reinsurance Group of America Inc.		5.750%	Baa2
147,000	The Chubb Corporation		7.000%	NR
100,000	UnumProvident Corporation		8.250%	Ba1
340,650	XL Capital Ltd		6.500%	A2
-----				
MEDIA - 0.4%				
137,000	Emmis Communications Corporation, Series A		6.250%	Caa1
70,350	Interpublic Group Companies Inc., Series A		5.375%	NR
-----				
MULTI-UTILITIES & UNREGULATED POWER - 1.2%				
76,500	Aquila Inc.		6.750%	B2
181,625	Dominion Resources Inc.		8.750%	Baa1
151,300	Public Service Enterprise Group		10.250%	Baa3
-----				
OIL, GAS & CONSUMABLE FUELS - 1.4%				
54,125	Amerada Hess Corporation		7.000%	Ba3
8,955	Chesapeake Energy Corporation, 144A		4.125%	NR
222,100	Teekay Shipping Corporation		7.250%	NR

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

-----				
PHARMACEUTICALS - 0.5%				
217,875	Schering-Plough Corporation		6.000%	Baa3
-----				
REAL ESTATE - 0.6%				
225,250	Equity Office Properties Trust, Series B		5.250%	Baa2
-----				
THRIFTS & MORTGAGE FINANCE - 0.7%				
111	Fannie Mae		5.375%	Aa3
140,000	PMI Group Inc.		5.875%	A1
-----				
Total Convertible Preferred Securities (cost \$302,860,600)				
-----				

31

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)		COUPON	MATURITY
-----				
CONVERTIBLE BONDS - 27.8% (19.0% OF TOTAL INVESTMENTS)				
AEROSPACE & DEFENSE - 0.4%				
3,860	AAR Corporation, 144A		2.875%	2/01/24
4,900	EDO Corporation, Convertible Subordinate Note		5.250%	4/15/07
-----				
AIRLINES - 0.1%				
3,550	Pinnacle Airlines Corporation, 144A		3.250%	2/15/25
-----				
AUTOMOBILES - 0.1%				
1,025	Fleetwood Enterprises Inc., 144A		5.000%	12/15/23
-----				
BIOTECHNOLOGY - 1.2%				
5,000	Cephalon Inc.		0.000%	6/15/33
1,780	CV Therapeutics Inc.		2.750%	5/16/12
2,250	CV Therapeutics Inc.		3.250%	8/16/13
5,975	Ivax Corporation, Convertible Bonds, 144A		1.500%	3/01/24
8,500	Ivax Corporation, Convertible Senior Subordinated Notes		4.500%	5/15/08
-----				
COMMERCIAL SERVICES & SUPPLIES - 0.6%				

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

5,500	DST Systems Inc.	4.125%	8/15/23
7,000	Electronic Data Systems, Convertible Senior Notes, 144A	3.875%	7/15/23
-----			
COMMUNICATIONS EQUIPMENT - 1.8%			
9,265	JDS Uniphase Corporation	0.000%	11/15/10
14,725	Liberty Media Corporation, Senior Debentures Exchangeable for Motorola Common Stock	3.500%	1/15/31
2,720	Lucent Technologies Inc.	2.750%	6/15/23
2,645	Lucent Technologies Inc., Series B	2.750%	6/15/25
3,905	Nortel Networks Corp	4.250%	9/01/08
4,475	Powerwave Technologies Inc.	1.825%	11/15/24
1,700	Powerwave Technologies Inc.	1.875%	11/15/24
-----			
COMPUTERS & PERIPHERALS - 0.2%			
3,250	Mercury Computer Systems Inc., 144A	2.000%	5/01/24
-----			
CONSTRUCTION & ENGINEERING - 0.4%			
8,500	Quanta Services Incorporated	4.000%	7/01/07
-----			
CONSUMER FINANCE - 0.4%			
8,000	Providian Financial Corporation, Convertible Senior Notes	3.250%	8/15/05
-----			
CONTAINERS & PACKAGING - 0.2%			
4,600	Sealed Air Corporation, 144A	3.000%	6/30/33
-----			
DIVERSIFIED FINANCIAL SERVICES - 0.3%			
2,650	JMH Finance Limited	4.750%	9/06/07
2,620	Leucadia National Corporation, 144A	3.750%	4/15/14
-----			
ELECTRIC UTILITIES - 0.4%			
2,630	PG&E Corporation	9.500%	6/30/10
1,035	Unisource Energy Corporation, Convertible Bonds, 144A	4.500%	3/01/35
-----			
ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.9%			
340	Gateway Inc.	1.500%	12/31/09
4,450	Gateway Inc., 144A	1.500%	12/31/09
2,395	Gateway Inc., 144A	2.000%	12/31/11
9,050	Solectron Corporation, Series B	0.500%	2/15/34
7,020	Vishay Intertechnology Inc.	3.625%	8/01/23
-----			
ENERGY EQUIPMENT & SERVICES - 2.4%			
3,495	Cal Dive International Inc.	3.250%	12/15/25

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

8,400	Diamond Offshore Drilling Inc.	1.500%	4/15/31
8,500	Maverick Tube Corporation	4.000%	6/15/33
3,185	Oil States International Inc., 144A	2.375%	7/01/25
7,115	Pride International Inc.	3.250%	5/01/33

32

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
ENERGY EQUIPMENT & SERVICES (continued)			
9,250	Schlumberger Limited	2.125%	6/01/23
625	Willbros Group Inc., 144A	2.750%	3/15/24
-----			
HEALTHCARE EQUIPMENT & SUPPLIES - 0.7%			
5,745	Advanced Medical Optics	2.500%	7/15/24
8,195	Fisher Scientific International Inc.	3.250%	3/01/24
-----			
HEALTHCARE PROVIDERS & SERVICES - 0.5%			
4,200	Health Management Associates Inc.	1.500%	8/01/23
8,510	Roche Holdings Inc., 144A	0.000%	7/25/21
-----			
HOTELS, RESTAURANTS & LEISURE - 3.1%			
18,205	Carnival Corporation	1.132%	4/29/33
7,500	Hilton Hotels Corporation	3.375%	4/15/23
7,125	Kerzner International Limited, 144A	2.375%	4/15/24
16,000	Royal Caribbean Cruises Limited, Senior Convertible Liquid Yield Option Notes	0.000%	2/02/21
8,475	Scientific Games Corporation	0.750%	12/01/24
4,750	Six Flags Inc.	4.500%	5/15/15
7,755	Starwood Hotels and Resorts Worldwide Inc.	3.500%	5/16/23
-----			
INDUSTRIAL CONGLOMERATES - 0.8%			
7,200	Tyco International Group SA	3.125%	1/15/23
4,650	Tyco International Group SA, Convertible Notes, 144A	3.125%	1/15/23
-----			
INSURANCE - 0.4%			
6,925	American Equity Investment Life Holding Company	5.250%	12/06/24
-----			
INTERNET & CATALOG RETAIL - 0.1%			
295	Overstock.com, Inc.	3.750%	12/01/11
2,780	Overstock.com, Inc.	3.750%	12/01/11
-----			

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

INTERNET SOFTWARE & SERVICES - 0.2%			
7,885	Open Solutions Inc., 144A	1.467%	2/02/35
-----			
IT SERVICES - 0.3%			
7,100	Digital River Inc., 144A	1.250%	1/01/24
-----			
LEISURE EQUIPMENT & PRODUCTS - 0.7%			
4,850	Collegiate Pacific Inc.	5.750%	12/01/09
7,000	Hasbro Inc.	2.750%	12/01/21
1,165	K2 Corporation, Convertible Notes, 144A	5.000%	6/15/10
-----			
MACHINERY - 0.3%			
5,635	AGCO Corporation, Series B	1.750%	12/31/33
-----			
MEDIA - 4.0%			
415,000	Comcast Corporation	2.000%	10/15/29
4,500	Interpublic Group Companies Inc.	4.500%	3/15/23
6,990	Liberty Media Corporation	0.750%	3/30/23
11,000	Liberty Media Corporation, Senior Debentures, Exchangeable for Class B Viacom Common Stock	3.250%	3/15/31
26,800	Liberty Media Corporation, Senior Debentures, Exchangeable for PCS Common Stock, Series 1	4.000%	11/15/29
3,540	Lions Gate Entertainment Corporation, 144A	2.938%	10/15/24
3,300	Lions Gate Entertainment Corporation, 144A	3.625%	3/15/25
4,875	Sinclair Broadcast Group	6.000%	9/15/12
3,500	Sirius Satellite Radio Inc.	3.250%	10/15/11
8,050	The Walt Disney Company, Convertible Senior Notes	2.125%	4/15/23
-----			
OIL, GAS & CONSUMABLE FUELS - 0.7%			
8,565	Devon Energy Corporation	4.900%	8/15/08
3,440	McMoran Exploration Corporation, Notes, 144A	6.000%	7/02/08

