

NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-CSR
January 07, 2016

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 811-10345

Nuveen Dividend Advantage Municipal Fund 3

(Exact name of registrant as specified in charter)

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

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

Date of fiscal year end: October 31

Date of reporting period: October 31, 2015

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

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2 Nuveen Investments

Table of Contents

Chairman's Letter to Shareholders	4
Portfolio Managers' Comments	5
Fund Leverage	10
Common Share Information	12
Risk Considerations	14
Performance Overview and Holding Summaries	15
Shareholder Meeting Report	27
Report of Independent Registered Public Accounting Firm	29
Portfolios of Investments	30
Statement of Assets and Liabilities	102
Statement of Operations	104
Statement of Changes in Net Assets	105
Statement of Cash Flows	107
Financial Highlights	110
Notes to Financial Statements	119
Additional Fund Information	132
Glossary of Terms Used in this Report	133
Reinvest Automatically, Easily and Conveniently	135
Annual Investment Management Agreement Approval Process	136
Board Members and Officers	151

Nuveen Investments 3

Chairman's Letter to Shareholders

Dear Shareholders,

For better or for worse, the financial markets spent most of the past year waiting for the U.S. Federal Reserve (Fed) to end its accommodative monetary policy. The policy has propped up stock and bond markets since the Great Recession, but the question remains: how will markets behave without its influence? This uncertainty was a considerable source of volatility for stock and bond prices for much of 2015, despite the Fed carefully conveying its intention to raise rates slowly and only when the economy shows evidence of readiness.

As was widely expected, the long-awaited Fed rate hike materialized in mid-December. While the move was interpreted as a vote of confidence on the economy's underlying strength, the Fed emphasized that future rate increases will be gradual and guided by its ongoing assessment of financial conditions. How efficiently the financial markets process the confluence of rising borrowing costs, softer commodity prices, stubbornly low U.S. inflation, and a strong U.S. dollar, against a backdrop of anemic global economic growth, remains to be seen.

Nevertheless, the global recovery continues to be led by the United States. Policy makers in Europe and Japan are deploying their available tools to try to bolster their economies' fragile growth, while Chinese authorities have stepped up efforts to manage China's slowdown. With sentiment regarding China growing increasingly bearish and the Fed now working toward normalizing its interest-rate policy, the actions of the world's central banks remain under intense scrutiny.

In the meantime, asset prices could continue to churn as risks both known and unknown begin to emerge. In times like these, you can look to a professional investment manager with the experience and discipline to maintain the proper perspective on short-term events. And if the daily headlines do concern you, I encourage you to reach out to your financial advisor. Your financial advisor can help you evaluate your investment strategies in light of current events, your time horizon and risk tolerance.

On behalf of the other members of the Nuveen Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

William J. Schneider
Chairman of the Board
December 21, 2015

4 Nuveen Investments

Portfolio Managers' Comments

Nuveen Performance Plus Municipal Fund, Inc. (NPP)

Nuveen Municipal Advantage Fund, Inc. (NMA)

Nuveen Municipal Market Opportunity Fund, Inc. (NMO)

Nuveen Dividend Advantage Municipal Fund (NAD)

Nuveen Dividend Advantage Municipal Fund 2 (NXZ)

Nuveen Dividend Advantage Municipal Fund 3 (NZF)

These Funds feature portfolio management by Nuveen Asset Management, LLC, an affiliate of Nuveen Investments, Inc. Portfolio managers Thomas C. Spalding, CFA, and Paul L. Brennan, CFA, review U.S. economic and municipal market conditions, key investment strategies and the twelve-month performance of these six national Funds. Tom has managed NXZ since its inception in 2001 and NPP, NMA, NMO and NAD since 2003. Paul assumed portfolio management responsibility for NZF in 2006.

APPROVED FUND REORGANIZATIONS

During August 2015, the Board of Directors/Trustees of the Nuveen Closed-End Funds approved a series of reorganizations for certain Funds included in this report (the Target Funds) to create one, larger-national Fund (the Acquiring Fund).