33

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
PHARMACEUTICALS - 2.1%			
1,845	Abgenix Inc., Senior Convertible Note, 144A	1.750%	12/15/11
4,580	Alexion Pharmaceuticals Inc., 144A	1.375%	2/01/12
9,530	Allergan Inc., Convertible Senior Notes	0.000%	11/06/22
1,255	Atherogenics, Inc., 144A	4.500%	9/01/08
7,000	OSI Pharmaceuticals, Inc.	3.250%	9/08/23

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

4,400	Sepracor Inc.	0.000%	10/15/24
4,350	Valeant Pharmaceuticals International, 144A	3.000%	8/16/10
2,545	Valeant Pharmaceuticals International, 144A	4.000%	11/15/13
8,500	Wyeth, 144A	1.000%	1/15/24
-----			
REAL ESTATE - 0.2%			
3,625	Avatar Holdings Inc., 144A	4.500%	4/01/24
-----			
SEMICONDUCTORS & EQUIPMENT - 1.5%			
8,325	Agere Systems Inc.	6.500%	12/15/09
7,850	ASM International NV	4.250%	12/06/11
5,500	ASM Lithography Holding NV	5.750%	10/15/06
8,900	LSI Logic Corporation	4.000%	5/15/10
-----			
SOFTWARE - 0.6%			
7,100	Mentor Graphics Corporation, Convertible Subordinated Notes	6.875%	6/15/07
4,525	Sybase Inc., 144A	1.750%	2/22/25
-----			
SPECIALTY RETAIL - 1.6%			
7,820	Charming Shoppes Inc.	4.750%	6/01/12
11,450	Lowes Companies Inc.	0.000%	2/16/21
8,700	Sonic Automotive Inc., Convertible Senior Subordinated Notes	5.250%	5/07/09
5,900	The TJX Companies, Inc.	0.000%	2/13/21
-----			
TEXTILES & APPAREL - 0.3%			
6,565	Reebok International Limited, Series B	2.000%	5/01/24
-----			
WIRELESS TELECOMMUNICATION SERVICES - 0.3%			
4,100	NII Holdings Inc., 144A	2.875%	2/01/34
-----			
Total Convertible Bonds (cost \$548,834,876)			
-----			
CORPORATE BONDS - 15.7% (10.6% OF TOTAL INVESTMENTS)			
AEROSPACE & DEFENSE - 0.2%			
3,500	K&F Acquisition Inc.	7.750%	11/15/14
-----			
AUTO COMPONENTS - 0.3%			
2,450	Affinia Group Inc.	9.000%	11/30/14
3,000	Tenneco Auto, Inc.	10.250%	7/15/13
-----			
AUTOMOBILES - 1.1%			

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

5,570	Ford Motor Company, Debentures	7.700%	5/15/97
17,095	Ford Motor Company, Debentures	9.980%	2/15/47
1,300	Keystone Automotive Operations Inc.	9.750%	11/01/13
-----			
BUILDING PRODUCTS - 0.2%			
4,000	Jacuzzi Brands Inc.	9.625%	7/01/10
-----			
CHEMICALS - 0.6%			
6,500	OM Group Inc.	9.250%	12/15/11
3,500	Resolution Performance Products LLC	8.000%	12/15/09
3,000	Rockwood Specialties Group	7.500%	11/15/14
-----			
COMMERCIAL SERVICES & SUPPLIES - 0.2%			
1,518	IOS Capital LLC, Senior Notes	7.250%	6/30/08
2,000	Williams Scotsman Inc.	10.000%	8/15/08
-----			
34			
-----			
PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
COMMUNICATIONS EQUIPMENT - 0.4%			
9,200	Ciena Corporation	3.750%	2/01/08
-----			
CONSTRUCTION MATERIALS - 0.1%			
2,000	Texas Industries Inc.	10.250%	6/15/11
-----			
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
-----			
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.1%			
2,000	INTELSAT Bermuda Limited, 144A	8.250%	1/15/13
-----			
ELECTRIC UTILITIES - 0.1%			
2,000	Midwest Generation LLC	8.750%	5/01/34
-----			
ENERGY EQUIPMENT & SERVICES - 0.1%			



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

2,500	Pride International Inc.	7.375%	7/15/14
-----			
	FOOD & STAPLES RETAILING - 0.1%		
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
7,000	Dole Foods Company	7.875%	7/15/13
1,096	Dole Foods Company	8.625%	5/01/09
-----			
	HEALTHCARE EQUIPMENT & SUPPLIES - 0.1%		
2,500	Fisher Scientific International Inc.	8.000%	9/01/13
-----			
	HEALTHCARE PROVIDERS & SERVICES - 0.5%		
3,000	Quintiles Transnational Corporation	10.000%	10/01/13
1,000	Select Medical Corporation, 144A	7.625%	2/01/15
2,000	Service Corporation International	7.700%	4/15/09
3,000	US Oncology Inc.	10.750%	8/15/14
-----			
	HOTELS, RESTAURANTS & LEISURE - 2.3%		
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
3,172	Dominos Inc.	8.250%	7/01/11
1,500	Herbst Gaming Inc.	7.000%	11/15/14
4,100	Intrawest Corporation	7.500%	10/15/13
2,000	Landry's Restaurants Inc., Series B	7.500%	12/15/14
2,000	MGM Mirage, Inc.	6.750%	8/01/07
3,500	Park Place Entertainment	7.875%	12/15/05
1,000	Park Place Entertainment	9.375%	2/15/07
1,000	Park Place Entertainment	7.875%	3/15/10
4,000	Penn National Gaming Inc., Senior Subordinated Notes	8.875%	3/15/10
3,000	Pinnacle Entertainment Inc.	8.750%	10/01/13
2,000	Pinnacle Entertainment Inc.	8.250%	3/15/12
4,000	Universal City Development Partners	11.750%	4/01/10
-----			
	HOUSEHOLD DURABLES - 0.5%		
4,500	K. Hovnanian Enterprises Inc., Senior Subordinated Notes	8.875%	4/01/12
5,000	KB Home	8.625%	12/15/08
-----			
	INSURANCE - 0.1%		
2,500	Fairfax Financial Holdings Ltd	7.750%	4/26/12
-----			
	IT SERVICES - 0.2%		

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

3,000 Global Cash Access LLC 8.750% 3/15/12

35

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS June 30, 2005 (Unaudited)

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
-----			
	MACHINERY - 0.4%		
3,000	Terex Corporation, Senior Subordinated Notes	10.375%	4/01/11
3,000	Terex Corporation, Senior Subordinated Notes	9.250%	7/15/11
-----			
	MEDIA - 4.0%		
6,900	Allbritton Communications Company, Series B	7.750%	12/15/12
2,000	AMC Entertainment Inc.	8.000%	3/01/14
1,345	American Media Operations Inc.	8.875%	1/15/11
6,000	American Media Operations Inc., Series B	10.250%	5/01/09
3,000	Cablevision Systems Corporation	7.250%	7/15/08
2,000	Cablevision Systems Corporation	8.125%	7/15/09
5,000	Cablevision Systems Corporation, Series B	8.125%	8/15/09
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
1,000	DIRECTV Holdings LLC, 144A	6.375%	6/15/15
3,000	Loews Cineplex Entertainment Corporation, 144A	9.000%	8/01/14
3,855	Mail-Well I Corporation, Senior Unsecured Note, 144A	9.625%	3/15/12
4,000	Medianews Group Inc.	6.375%	4/01/14
1,950	Panamsat Corporation	9.000%	8/15/14
7,000	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
8,200	Vertis Inc.	9.750%	4/01/09
2,000	Young Broadcasting Inc.	8.750%	1/15/14
5,500	Young Broadcasting Inc., Senior Subordinated Notes	10.000%	3/01/11
-----			
	METALS & MINING - 0.2%		
3,000	Chaparral Steel Company, 144A (WI, settling 7/06/05)	10.000%	7/15/13
1,682	United States Steel Corporation	9.750%	5/15/10
-----			
	MULTI-UTILITIES & UNREGULATED POWER - 0.1%		
500	Northwestern Corporation	5.875%	11/01/14
1,500	NRG Energy Inc., 144A	8.000%	12/15/13
-----			
	OIL, GAS & CONSUMABLE FUELS - 0.3%		
2,345	Chesapeake Energy Corporation	7.750%	1/15/15
2,000	Premcor Refining Group Inc.	7.500%	6/15/15

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

1,000	Tesoro Petroleum Corporation	8.000%	4/15/08
1,000	Tesoro Petroleum Corporation, Senior Subordinated Notes, Series B	9.625%	11/01/08
-----			
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
-----			
PERSONAL PRODUCTS - 0.1%			
1,600	Prestige Brands Inc.	9.250%	4/15/12
-----			
PHARMACEUTICALS - 0.0%			
1,000	Alpharma Inc., 144A	8.625%	5/01/11
-----			
REAL ESTATE - 0.1%			
1,000	TruStreet Properties Inc., 144A	7.500%	4/01/15
500	Ventas Realty LP, 144A	7.125%	6/01/15
-----			
ROAD AND RAIL - 0.2%			
1,000	Greenbrier Companies Inc., 144A	8.375%	5/15/15
3,000	Laidlaw International Inc.	10.750%	6/15/11
-----			
SPECIALTY RETAIL - 0.8%			
6,000	Asbury Automotive Group Inc.	9.000%	6/15/12
2,000	Movie Gallery Inc., 144A	11.000%	5/01/12
8,000	Warnaco Inc., Senior Notes	8.875%	6/15/13
-----			
TEXTILES & APPAREL - 0.2%			
4,000	Jostens IH Corporation	7.625%	10/01/12
-----			
TRADING COMPANIES & DISTRIBUTORS - 0.1%			
2,000	United Rentals North America Inc.	6.500%	2/15/12
-----			
WIRELESS TELECOMMUNICATION SERVICES - 0.2%			

36

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

-----			
SPECIALTY RETAIL - 0.8%			
6,000	Asbury Automotive Group Inc.	9.000%	6/15/12
2,000	Movie Gallery Inc., 144A	11.000%	5/01/12
8,000	Warnaco Inc., Senior Notes	8.875%	6/15/13
-----			
TEXTILES & APPAREL - 0.2%			
4,000	Jostens IH Corporation	7.625%	10/01/12
-----			
TRADING COMPANIES & DISTRIBUTORS - 0.1%			
2,000	United Rentals North America Inc.	6.500%	2/15/12
-----			
WIRELESS TELECOMMUNICATION SERVICES - 0.2%			

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

4,000	Nextel Communications Inc.	7.375%	8/01/15
-----			
Total Corporate Bonds (cost \$319,228,200)			
-----			
CAPITAL PREFERRED SECURITIES- 34.1% (23.3% OF TOTAL INVESTMENTS)			
CAPITAL MARKETS - 5.0%			
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
500	First Union Institutional Capital II	7.850%	1/01/27
2,000	First Union Institutional Capital Securities I	8.040%	12/01/26
19,335	Mellon Capital Trust I, Series A	7.720%	12/01/26
9,000	State Street Institutional Capital Trust, 144A	8.035%	3/15/27
-----			
COMMERCIAL BANKS - 17.3%			
2,000	AB Svensk Exportkredit, 144A	6.375%	10/27/49
10,000	Abbey National Capital Trust I	8.963%	12/30/49
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
500	Barnett Capital I	8.060%	12/01/26
13,000	CBA Capital Trust I, 144A	5.805%	12/30/49
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
6,000	First Chicago NBD Institutional Capital, 144A	7.950%	12/01/26
5,750	First Empire Capital Trust I	8.234%	2/01/27
11,550	First Empire Capital Trust II	8.277%	6/01/27
4,250	First Midwest Bancorp Inc.	6.950%	12/01/33
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%	11/02/49
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
18,500	North Fork Capital Trust II	8.000%	12/15/27
500	PNC Institutional Capital Securities, 144A	7.950%	12/15/26
2,000	Popular North American Capital Trust I	6.564%	9/15/34
16,750	RBS Capital Trust B	6.800%	12/31/49

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

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURITY
COMMERCIAL BANKS (continued)			
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
6,200	Royal Bank of Scotland Group plc	9.118%	3/31/49
3,000	Royal Bank of Scotland Group plc	7.648%	8/31/49
4,000	SocGen Real Estate Company LLC, 144A	7.640%	12/29/49
4,472	St. George Funding Company LLC, 144A	8.485%	6/30/47
2,250	Swedbank ForeningsSparbanken AB, 144A	9.000%	12/29/49
13,330	Unicredito Italiano Capital Trust, 144A	9.200%	10/05/49
3,800	Union Planters Capital Trust A	8.200%	12/15/26
12,419	Washington Mutual Capital Trust I	8.375%	6/01/27
2,000	Zions Institutional Capital Trust, Series A	8.536%	12/15/26
-----			
DIVERSIFIED FINANCIAL SERVICES - 5.6%			
15,750	BNP Paribas Capital Trust	7.200%	12/31/49
900	Chase Capital Trust I, Series A	7.670%	12/01/26
1,000	Citigroup Capital III	7.625%	12/01/36
51,900	HBOS Capital Funding LP, Notes	6.850%	3/01/49
10,000	ING Capital Funding Trust III	8.439%	12/30/49
2,150	JPM Capital Trust I	7.540%	1/15/27
3,000	JPM Capital Trust II	7.950%	2/01/27
23,600	Old Mutual Capital Funding, Notes	8.000%	6/22/53
-----			
DIVERSIFIED TELECOMMUNICATION SERVICES - 1.3%			
19,080	Centaur Funding Corporation, Series B, 144A	9.080%	4/21/20
-----			
INSURANCE - 4.0%			
987	Allstate Financing II	7.830%	12/01/45
10,000	American General Capital II	8.500%	7/01/30
4,980	American General Institutional Capital, 144A	8.125%	3/15/46
612	Berkeley Capital Trust	8.197%	12/15/45
14,250	Mangrove Bay, Class 3, 144A	6.102%	7/15/33
3,750	Prudential plc	6.500%	6/29/49
13,500	Sun Life Canada Capital Trust, Capital Securities, 144A	8.526%	5/06/47
23,000	Zurich Capital Trust I, 144A	8.376%	6/01/37
-----			
OIL, GAS & CONSUMABLE FUELS - 0.7%			
12,355	KN Capital Trust III	7.630%	4/15/28
-----			
THRIFTS & MORTGAGE FINANCE - 0.2%			
500	Countrywide Capital Trust I	8.000%	12/15/26
3,365	Great Western Financial Trust II, Series A	8.206%	2/01/27
-----			
Total Capital Preferred Securities (cost \$689,533,446)			

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
	REPURCHASE AGREEMENTS - 2.8% (1.9% OF TOTAL INVESTMENTS)
\$ 57,001 =====	State Street Bank, 2.600%, dated 6/30/05, due 7/01/05, repurchase price \$57,005,3 collateralized by \$4,210,000 U.S. Treasury Bonds, 7.125%, due 2/15/23, value \$5 and \$38,390,000 U.S. Treasury Bonds, 6.875%, due 8/15/25, value \$52,362,831
	Total Repurchase Agreements (cost \$57,001,222)
	Total Investments (cost \$2,937,684,063) - 146.7%
	Other Assets Less Liabilities - 0.5%
	FundPreferred Shares, at Liquidation Value - (47.2)%
	Net Assets Applicable to Common Shares - 100%

INTEREST RATE SWAP CONTRACTS OUTSTANDING AT JUNE 30, 2005:

COUNTERPARTY	NOTIONAL AMOUNT	FIXED RATE	FLOATING RATE
Morgan Stanley	\$97,000,000	2.0250%	3.3000
JPMorgan	97,000,000	3.3950	3.1500
Royal Bank of Canada	97,000,000	2.6790	3.3000
Morgan Stanley	97,000,000	3.0480	3.3000
JPMorgan	97,000,000	3.3595	3.3000

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

\* Ratings below Baa by Moody's Investor Service, Inc. or BBB by Standard and Poor's Group are considered to be below investment grade.