The reorganizations are as follows:

Target Funds	Symbol	Acquiring Fund	Symbol
Nuveen Municipal Advantage Fund, Inc.	NMA	Nuveen Dividend Advantage Municipal Fund 3 (to be renamed Nuveen Enhanced Municipal Credit	NZF
Nuveen Dividend Advantage Municipal Fund 2	NXZ	Opportunities Fund)	
Nuveen Premium Income Municipal Fund 4, Inc.	NPT		

See Notes to Financial Statements, Note 1 — General Information and Significant Accounting Policies, Fund Reorganizations for further information.

What factors affected the U.S. economy and the national municipal market during the twelve-month reporting period ended October 31, 2015?

During this reporting period, the U.S. economy continued to expand at a moderate pace. The Federal Reserve (Fed) maintained efforts to bolster growth and promote progress toward its mandates of maximum employment and price stability by holding the benchmark fed funds rate at the record low level of zero to 0.25% that it established in December 2008, a level that remained in place until December 2015 when the Fed increased its benchmark rate to a range of 0.25% to 0.50% (subsequent to the close of

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's (S&P), Moody's Investors Service, Inc. (Moody's) or Fitch, Inc. (Fitch) Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings. Certain bonds backed by U.S. government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

Bond insurance guarantees only the payment of principal and interest on the bond when due, and not the value of the bonds themselves, which will fluctuate with the bond market and the financial success of the issuer and the insurer. Insurance relates specifically to the bonds in the portfolio and not to the share prices of a Fund. No representation is made as to the insurers' ability to meet their commitments.

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Portfolio Managers' Comments (continued)

this reporting period). At its October 2014 meeting, the Fed announced that it would end its bond-buying stimulus program as of November 1, 2014, after tapering its monthly asset purchases of mortgage-backed and longer-term Treasury securities from the original \$85 billion per month to \$15 billion per month over the course of seven consecutive meetings (December 2013 through September 2014). In making the announcement, the Fed cited substantial improvement in the labor market as well as sufficient underlying strength in the broader economy to support ongoing progress toward maximum employment in a context of price stability. The Fed also reiterated that it would continue to look at a wide range of factors, including labor market conditions, indicators of inflationary pressures and readings on financial developments, in determining future actions. Additionally, the Fed stated that it would likely maintain the current target range for the fed funds rate for a considerable time, especially if projected inflation continued to run below the Fed's 2% longer run goal. However, if economic data shows faster progress, the Fed indicated that it could raise the fed funds rate sooner than expected.

The Fed changed its language slightly in December 2014, indicating it would be "patient" in normalizing monetary policy. This shift helped ease investors' worries that the Fed might raise rates too soon. However, as employment data released early in 2015 continued to look strong, anticipation began building that the Fed could raise its main policy rate as soon as June. As widely expected, after its March meeting, the Fed eliminated "patient" from its statement, but also highlighted the policymakers' less optimistic view of the economy's overall health as well as downgraded their inflation projections. The Fed's April meeting seemed to further signal that a June rate hike was off the table. While the Fed attributed the first quarter's economic weakness to temporary factors, the meeting minutes from April revealed that many Committee members believed the economic data available in June would be insufficient to meet the Fed's criteria for initiating a rate increase. The June meeting bore out that presumption and the Fed decided to keep the target rate near zero. But the Committee also continued to telegraph the likelihood of at least one rate increase in 2015, which many analysts forecasted for September.

During the September 2015 meeting, the Fed decided to keep the federal funds rate near zero despite broad speculation that it would increase rates. The Committee said it will keep the rate near zero until the economy has seen further improvement toward reaching the Fed's goals of maximum employment and inflation approaching 2%. At the Fed's October 2015 meeting, the Committee again held steady, while opening the door for a potential December rate hike. (The Fed did raise rates at its December meeting, subsequent to the close of this reporting period.)