\*\* Based on LIBOR (London Interbank Offered Rate)

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

144A 144A securities are those which are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities 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.

NR Security is not rated.

WI Security purchased on a when-issued basis.

See accompanying notes to financial statements.

39

Statement of  
ASSETS AND LIABILITIES June 30, 2005 (Unaudited)

-----  
ASSETS

Investments, at market value (cost \$2,108,500,294 and \$2,937,684,063, respectively)

Cash

Interest rate swaps, at value

Receivables:

    Dividends

    Interest

    Investments sold

    Reclaims

Other assets

-----  
Total assets

-----  
LIABILITIES

Payable for investments purchased

Accrued expenses:

    Management fees

    Other

FundPreferred shares dividends payable

-----  
Total liabilities

-----  
FundPreferred shares, at liquidation value

-----  
Net assets applicable to Common shares

=====  
Common shares outstanding

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

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

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

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

Net assets applicable to Common shares  
=====

Authorized shares:

    Common  
    FundPreferred shares  
=====

See accompanying notes to financial statements.

40

Statement of  
OPERATIONS Six Months Ended June 30, 2005 (Unaudited)

-----  
INVESTMENT INCOME

Dividends (net of foreign tax withheld of \$16,529 and \$27,074, respectively)  
Interest  
-----

Total investment income  
-----

EXPENSES

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

Total expenses before custodian fee credit and expense reimbursement

    Custodian fee credit  
    Expense reimbursement  
-----

Net expenses  
-----

Net investment income  
-----

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) from:  
    Investments



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

Futures  
 Interest rate swaps  
 Change in net unrealized appreciation (depreciation) of:  
 Investments  
 Futures  
 Interest rate swaps

-----  
 Net realized and unrealized gain (loss)  
 -----

DISTRIBUTIONS TO FUNDPREFERRED SHAREHOLDERS

From net investment income  
 From accumulated net realized gains from investments

-----  
 Decrease in net assets applicable to Common shares from distributions to  
 FundPreferred shareholders  
 -----

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

See accompanying notes to financial statements.

41

Statement of  
 CHANGES IN NET ASSETS (Unaudited)

	PREFERRED AND CONVERTIBLE INCOME (JPC)			
	SIX MONTHS ENDED 6/30/05	FIVE MONTHS ENDED 12/31/04	YEAR ENDED 7/31/04	SIX MONTHS ENDED 6/30/05
-----				
OPERATIONS				
Net investment income	\$58,131,223	\$ 51,569,038	\$ 125,132,929	\$ 80,376,3
Net realized gain (loss) from:				
Investments	(2,472,980)	2,985,875	27,972,286	(7,568,8
Futures	(425,117)	--	--	245,1
Interest rate swaps	(32,437)	(974,786)	(2,330,892)	(109,5
Change in net unrealized appreciation (depreciation) of:				
Investments	(58,940,527)	85,689,077	39,651,341	(78,544,3
Futures	325,875	(325,875)	--	424,5
Interest rate swaps	1,207,357	(989,371)	5,573,214	1,718,0
Distributions to FundPreferred shareholders:				
From net investment income	(9,769,959)	(4,040,083)	(8,171,424)	(13,335,9
From accumulated net realized gains from investments	--	(1,465,951)	(384,871)	
-----				
Net increase (decrease) in net assets applicable to Common shares from operations	(11,976,565)	132,447,924	187,442,583	(16,794,8
-----				
DISTRIBUTIONS TO COMMON SHAREHOLDERS				
From net investment income	(57,971,320)	(50,311,897)	(121,827,639)	(79,316,4
From accumulated net realized gains from investments	--	(23,388,774)	(4,581,333)	

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

Decrease in net assets applicable to Common shares from distributions to Common shareholders	(57,971,320)	(73,700,671)	(126,408,972)	(79,316,4
CAPITAL SHARE TRANSACTIONS				
Common shares:				
Net proceeds from sale of shares	--	(4,237)	(188,221)	
Net proceeds from shares issued to shareholders due to reinvestment of distributions	--	--	1,175,103	
FundPreferred shares offering costs	--	(4,237)	(20,355)	(1,5
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	--	(8,474)	966,527	(1,5
Net increase in net assets applicable to Common shares	(69,947,885)	58,738,779	62,000,138	(96,112,8
Net assets applicable to Common shares at the beginning of period	1,533,721,773	1,474,982,994	1,412,982,856	2,140,563,1
Net assets applicable to Common shares at the end of period	\$1,463,773,888	\$1,533,721,773	\$1,474,982,994	\$2,044,450,2
Undistributed (Over-distribution of) net investment income at the end of period	\$ (20,885,896)	\$ (11,275,840)	\$ (5,581,774)	\$ (26,544,1

See accompanying notes to financial statements.

42

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

The Board of Trustees of the Funds approved a change in the Funds' fiscal year end from July 31 to December 31 upon completion of the Funds' July 31, 2004 fiscal year.

Effective January 1, 2005, Nuveen Institutional Advisory Corp. ("NIAC") the

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

Funds' previous adviser, and its affiliate, Nuveen Advisory Corp. ("NAC"), were merged into Nuveen Asset Management ("NAM"), each wholly owned subsidiaries of Nuveen Investments, Inc. ("Nuveen"). As a result of the merger, NAM is now the Adviser to all funds previously advised by either NIAC or NAC.

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 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. 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. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. The prices of fixed-income securities are generally provided by an independent pricing service approved by the Funds' Board of Trustees and based on the mean between the bid and asked prices. When price quotes are not readily available, 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 Trustee's designee. Short-term securities are valued at amortized cost, which approximates market value.

### Securities Transactions

Securities transactions are recorded on a trade date basis. Realized gains and losses from transactions are determined on the specific identification method. Securities purchased on a when-issued or delayed delivery basis may have extended settlement periods. Any securities so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At June 30, 2005, Preferred and Convertible Income (JPC) and Preferred and Convertible Income 2 (JQC) had outstanding when-issued purchase commitments of \$2,000,000, and \$3,000,000, 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.

### 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.

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

Notes to  
FINANCIAL STATEMENTS (Unaudited) (continued)

## Dividends and Distributions to Common Shareholders

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

Dividends to Common shareholders are declared monthly. With respect to the REIT securities held in the Funds' Portfolio of Investments, distributions received by the Funds are generally comprised of investment income, long-term and short-term capital gains, and a return of REIT capital. The actual character of amounts received during the period is not known until after the fiscal year-end. For the twelve months ended December 31, 2004, the character of distributions to the Funds from the REITs was as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
2004		
-----		
Ordinary income*	83.15%	83.29%
Long-term and short-term capital gains	14.69	15.13
Return of REIT capital	2.16	1.58
=====		

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

For the six months ended June 30, 2005, each Fund applied the actual percentages for the twelve months ended December 31, 2004, 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. Each Fund adjusts that estimated breakdown of income type (and consequently its net investment income) as necessary early in the following calendar year when the REITs inform their shareholders of the actual breakdown of income type. For the fiscal period ended December 31, 2004, each Fund applied the actual character of distributions reported by the REITs in which the Fund invests to its 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 Fund treated the distributions as ordinary income.

For the fiscal year ended July 31, 2004, each Fund applied a percentage estimate for the breakdown of income type, to its receipts from the REITs and treated as income in the Statement of Operations only the amount of ordinary income so calculated. Each Fund adjusted that estimated breakdown of income type (and consequently its net investment income) as necessary in the following calendar year when the REITs informed their shareholders of the actual breakdown of income type.

With respect to the portion of each Fund's monthly distribution to its shareholders derived from the Fund's investments in REIT securities for the six months ended June 30, 2005, each Fund treated that portion of its distributions as being entirely from net investment income. The Funds will recharacterize those distributions as being from ordinary income, long-term and short-term capital gains, and return of capital, if necessary, at the beginning of the subsequent year, based upon the income type breakdown information conveyed at

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

that time by the REITs whose securities are held in each Fund's portfolio. Consequently, the financial statements at June 30, 2005, reflect an over-distribution of net investment income that was at least partly attributable to the fact that some of the amounts received by the Funds from the portfolio REITs, but none of the dividends paid by the Funds to shareholders from the portfolio REITs were treated as something other than ordinary income. For the fiscal period ended December 31, 2004, each Fund applied the actual character of distributions reported by the REITs in which the Fund invests to the distributions paid to each Funds shareholders.

With respect to the portion of each Fund's monthly distribution to its shareholders derived from the Fund's investments in REIT securities for the fiscal year ended July 31, 2004, each Fund treated that portion of its distribution as being entirely from net investment income. The Funds recharacterized those distributions as being from ordinary income, long-term and short-term capital gains, and return of capital, if necessary, in the subsequent calendar year, based upon the income type breakdown information conveyed at that time by the REITs whose securities are held in each Fund's portfolio. Consequently, the financial statements for the fiscal year ended July 31, 2004, reflected an over-distribution of net investment income that was at least partly attributable to the fact that, as of the date of the financial statements, some of the amounts received by the Funds from the portfolio REITs, but none of the dividends paid by the Funds to shareholders from the portfolio REITs were treated as something other than ordinary income.

44

### 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 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 shares outstanding, by Series and in total, for each Fund is as follows:

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

### Interest Rate Swap Transactions

The Funds may 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.

#### Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

#### 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."

#### 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

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

collateral may be delayed or limited.

### Offering Costs

Costs incurred by Preferred and Convertible Income 2 (JQC) in connection with its offering of FundPreferred shares (\$19,728,655) were recorded as reductions to paid-in surplus.

### Custodian Fee Credit

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

### 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.

46

## 2. FUND SHARES

Transactions in Common and FundPreferred shares were as follows:

	PREFERRED AND PREFERRED AND CONVERTIBLE INCOME (JPC)			CONVERTIBLE INCOME	
	SIX MONTHS ENDED 6/30/05	FIVE MONTHS ENDED 12/31/04	YEAR ENDED 7/31/04	SIX MONTHS ENDED 6/30/05	FIVE MONTHS ENDED 12/31/04
Common shares issued to shareholders due to reinvestment of distributions	--	--	79,185	--	--
	--	--	79,185	--	--
FundPreferred shares sold	--	--	--	--	--

## 3. SECURITIES TRANSACTIONS

Purchases and sales (including maturities and transactions in securities sold short but excluding short-term investments) of investment securities during the

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

six months ended June 30, 2005, were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
Purchases of investment securities	\$370,394,160	\$469,204,951
Sales and maturities of investment securities	342,976,651	446,651,011

#### 4. INCOME TAX INFORMATION

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

At June 30, 2005, the cost of investments was as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
Cost of investments	\$2,129,873,755	\$2,967,788,600

47

Notes to  
FINANCIAL STATEMENTS (Unaudited) (continued)

Gross unrealized appreciation and gross unrealized depreciation of investments at June 30, 2005, were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
Gross unrealized:		
Appreciation	\$ 88,261,805	\$103,245,945
Depreciation	(52,006,091)	(71,550,091)
Net unrealized appreciation of investments	\$ 36,255,714	\$ 31,695,854

The tax components of undistributed net ordinary income and net realized gains at December 31, 2004, the Funds' last fiscal year end, were as follows:

	PREFERRED	PREFERRED
--	-----------	-----------



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

	AND CONVERTIBLE INCOME (JPC)	AND CONVERTIBLE INCOME 2 (JQC)
Undistributed net ordinary income *	\$8,790,389	\$11,988,764
Undistributed net long-term capital gains	3,341,644	6,828,270

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

The tax character of distributions paid during the fiscal periods ended December 31, 2004, the Funds' last fiscal period end, and July 31, 2004, was designated for purposes of the dividends paid deduction as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
FIVE MONTHS ENDED DECEMBER 31, 2004		
Distributions from net ordinary income *	\$82,128,245	\$89,938,792
Distributions from net long-term capital gains	7,112,884	2,762,657

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
YEAR ENDED JULY 31, 2004		
Distributions from net ordinary income *	\$134,895,598	\$162,336,998
Distributions from net long-term capital gains	--	22,781

\* 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 the Adviser, and a specific fund-level component, based only on the amount of assets within each individual fund. This pricing structure enables Nuveen fund

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

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. As of July 31, 2005, the complex-level fee rate was .1899%.

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

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

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 follows:

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 Fund's investment portfolio allocated to preferred securities. Frole, Revy manages the portion of the investment portfolio allocated to convertible securities. Symphony manages the portion of the investment portfolio 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 its Trustees who are affiliated with the Adviser or to its officers, all of whom receive remuneration for their services to the Funds from the Adviser or its affiliates. The Board of Trustees has adopted a deferred compensation plan for independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen advised Funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen advised Funds.

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

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

\* From the commencement of operations.

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

49

### Notes to FINANCIAL STATEMENTS (Unaudited) (continued)

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. ANNOUNCEMENT REGARDING PARENT COMPANY OF ADVISER

In early April, 2005, The St. Paul Travelers Companies, Inc. ("St. Paul Travelers"), which owned 79% of Nuveen, (A) completed a public offering of a

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

substantial portion of its equity stake in Nuveen, (B) sold Nuveen \$200 million of its Nuveen shares, (C) entered into an agreement with Nuveen to sell an additional \$400 million of its Nuveen shares on a "forward" basis with payment for and settlement of these shares delayed for several months, and (D) entered into agreements with two unaffiliated investment banking firms to sell an amount equal to most or all of its remaining Nuveen shares for current payment but for future settlement. Transactions (C) and (D) above were settled in late July, which effectively reduced St. Paul Travelers' controlling stake in Nuveen and was deemed an "assignment" (as defined in the 1940 Act) of the investment management agreements between the Funds and the Adviser, which resulted in the automatic termination of each agreement under the 1940 Act. In anticipation of such deemed assignment, the Board of Trustees had approved new ongoing investment management agreements for each Fund and the submission of those agreements for approval by each respective Fund's shareholders, which shareholder approval was received prior to the settlement of transactions (C) and (D). The new ongoing management agreements took effect upon such settlement.