The U.S. economy proved to be fairly resilient compared to other economies around the globe, boosted by an improving job market, declining gas prices and low mortgage rates. According to the government's gross domestic product (GDP) "second" estimate, the U.S. economy increased at a 2.1% annualized rate in the third quarter of 2015, compared with increases of 3.9% in the second quarter, 0.6% in the first quarter of 2015 and 2.2% in the fourth quarter 2014. The deceleration in real GDP in the third quarter primarily reflected a downturn in private inventory investment and decelerations in exports, in nonresidential fixed investment, in state and local government spending and in residential fixed investment that were partly offset by a deceleration in imports. The Consumer Price Index (CPI) increased 0.2% essentially unchanged year-over-year as of October 2015. The core CPI (which excludes food and energy) increased 0.2% during the same period, below the Fed's unofficial longer term inflation objective of 2.0%. As of October 2015, the U.S. unemployment rate was 5.0%, a figure that is also considered "full employment" by some Fed officials. The housing market continued to post consistent gains as of its most recent reading for September 2015. The average home price in the S&P/Case-Shiller Index of 20 major metropolitan areas rose 5.5% for the twelve months ended September 2015 (most recent data available at the time this report was prepared).

The municipal bond market traded sideways, meaning it ended the reporting period nearly where it started, with considerable volatility in between. With the Fed delaying the start of its interest rate normalization at each successive policy meeting, yet still signaling that a rate hike was likely in 2015, market participants remained highly focused on reassessing the Fed's timing. Complicating the forecasts were global macroeconomic concerns, particularly related to China's slowdown and currency devaluations around the world, as well as an easing of inflation concerns, driven by a stronger U.S. dollar and weakening commodity prices. The municipal market's supply-demand balance generally remained favorable over this reporting period. Issuance was unusually strong at the beginning of 2015, fueling concerns about potential oversupply conditions. Over the twelve months ended

6 Nuveen Investments

October 31, 2015, municipal bond issuance nationwide totaled \$416.9 billion, an increase of 30.4% from the issuance for the twelve-month period ended October 31, 2014. The elevation in gross issuance is due mostly to increased refunding deals as issuers have been actively and aggressively refunding their outstanding debt given the very low interest rate environment. In these transactions the issuers are issuing new bonds and taking the bond proceeds and redeeming (calling) old bonds. These refunding transactions have ranged from 40%-60% of total issuance over the past few years. Thus, the net issuance (all bonds issued less bonds redeemed) is actually much lower than the gross issuance. In fact, the total municipal bonds outstanding has actually declined in each of the past four calendar years. So, the gross is elevated, but the net is not and this has been an overall positive technical factor on municipal bond investment performance.

What key strategies were used to manage these Funds during the twelve-month reporting period ended October 31, 2015?

Despite the volatility during this reporting period, the low interest rate environment continued to attract investors to spread products, including municipal bonds. Credit spreads relative to Treasuries continued to tighten, helping the broad municipal market achieve a small gain over the twelve-month reporting period. We continued to take a bottom-up approach to identifying sectors that appeared undervalued as well as individual credits that had the potential to perform well over the long term and helped us keep the Funds fully invested.

Much of our trading activity during the reporting period was focused on pursuing our investment objectives. In general, these six Funds maintained their overall positioning strategies, emphasizing intermediate and longer maturities, lower rated credits and sectors offering higher yields. We also have become more selective at the individual issue level. As investor demand for municipal securities has increased and created a slight supply-demand imbalance, we've started to see underwriters bring new issues to market that are structured with terms more favorable to the issuer and perhaps less advantageous to the investor than in the recent past. In cases where our convictions have been less certain, we've sought compensation for the additional risk or have passed on the deal all together.

In NPP, NMA, NAD and NXZ, we added bonds issued for the City of Chicago and in NPP and NXZ, we added bonds issued for New Jersey because the credits were available at attractive prices, particularly given the insured structure of the Chicago bond and the higher credit quality of the New Jersey issue. NZF continued to favor longer maturity and lower rated credits and saw a modest increase in higher yielding sectors such as health care and transportation. The health care sector has been an attractive source of ideas for us and has continued to be an overweight position in NZF. The advent of the Affordable Health Care Act has encouraged health care providers to increase the scale of their businesses through affiliations and consolidations. Fundamentals in the transportation sector also remain compelling, in our view, for several reasons. The lower commodity price environment has provided fuel savings to airlines and to consumers, while the generally improved economy has encouraged more vehicle traffic and air travel. Operators have gained more pricing power recently and therefore can charge customers more. Finally, more transportation projects are being funded, providing additional sources of opportunities for us. In addition to our purchases in the health care and transportation sectors, we also bought a newly issued higher education credit in NZF during the reporting period, as we believe this higher education bond's long-term prospects appear favorable.

Three of the Funds, NMA, NXZ and NZF, increased their exposure to lower credit quality bonds (BBB rated and below) during this reporting period, while remaining within their investment policy target ranges. We continue to believe that lower rated municipal bonds represent attractive long-term investments and that fundamentals remain strong in the current market environment. In particular, the high yield municipal bond market currently features attractive yields and spreads, as well as declining default rates that should continue to benefit in the improving economic environment. Furthermore, high yield municipal bonds have historically responded favorably to a rising interest rate environment.

Portfolio Managers' Comments (continued)

Cash for purchases was generated primarily by proceeds from called and matured bonds, which we worked to redeploy to keep the Funds fully invested and support their income streams. As previously mentioned, call activity was elevated during the reporting period, providing ample cash and driving much of our trading. In addition, NMO trimmed some of its holding of American Airlines common stock, which performed well as the company has emerged from bankruptcy. The Fund received American Airlines stock when its holding of bonds issued by Puerto Rico Ports Authority for American Airlines was converted into equity as part of the merger with US Airways, which was completed in December 2013. Over time, we expect to sell these shares and reinvest the proceeds into municipal bonds.

As of October 31, 2015, all of these Funds continued to use inverse floating rate securities. We employ inverse floaters for a variety of reasons, including duration management, income enhancement and total return enhancement. How did the Funds perform during the twelve-month reporting period ended October 31, 2015?

The tables in each Fund's Performance Overview and Holding Summaries section of this report provide the Funds' total returns for the one-year, five-year and ten-year periods ended October 31, 2015. Each Fund's total returns at net asset value (NAV) are compared with the performance of a corresponding market index and Lipper classification average.

For the twelve months ended October 31, 2015, the total returns on common share NAV for all six of these Funds outperformed the return for the national S&P Municipal Bond Index. For the same period, NMA, NMO and NXZ outperformed, and NPP, NAD and NZF performed in line with the average return for the Lipper General & Insured Leveraged Municipal Debt Funds Classification Average. Key management factors that influenced the Funds' returns included duration and yield curve positioning, credit exposure and sector allocation. Keeping the Funds fully invested throughout the reporting period also was beneficial for performance. In addition, the use of regulatory leverage was an important positive factor affecting the Funds' performance. Leverage is discussed in more detail later in the Fund Leverage section of this report.

In this reporting period, municipal bonds with intermediate and longer maturities generally outperformed those with shorter maturities. As interest rates remained relatively stable over the reporting period, the higher yields at the longer end of the maturity range provided a boost to their total returns. In general, the Funds' durations and yield curve positioning were the main drivers of relative outperformance versus the benchmark for this reporting period.

Consistent with our long term strategy, these Funds tended to have longer durations than the municipal market in general, with overweightings in the longer parts of the yield curve that performed well and underweightings in the underperforming shorter end of the curve. This was especially true in NZF, where greater sensitivity to changes in interest rates benefited the Fund's performance. The positioning of NMA and NMO, which had the shortest durations among these Funds, was slightly less advantageous and the two Funds received less benefit from duration. For NPP, NMA, NMO, NAD and NXZ, exposure to zero coupon bonds was especially advantageous, as these bonds performed well in this reporting period due to their higher durations. NZF had a smaller weighting than the other five Funds in zero coupon bonds, which resulted in a smaller contribution to performance.

During this reporting period, lower rated bonds generally outperformed higher quality bonds. Investors have been more willing to accept risk, as credit fundamentals have broadly continued to improve and demand for higher-yielding assets remained robust in the low interest rate environment. For these six Funds, credit exposure had a positive impact on performance, although to a lesser extent than duration/yield curve positioning. These Funds tended to have overweightings in A rated and BBB rated bonds, which outperformed the benchmark and underweightings in the AAA rated and AA rated categories, which lagged the benchmark.