7. SUBSEQUENT EVENT -- DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Funds declared Common share dividend distributions from their net investment income which were paid on August 1, 2005, to shareholders of record on July 15, 2005, as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
Dividend per share	\$ .0900	\$ .0885

At the same time, the Funds declared capital gains distributions as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
Dividend per share	\$ .0176	\$ .0430

Financial  
HIGHLIGHTS (Unaudited)

Financial  
HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

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

Investment Operations

	Beginning Common Share	Net Investment Income (a)	Net Realized/ Unrealized Gain (Loss)	Distributions from Net Investment Income to FundPreferred Share- holders+	Distributions from Capital Gains to FundPreferred Share- holders+	Tota
--	------------------------------	---------------------------------	---	---	---	------

PREFERRED AND  
CONVERTIBLE  
INCOME (JPC)

1/01/05-6/30/05	\$15.32	\$ .58	\$ (.60)	\$ (.10)	\$ --	\$ (.1
8/01/04-12/31/04	14.73	.52	.85	(.04)	(.01)	1.3
8/01/03-7/31/04	14.12	1.25	.71	(.08)	--	1.8
3/26/03-7/31/03	14.33	.30	(.02)	(.02)	--	.2

PREFERRED AND  
CONVERTIBLE  
INCOME 2 (JQC)

1/01/05-6/30/05	15.18	.57	(.60)	(.09)	--	(.1
8/01/04-12/31/04	14.33	.51	.90	(.05)	--	1.3
8/01/03-7/31/04	13.83	1.16	.73	(.08)	--	1.8
6/25/03-7/31/03	14.33	.04	(.53)	--	--	(.4

Total Returns

	Offering Costs and FundPreferred Share Underwriting Discounts	Ending Common Share Net Asset Value	Ending Market Value	Based on Market Value**	Based on Common Share Net Asset Value**
--	--	---	---------------------------	----------------------------------	---

PREFERRED AND CONVERTIBLE  
INCOME (JPC)

1/01/05-6/30/05	\$ --	\$14.62	\$13.35	(2.81)%	(.68)%
8/01/04-12/31/04	--	15.32	14.33	8.06	9.07
8/01/03-7/31/04	--	14.73	13.95	4.34	13.44
3/26/03-7/31/03	(.17)	14.12	14.57	(.89)	.58

PREFERRED AND CONVERTIBLE  
INCOME 2 (JQC)

1/01/05-6/30/05	--	14.50	13.06	(1.77)	(.80)
8/01/04-12/31/04	--	15.18	13.87	6.20	9.59
8/01/03-7/31/04	(.14)	14.33	13.54	.10	12.25
6/25/03-7/31/03	(.01)	13.83	14.69	(2.07)	(3.49)

Ratios/Supplemental Data

Before Credit/Reimbursement      After Credit/Reimb

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

	Ending Net Assets Applicable to Common Shares (000)	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Net Assets Applicable to Common Shares++
=====					
PREFERRED AND CONVERTIBLE INCOME (JPC)					
1/01/05-6/30/05	\$1,463,774	1.52%*	7.49%*	1.04%*	
8/01/04-12/31/04	1,533,722	1.51*	7.66*	1.04*	
8/01/03-7/31/04	1,474,983	1.53	7.90	1.05	
3/26/03-7/31/03	1,412,983	1.29*	5.67*	.87*	
=====					
PREFERRED AND CONVERTIBLE INCOME 2 (JQC)					
1/01/05-6/30/05	2,044,450	1.48*	7.41*	1.01*	
8/01/04-12/31/04	2,140,563	1.47*	7.81*	1.00*	
8/01/03-7/31/04	2,021,258	1.47	7.51	1.00	
6/25/03-7/31/03	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
=====			
PREFERRED AND CONVERTIBLE INCOME (JPC)			
1/01/05-6/30/05	\$708,000	\$25,000	\$76,687
8/01/04-12/31/04	708,000	25,000	79,157
8/01/03-7/31/04	708,000	25,000	77,083
3/26/03-7/31/03	708,000	25,000	74,893
=====			
PREFERRED AND CONVERTIBLE INCOME 2 (JQC)			
1/01/05-6/30/05	965,000	25,000	77,965
8/01/04-12/31/04	965,000	25,000	80,455
8/01/03-7/31/04	965,000	25,000	77,364
6/25/03-7/31/03	--	--	--
=====			

\* Annualized.

\*\* Total Investment 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.

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

- + The amounts shown are based on Common share equivalents.
- ++
  - o Ratios do not reflect the effect of dividend payments to FundPreferred shareholders.
  - o Income ratios reflect income earned on assets attributable to FundPreferred shares.
  - o 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)	
1/01/05-6/30/05	.02%*
8/01/04-12/31/04	.04*
8/01/03-7/31/04	.03
3/26/03-7/31/03	--
PREFERRED AND CONVERTIBLE INCOME 2 (JQC)	
1/01/05-6/30/05	.02*
8/01/04-12/31/04	.05*
8/01/03-7/31/04	.03
6/25/03-7/31/03	--

- (a) Per share Net Investment Income is calculated using the average daily shares method.

See accompanying notes to financial statements.

52-53 SPREAD

### ANNUAL INVESTMENT MANAGEMENT AGREEMENT APPROVAL PROCESS

At a meeting held on May 10-12, 2005, the Board of Trustees of the Funds, including the independent Trustees, unanimously approved the Investment Management Agreement between each Fund and NAM and the Sub-Advisory Agreement 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

To assist the Board in its evaluation of an advisory contract with a Fund Adviser, the independent Trustees received a report in adequate time in advance of their meeting which outlined, among other things, the services provided by the Fund Adviser; the organization of the Fund Adviser, including the responsibilities of various departments and key personnel; the Fund's past performance as well as the Fund's performance compared to funds of similar investment objectives compiled by an independent third party (a "Peer Group") as described below and with recognized and/or customized benchmarks (as appropriate); the profitability of the Fund Adviser and certain industry profitability analyses for advisers to unaffiliated investment companies; the expenses of the Fund Adviser in providing the various services; the advisory

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

fees of the Fund Adviser, including comparisons of such fees with the management fees of comparable funds in its Peer Group as well as comparisons of the Fund Adviser's management fees with the fees the Fund Adviser assesses to other types of investment products or accounts, if any; the soft dollar practices of the Fund Adviser; and the expenses of each Fund, including comparisons of the Fund's expense ratios (after any fee waivers) with the expense ratios of its Peer Group. This information supplements that received by the Board throughout the year regarding Fund performance, expense ratios, portfolio composition, trade execution and sales activity.

In addition to the foregoing materials, independent legal counsel to the independent Trustees provided, in advance of the meeting, a legal memorandum outlining, among other things, the duties of the Trustees under 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 Board meeting, NAM made a presentation to and responded to questions from the Board. In addition, the independent Trustees noted that each Sub-Adviser also previously made written or oral presentations to the Board providing the respective Sub-Adviser with the opportunity to explain its investment strategies, discuss market conditions, and highlight any material issues. Many of these presentations were part of site visits by the Board throughout the year. 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 contract. It is with this background that the Trustees considered each advisory contract (which includes sub-advisory contracts) with a 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 profits to be realized by the Fund Adviser and its affiliates from the relationship with the Fund; (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 evaluating the nature, extent and quality of the respective Fund Adviser's services, the Trustees reviewed information concerning the types of services that a Fund Adviser or its affiliates provide and are expected to provide to the Nuveen Funds; narrative and statistical information concerning the Fund's performance record and how such performance compares to the Fund's Peer Group and recognized benchmarks and/or customized benchmarks (as described in further detail in Section B below); information describing the Fund Adviser's organization and its various departments, the experience and responsibilities of key personnel, and available resources. In the discussion of key personnel, the Trustees received materials regarding the changes or additions in personnel of the applicable Fund Adviser. The Trustees further noted the willingness of the personnel of NAM to engage in open, candid discussions with the Board. The Trustees further considered the quality of the Fund Adviser's investment process in making portfolio management decisions, including any refinements or improvements to the portfolio management processes, enhancements to technology and systems that are available to portfolio managers, and any additions of new personnel which may strengthen or expand the research and investment capabilities of the Fund Adviser. In their review of the advisory contracts for



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

the fixed income funds, the Trustees also noted that Nuveen won the Lipper Award for Best Fund Family: Fixed Income-Large Asset Class, for 2004. Given the Trustees' experience with the Funds, other Nuveen funds and the Fund Advisers, the Trustees noted that they were familiar with and continue to have a good understanding of the organization, operations and personnel of the Fund Advisers.