Sector allocation also had a small, but positive effect on relative performance for these six Funds. For this reporting period, tobacco was the best performing sector in the municipal market by a wide margin. Tobacco settlement bonds, which are repaid from the money U.S. tobacco companies owe to states under the 1998 Master Settlement Agreement, rallied strongly during this reporting period on several positive developments. After a decade of falling smoking rates, tobacco shipments were up year-to-date in 2015. Declining commodity prices have provided smokers with more disposable income to buy cigarettes after filling their gas tanks and paying their heating bills. Higher tobacco revenues are bolstering confidence that the tobacco settlement bonds can make timely payments. The sector also benefited from a constructive development on the litigation front. In October 2015, a dispute between the New York Attorney General and tobacco companies was settled, releasing funds from an escrow account to the state and making the money available for bond payments. The municipal market viewed this favorably, as several other states with disputed money held in escrow also may be likely to reach a settlement. The release of these funds would mean an improvement in the sector's fundamentals and possibly these bonds' credit ratings, many of which are rated below investment grade. We would also point out that, as the tobacco sector has been trading at deeply discounted levels, the rally had considerable upside, further boosting performance during this reporting period. Relative to the benchmark, all six Funds held overweight exposures to tobacco bonds, which was beneficial to performance.

NMO also benefited from its holding of strong performing American Airlines common stock, as described earlier in the key strategies section. American's share price rose, in part, due to a boost in profits from lower fuel prices. However, other positions slightly detracted from performance in this reporting period. NPP, NMA, NMO, NAD and NAX had small allocations to bonds linked to Puerto Rico, the City of Chicago and the State of Illinois, which modestly dampened performance as these credits underperformed the broad market.

An Update Involving Puerto Rico

As noted in the Funds' previous shareholder reports, we continue to monitor situations in the broader municipal market for any impact on the Funds' holdings and performance: the ongoing economic problems of Puerto Rico is one such case. Puerto Rico's continued economic weakening, escalating debt service obligations, and long standing inability to deliver a balanced budget led to multiple downgrades on its debt over the past two years. Puerto Rico has warned investors since 2014 that the island's debt burden may be unsustainable and the Commonwealth has been exploring various strategies to deal with this burden, including Chapter 9 bankruptcy, which is currently not available by law.

In terms of Puerto Rico holdings, shareholders should note that, as of the end of this reporting period, NPP, NMA, NMO, NAD and NXZ had limited exposure to Puerto Rico debt, 0.65%, 0.48%, 0.52%, 0.50% and 0.30%, respectively, at the end of the reporting period, while NZF did not hold any Puerto Rico bonds. The Puerto Rico credits offered higher yields, added diversification and triple exemption (i.e., exemption from most federal, state and local taxes). Puerto Rico general obligation debt is currently rated Caa2/CC/CC (below investment grade) by Moody's, S&P and Fitch, respectively, with negative outlooks.

Fund Leverage

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of the Funds relative to their comparative benchmarks was the Funds' use of leverage through their issuance of preferred shares and/or investments in inverse floating rate securities, which represent leveraged investments in underlying bonds. The Funds use leverage because our research has shown that, over time, leveraging provides opportunities for additional income, particularly in the recent market environment where short-term market rates are at or near historical lows, meaning that the short-term rates the Fund has been paying on its leveraging instruments have been much lower than the interest the Fund has been earning on its portfolio of long-term bonds that it has bought with the proceeds of that leverage. However, use of leverage also can expose the Fund to additional price volatility. When a Fund uses leverage, the Fund will experience a greater increase in its net asset value if the municipal bonds acquired through the use of leverage increase in value, but it will also experience a correspondingly larger decline in its net asset value if the bonds acquired through leverage decline in value, which will make the Fund's net asset value more volatile, and its total return performance more variable over time. In addition, income in levered funds will typically decrease in comparison to unlevered funds when short-term interest rates increase and increase when short-term interest rates decrease. Leverage made a positive contribution to the performance of these Funds over this reporting period.

As of October 31, 2015, the Funds' percentages of leverage are as shown in the accompanying table.

	NPP	NMA	NMO	NAD	NXZ	NZF
Effective Leverage*	37.49%	34.53%	35.91%	34.11%	33.77%	35.01%
Regulatory Leverage*	35.57%	30.84%	33.46%	30.40%	29.68%	28.78%

Effective Leverage is a Fund's effective economic leverage, and includes both regulatory leverage and the leverage effects of certain derivative and other investments in a Fund's portfolio that increase the Fund's investment exposure.

* Currently, the leverage effects of Tender Option Bond (TOB) inverse floater holdings are included in effective leverage values, in addition to any regulatory leverage. Regulatory leverage consists of preferred shares issued or borrowings of a Fund. Both of these are part of a Fund's capital structure. Regulatory leverage is subject to asset coverage limits set forth in the Investment Company Act of 1940.

THE FUNDS' REGULATORY LEVERAGE

As of October 31, 2015, the Funds have issued and outstanding Institutional MuniFund Term Preferred (iMTP) Shares, Variable Rate MuniFund Term Preferred (VMTP) Shares and/or Variable Rate Demand Preferred (VRDP) Shares as shown in the accompanying table.

Fund	iMTP Shares		VMTP Shares		VRDP Shares		Total
	Series	Issued at	Series	Issued at	Series	Issued at	
NPP	—	—	2018	\$535,000,000	—	—	\$535,000,000
NMA	—	—	—	—	1	\$268,800,000	\$268,800,000
NMO	—	—	—	—	1	\$350,900,000	\$350,900,000
NAD	—	—	2016	\$265,000,000	—	—	\$265,000,000
NXZ	—	—	—	—	2	\$196,000,000	\$196,000,000
NZF	2017	\$150,000,000	2017	\$81,000,000	—	—	\$231,000,000

During the current reporting period, NPP refinanced all of its outstanding VMTP Shares with the issuance of new VMTP Shares.

Refer to Notes to Financial Statements, Note 4 — Fund Shares, Preferred Shares for further details on iMTP, VMTP and VRDP Shares and each Fund's respective transactions.

Common Share Information

COMMON SHARE DISTRIBUTION INFORMATION

The following information regarding the Funds' distributions is current as of October 31, 2015. Each Fund's distribution levels may vary over time based on each Fund's investment activity and portfolio investments value changes.

During the current reporting period, each Fund's distributions to common shareholders were as shown in the accompanying table.

Ex-Dividend Date	Per Common Share Amounts					
	NPP	NMA	NMO	NAD	NXZ	NZF
November 2014	\$0.0770	\$0.0670	\$0.0670	\$0.0740	\$0.0715	\$0.0625
December	0.0770	0.0670	0.0670	0.0740	0.0715	0.0625
January	0.0770	0.0670	0.0670	0.0740	0.0715	0.0625
February	0.0770	0.0670	0.0670	0.0740	0.0715	0.0625
March	0.0770	0.0660	0.0670	0.0740	0.0680	0.0640
April	0.0770	0.0660	0.0670	0.0740	0.0680	0.0640
May	0.0770	0.0660	0.0670	0.0740	0.0680	0.0640
June	0.0730	0.0660	0.0635	0.0710	0.0680	0.0665
July	0.0730	0.0660	0.0635	0.0710	0.0680	0.0665
August	0.0730	0.0660	0.0635	0.0710	0.0680	0.0665
September	0.0730	0.0660	0.0635	0.0710	0.0650	0.0665
October 2015	0.0730	0.0660	0.0635	0.0710	0.0650	0.0665
Ordinary Income Distribution*	\$0.0002	\$0.0007	\$0.0006	\$0.0001	\$0.0001	\$0.0017
Market Yield**	5.93	% 5.86	% 5.69	% 6.06	% 5.66	% 5.76
Taxable-Equivalent Yield**	8.24	% 8.14	% 7.90	% 8.42	% 7.86	% 8.00

* Distribution paid in December 2014.