54

In addition to advisory services, the independent Trustees considered the quality of the administrative or non-advisory services provided. In this regard, 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 addition to investment management services, NAM and its affiliates provide each Fund with a wide range of services, including: preparing shareholder reports; providing daily accounting; providing quarterly financial statements; overseeing and coordinating the activities of other service providers; administering and organizing Board meetings and preparing the Board materials for such meetings; providing legal support (such as helping to prepare registration statements, amendments thereto and proxy statements and responding to regulatory inquiries); and performing other Fund administrative tasks necessary for the operation of the respective Fund (such as tax reporting and fulfilling regulatory filing requirements). In addition, in evaluating the administrative services, the Trustees considered, in particular, a Fund Adviser's policies and procedures for assuring compliance with applicable laws and regulations in light of the new SEC regulations governing compliance. The Trustees noted NAM's focus on compliance and its compliance systems. In their review, the Trustees considered, among other things, the additions of experienced personnel to NAM's compliance group and modifications and other enhancements to NAM's computer systems. In addition to the foregoing, the Trustees also noted that NAM outsources certain services that cannot be replicated without significant costs or at the same level of expertise. Such outsourcing has been a beneficial and efficient use of resources by keeping expenses low while obtaining quality services. Further, as the Funds utilize Sub-Advisers, the Trustees considered NAM's ability and procedures to monitor the respective Sub-Adviser's performance, business practices and compliance policies and procedures. In this regard, the Trustees noted the role of NAM's investment oversight committee, including its increased personnel, the responsibilities and experience of the staff, and procedures to monitor Sub-Advisers, including the use of site visits.

In addition to the above, in reviewing the variety of additional services that NAM or its affiliates must provide to closed-end funds, such as the Funds, the independent Trustees determined that Nuveen's commitment to supporting the secondary market for the common shares of its closed-end funds is particularly noteworthy. In this regard, the Trustees noted Nuveen's efforts to sponsor numerous forums for analysts and specialists regarding the various Nuveen closed-end funds, its creation of a new senior position dedicated to providing secondary market support services and enhancing communications with investors and analysts, and its advertising and media relations efforts designed to raise investor and analyst awareness of the closed-end funds.

In evaluating the services of the various Sub-Advisers, the independent Trustees noted that the Sub-Advisory Agreements were essentially agreements for portfolio management services only and the respective Sub-Adviser was not expected to supply other significant administrative services to the Funds.

Based on their review, the Trustees found that, overall, the nature, extent and

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

quality of services provided (and expected to be provided) to the respective Fund under the Investment Management Agreement or Sub-Advisory Agreement, as applicable, were of a high level and were quite satisfactory.

### B. THE INVESTMENT PERFORMANCE OF THE FUND AND FUND ADVISERS

As previously noted, the Board received a myriad of performance information regarding each Fund and its Peer Group, if available. Among other things, the Board received materials reflecting a Fund's historic performance, the Fund's performance compared to its Peer Group (as available) and its performance compared to recognized and/or benchmarks (as applicable). The Trustees reviewed performance information including, among other things, total return information compared with a Fund's 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, 2004. 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 that a Fund is expected to bear, the Trustees considered the Fund's current management fee structure, the sub-advisory fee arrangements and the Fund's expected expense ratios in absolute terms as well as compared with the fees and expense ratios of the unaffiliated funds in its Peer Group. The Trustees reviewed the financial information of the respective Fund Adviser, including its respective revenues, expenses and profitability. In reviewing fees, the Trustees, among other things, reviewed comparisons of the Fund's gross management fees (fees after fund-level and complex-wide level breakpoints but before reimbursement and fee waivers), net management fees (after breakpoints and reimbursements and fee waivers) and total expense ratios (before and after waivers) with those of the unaffiliated funds in its Peer Group and peer averages. In this regard, the Trustees noted that the relative ranking of the Nuveen funds on fees and expenses was aided by the significant level of fee reductions provided by the fund-level and complex-wide breakpoint schedules, and the fee waivers and reimbursements provided by Nuveen for certain funds launched since 1999. The complex-wide breakpoint schedule was instituted in 2004 and is described in further detail below in Section D entitled "Economies of Scale and Whether Fee Levels Reflect These Economies of Scale." In its review, the Trustees noted that all taxable closed-end exchange-traded Nuveen funds had net expense ratios below or within an acceptable range compared to peers.

#### 2. COMPARISONS WITH THE FEES OF OTHER CLIENTS

The Trustees further compared the fees of NAM to the fees NAM or an affiliate thereof assessed for other types of clients (such as separate managed accounts as well as fees charged on funds that are not offered by Nuveen but are sub-advised by one of Nuveen's investment management teams). With respect to separately managed accounts, the advisory fees to such separate managed accounts are generally lower than those charged to the comparable Fund. The Trustees noted, however, the additional services that are provided and the costs incurred by Nuveen in managing and operating registered investment companies, such as the Funds, compared to individually managed separate accounts. For instance, as described above, NAM and its affiliates provide numerous

ANNUAL INVESTMENT MANAGEMENT  
AGREEMENT APPROVAL PROCESS (continued)

services to the Funds including, but not limited to, preparing shareholder reports; providing daily accounting; preparing quarterly financial statements; overseeing and coordinating the activities of other service providers; administering and organizing Board meetings and preparing the Board materials for such meetings; providing legal support; and administering all other aspects of the Fund's operations. Further, the Trustees noted the increased compliance requirements for funds in light of new SEC regulations and other legislation. These services are generally not required to the same extent, if at all, for separate accounts. In addition to the differences in services, the Trustees also considered, among other things, the differences in product distribution, investor profiles and account sizes. Accordingly, the Trustees believe that the nature and number of services provided to operate a Fund merit the higher fees than those to separate managed accounts.

In considering the fees of the Sub-Adviser, the Trustees also considered the pricing schedule the Sub-Adviser charges for similar investment management services for other fund sponsors or clients. With respect to Symphony, the Trustees also compared the sub-advisory fees to the significantly higher fees assessed to hedge funds advised by Symphony. Generally, the sub-advisory fees were at the lower end of the Sub-Adviser's fee schedule. In addition, the Trustees noted that such sub-advisory fees and arrangements with the unaffiliated Sub-Advisers were established through arms-length negotiations between the respective Sub-Adviser and NAM.

### 3. PROFITABILITY OF ADVISERS

In conjunction with its review of fees, the Trustees also considered the profitability of NAM (which incorporated Nuveen's wholly-owned subsidiaries, such as Symphony) as well as the profitability of the other Sub-Advisers. The Trustees reviewed the respective Fund Adviser's revenues, expenses and profitability margins (on both a pre-tax and after-tax basis). In reviewing profitability, the Trustees recognized that one of the most difficult issues in determining profitability is establishing a method of allocating expenses. Accordingly, the Trustees reviewed a Fund Adviser's assumptions and methodology of allocating expenses. In this regard, the methods of allocation used appeared reasonable but the Board noted the inherent limitations in allocating costs among various advisory products. The Trustees also recognized that individual fund or product line profitability of other advisers is generally not publicly available. Further, profitability may be affected by numerous factors including the types of funds managed, expense allocations, business mix, etc. and therefore comparability of profitability is somewhat limited. Nevertheless, to the extent available, the Trustees considered the respective Fund Adviser's profit margin compared to the profitability of various publicly-traded investment management companies and/or investment management companies that publicly disclose some or all of their financial results compiled by three independent third-party service providers. The Trustees also reviewed the revenues, expenses and profit margins of various unaffiliated advisory firms with similar amounts of assets under management for the last year prepared by NAM. Based on their review, the Trustees were satisfied that each Fund Adviser's level of profitability from its relationship with each Fund 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,

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

the Trustees determined that the advisory fees and expenses of the respective Fund were reasonable.

D. ECONOMIES OF SCALE AND WHETHER FEE LEVELS REFLECT THESE ECONOMIES OF SCALE  
In reviewing the compensation, the Trustees have long understood the benefits of economies of scale as the assets of a fund grows and have sought to ensure that shareholders share in these benefits. One method for shareholders to share in economies of scale is to include breakpoints in the advisory fee schedules that reduce fees as fund assets grow. Accordingly, the Trustees received and reviewed the schedules of advisory fees for each Fund, including fund-level breakpoints thereto. In addition, after lengthy negotiations with management, the Board in May, 2004 approved a complex-wide fee arrangement pursuant to which fees of the funds in the Nuveen complex, including the Funds, are reduced as the assets in the fund complex reach certain levels. The complex-wide fee arrangement was introduced on August 1, 2004 and the Trustees reviewed data regarding the reductions of fees for the Funds for the period of August 1, 2004 to December 31, 2004. 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 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.

56

### E. INDIRECT BENEFITS

In evaluating fees, the Trustees also considered any indirect benefits or profits the respective Fund Adviser or its affiliates may receive as a result of its relationship with each Fund. In this regard, the Trustees considered any benefits from soft dollar arrangements. The Trustees noted that although NAM manages a large amount of assets, it has very little, if any, brokerage to allocate. This is due to the fact that NAM typically manages the portfolios of the municipal funds in the Nuveen complex and municipal bonds generally trade on a principal basis. Accordingly, 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. The Trustees also considered the soft dollar arrangements of the Sub-Advisers. The Trustees noted that Frole, Revy has engaged in soft dollar arrangements. With respect to such Sub-Adviser, the Trustees considered that the respective Sub-Adviser benefits from its soft dollar arrangements pursuant to which such Sub-Adviser receives research from brokers that execute the applicable Fund's portfolio transactions. The Trustees received and reviewed materials concerning such Sub-Adviser's brokerage practices, including its broker allocation policies and procedures, the types of research and brokerage services received, the brokers providing such services, and the dollar amount of commissions allocated to brokers for soft dollar arrangements for the last calendar year. In considering the types of research received, the Trustees noted that such Sub-Adviser either has already limited (or has agreed to modify its practices to limit) the use of soft dollars to research with intellectual content. The Trustees recognized that such Sub-Adviser's profitability may be lower if the Sub-Adviser was required to pay for this research with hard dollars. With respect to Symphony, the Trustees noted that such Sub-Adviser does not use soft dollar arrangements. The Trustees also noted that Spectrum does not use soft dollar arrangements. However, the Trustees also received materials and considered any revenues received by Spectrum in executing trades through its internal broker-dealer.

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

In addition to soft dollar arrangements, the Trustees also considered any other revenues, if any, received by NAM or its affiliates. In this regard, for Nuveen funds with outstanding preferred shares and new closed-end funds, the Trustees also considered revenues received by Nuveen for serving as agent for broker-dealers at its preferred trading desk and for acting as co-manager in the initial public offering of new closed-end exchange-traded funds.

### F. OTHER CONSIDERATIONS

Nuveen, until recently, was a majority owned subsidiary of St. Paul Travelers Companies, Inc. ("St. Paul"). As noted, St. Paul earlier this year announced its intention to divest its equity stake in Nuveen. Nuveen is the parent of NAM. Pursuant to a series of transactions, St. Paul had begun to reduce its interest in Nuveen which would ultimately result in a change of control of Nuveen and therefore NAM. As mandated by the 1940 Act, such a change in control would result in an assignment of the Investment Management Agreement with NAM and the automatic termination of such agreement. Accordingly, the Board also considered the approval of a New Investment Management Agreement with each Fund in light of, and which would take effect upon, the anticipated change of control. More specifically, the Board considered for each Fund a New Investment Management Agreement on substantially identical terms to the existing Investment Management Agreement, to take effect after the change of control has occurred and the contract has been approved by Fund shareholders. In its review, the Board considered whether the various transactions necessary to divest St. Paul's interest will have an impact on the various factors they considered in approving NAM, such as the scope and quality of services to be provided following the change of control. In reviewing the St. Paul transactions, the Board considered, among other things, the impact, if any, on the operations and organizational structure of NAM; the possible benefits and costs of the transactions to the respective Fund; the potential implications of any arrangements used by Nuveen to finance certain of the transactions; the ability of NAM to perform its duties after the transactions; whether a Fund's fee structure or expense ratio would change; any changes to the current practices of the respective Fund; any changes to the terms of the advisory agreement; and any anticipated changes to the operations of NAM. Based on its review, the Board determined that St. Paul's divestiture would not affect the nature and quality of services provided by NAM, the terms of the Investment Management Agreement, including the fees thereunder, and would not materially affect the organization or operations of NAM. Accordingly, the Board determined that their analysis of the various factors regarding their approval of NAM would continue to apply after the change of control.

In addition to the foregoing, a change in control of NAM may be deemed an assignment of the Sub-Advisory Agreement between NAM and the respective Sub-Adviser. Further, Symphony is a wholly-owned subsidiary of Nuveen. Accordingly, the change of control of Nuveen would also result in a change of control of such Sub-Adviser resulting in the automatic termination of its existing Sub-Advisory Agreements. The Board therefore considered approval of a New Sub-Advisory Agreement with each Sub-Adviser in light of the anticipated change of control. More specially, the Board considered approval of each New Sub-Advisory Agreement on substantially identical terms as the respective Original Sub-Advisory Agreement, to take effect after the change of control has occurred and the agreement has been approved by Fund shareholders. In reviewing the impact of the St. Paul divestiture on the respective Sub-Adviser, the Board considered the same factors as outlined previously with respect to their review of NAM. As with NAM, the Board concluded that the St. Paul divestiture would not affect the nature and quality of services provided by the respective Sub-Adviser, the terms of the Sub-Advisory Agreement, including the fees paid thereunder, and would not materially affect the organization or operations of the Sub-Adviser. Accordingly, the Board determined that their analysis of the various factors regarding their review and approval of the respective Sub-Adviser would continue to apply following the change in control.

G. APPROVAL

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 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, that the renewal of the NAM Investment Management Agreement and each Sub-Advisory Agreement should be approved, and that the new, post-change of control NAM Investment Management Agreement and the Sub-Advisory Agreements be approved and recommended to shareholders.

57

Reinvest Automatically  
EASILY AND CONVENIENTLY

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

NUVEEN CLOSED-END EXCHANGE-TRADED FUNDS  
DIVIDEND REINVESTMENT PLAN

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

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

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

EASY AND CONVENIENT

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

HOW SHARES ARE PURCHASED

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of 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.

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

### 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.

58

### Other Useful INFORMATION

In April, 2005, The St. Paul Travelers Companies, Inc. ('St. Paul Travelers") sold the majority of its controlling equity interest in Nuveen Investments, Inc. ('Nuveen") to the general public. Nuveen is the parent of Nuveen Asset Management ("NAM"), which is each Fund's investment manager. This sale was deemed to be an 'assignment" of the investment management agreement between each Fund and NAM and, if applicable, of the sub-advisory agreement between NAM and the Fund's sub-adviser. As required by law, the shareholders of each Fund were asked to approve a new investment management agreement and, if applicable, a new subadvisory agreement that reflected this change in ownership. The shareholders of each Fund voted this approval at a Shareholders' Meeting on July 26, 2005. There were no changes to the investment objectives or management of any Fund as a result of these actions.

### 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, 2005, 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](http://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

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

for room hours and operation. You may also request Fund information by sending an e-mail request to [publicinfo@sec.gov](mailto: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

**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  
Boston, MA

### TRANSFER AGENT AND SHAREHOLDER SERVICES

State Street Bank & Trust  
Nuveen Funds  
P.O. Box 43071  
Providence, RI 02940-3071

(800) 257-8787

### LEGAL COUNSEL

Chapman and Cutler LLP  
Chicago, IL

### INDEPENDENT REGISTERED



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

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. No shares were repurchased during the period covered by this report. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

59

Nuveen Investments:  
SERVING Investors  
For GENERATIONS

Photo of: 2 women looking at a photo album.

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 \$120 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

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

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

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

Learn more  
about Nuveen Funds at  
[WWW.NUVEEN.COM/ETF](http://WWW.NUVEEN.COM/ETF)

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

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

Logo: NUVEEN Investments

ESA-F-0605D

## 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 at this time.

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

Not applicable.

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

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

## ITEM 11. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.13a-15(b) or 240.15d-15(b)).

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

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form.

(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 7, 2005

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.

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

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

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

Date: September 7, 2005

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

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

Date: September 7, 2005

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