Market Yield is based on the Fund's current annualized monthly dividend divided by the Fund's current market price as of the end of the reporting period. Taxable-Equivalent Yield represents the yield that must be earned on a **fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28.0%. When comparing a Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

Each Fund in this report seeks to pay regular monthly dividends out of its net investment income at a rate that reflects its past and projected net income performance. To permit each Fund to maintain a more stable monthly dividend, the Fund may pay dividends at a rate that may be more or less than the amount of net income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it will hold the excess in reserve as undistributed net investment income (UNII) as part of the Fund's net asset value. Conversely, if a Fund has cumulatively paid in dividends more than it has earned, the excess will constitute a negative UNII that will likewise be reflected in the Fund's net asset value. Each Fund will, over time, pay all its net investment income as dividends to shareholders.

As of October 31, 2015, all the Funds had positive UNII balances for tax purposes and positive UNII balances for financial reporting purposes.

All monthly dividends paid by each Fund during the current reporting period were paid from net investment income. If a portion of the Fund's monthly distributions was sourced from or comprised of elements other than net investment income, including capital gains and/or a return of capital, shareholders would have received a notice to that effect. For financial reporting purposes, the composition and per share amounts of each Fund's dividends for the reporting period are presented in this report's Statement of Changes in Net Assets and Financial Highlights, respectively. For income tax purposes, distribution information for each Fund as of its most recent tax year end is presented in Note 6 — Income Tax Information within the Notes to Financial Statements of this report.

COMMON SHARE REPURCHASES

During August 2015, the Funds' Board of Directors/Trustees reauthorized an open-market share repurchase program, allowing each Fund to repurchase an aggregate of up to approximately 10% of its outstanding shares.

As of October 31, 2015, and since the inception of the Funds' repurchase programs, the Funds have cumulatively repurchased and retired their outstanding common shares as shown in the accompanying table.

	NPP	NMA	NMO	NAD	NXZ	NZF
Common shares cumulatively repurchased and retired	0	37,700	0	0	24,900	47,500
Common shares authorized for repurchase	6,005,000	3,930,000	4,585,000	3,930,000	2,945,000	3,630,000

During the current reporting period, the following Funds repurchased and retired their common shares at a weighted average price per common share and a weighted average discount per common share as shown in the accompanying table.

	NMA	NXZ	NZF
Common shares repurchased and retired	37,700	24,900	17,500
Weighted average price per common share repurchased and retired	\$13.23	\$13.53	\$13.60
Weighted average discount per common share repurchased and retired	12.82 %	13.24 %	12.55 %

OTHER COMMON SHARE INFORMATION

As of October 31, 2015, and during the current reporting period, the Funds' common share prices were trading at a premium/(discount) to their common share NAVs as shown in the accompanying table.

	NPP	NMA	NMO	NAD	NXZ	NZF
Common share NAV	\$16.15	\$15.34	\$15.21	\$15.44	\$15.76	\$15.75
Common share price	\$14.77	\$13.52	\$13.39	\$14.05	\$13.78	\$13.86
Premium/(Discount) to NAV	(8.54)%	(11.86)%	(11.97)%	(9.00)%	(12.56)%	(12.00)%
12-month average premium/(discount) to NAV	(10.26)%	(11.96)%	(11.92)%	(9.54)%	(12.13)%	(12.52)%

Risk Considerations

Fund shares are not guaranteed or endorsed by any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation.

Nuveen Performance Plus Municipal Fund, Inc. (NPP)

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. Leverage increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. These and other risk considerations such as inverse floater risk and tax risk are described in more detail on the Fund's web page at www.nuveen.com/NPP.

Nuveen Municipal Advantage Fund, Inc. (NMA)

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. Leverage increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. These and other risk considerations such as inverse floater risk and tax risk are described in more detail on the Fund's web page at www.nuveen.com/NMA.

Nuveen Municipal Market Opportunity Fund, Inc. (NMO)

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. Leverage increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. These and other risk considerations such as inverse floater risk and tax risk are described in more detail on the Fund's web page at www.nuveen.com/NMO.

Nuveen Dividend Advantage Municipal Fund (NAD)

Nuveen Dividend Advantage Municipal Fund 2 (NXZ)

Nuveen Dividend Advantage Municipal Fund 3 (NZF)

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. Leverage increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. These and other risk considerations such as inverse floater risk and tax risk are described in more detail on the Funds' web page at www.nuveen.com/NAD, www.nuveen.com/NXZ, www.nuveen.com/NZF.

NPP

Nuveen Performance Plus Municipal Fund, Inc.

Performance Overview and Holding Summaries as of October 31, 2015

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Average Annual Total Returns as of October 31, 2015

	Average Annual		
	1-Year	5-Year	10-Year
NPP at Common Share NAV	4.64%	7.48%	6.41%
NPP at Common Share Price	7.56%	6.36%	6.59%
S&P Municipal Bond Index	2.87%	4.41%	4.69%
Lipper General & Insured Leveraged Municipal Debt Funds Classification Average	4.65%	7.47%	6.22%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index and Lipper return information is provided for the Fund's shares at NAV only. Indexes and Lipper averages are not available for direct investment.

Nuveen Investments 15

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NPP Performance Overview and Holding Summaries as of October 31, 2015 (continued)

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

Fund Allocation

(% of net assets)

Long-Term Municipal Bonds	154.8%
Corporate Bonds	0.0 %
Other Assets Less Liabilities	3.3 %
Net Assets Plus Floating Rate Obligations & VMTP Shares, at Liquidation Value	158.1 %
Floating Rate Obligations	(2.9)%
VMTP Shares, at Liquidation Value	(55.2)%
Net Assets	100 %

Credit Quality

(% of total investment exposure)

AAA/U.S. Guaranteed	13.7%
AA	49.8%
A	19.8%
BBB	7.6 %
BB or Lower	7.7 %
N/R (not rated)	1.4 %
Total	100 %

Portfolio Composition

(% of total investments)

Transportation	20.0%
Tax Obligation/Limited	18.7%
Health Care	17.5%
Tax Obligation/General	14.9%
U.S. Guaranteed	7.7 %
Utilities	6.8 %
Consumer Staples	6.7 %
Other	7.7 %
Total	100 %

States and Territories

(% of total municipal bonds)

Illinois	17.0%
California	12.7%
Texas	10.9%
Colorado	6.8 %
Ohio	4.4 %
Florida	4.3 %
Nevada	3.7 %

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New York	3.7 %
New Jersey	3.6 %
Indiana	3.2 %
Pennsylvania	2.9 %
Michigan	2.8 %
South Carolina	2.6 %
Virginia	2.5 %
Other	18.9%
Total	100 %

16 Nuveen Investments

NMA

Nuveen Municipal Advantage Fund, Inc.

Performance Overview and Holding Summaries as of October 31, 2015

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Average Annual Total Returns as of October 31, 2015

	Average Annual		
	1-Year	5-Year	10-Year
NMA at Common Share NAV	4.83%	7.23%	6.12%
NMA at Common Share Price	4.33%	4.77%	5.41%
S&P Municipal Bond Index	2.87%	4.41%	4.69%
Lipper General & Insured Leveraged Municipal Debt Funds Classification Average	4.65%	7.47%	6.22%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index and Lipper return information is provided for the Fund's shares at NAV only. Indexes and Lipper averages are not available for direct investment.

Nuveen Investments 17

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NMA Performance Overview and Holding Summaries as of October 31, 2015 (continued)

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

Fund Allocation

(% of net assets)

Long-Term Municipal Bonds	144.8	%
Corporate Bonds	0.0	%
Other Assets Less Liabilities	3.8	%
Net Assets Plus Floating Rate Obligations & VRDP Shares, at Liquidation Value	148.6	%
Floating Rate Obligations	(4.0))%
VRDP Shares, at Liquidation Value	(44.6))%
Net Assets	100	%

Credit Quality

(% of total investment exposure)

AAA/U.S. Guaranteed	18.6%
AA	46.2%
A	17.2%
BBB	8.7%
BB or Lower	7.6%
N/R (not rated)	1.7%
Total	100%

Portfolio Composition

(% of total investments)

Health Care	20.0%
Transportation	19.7%
Tax Obligation/General	15.7%
Tax Obligation/Limited	14.8%
U.S. Guaranteed	11.0%
Consumer Staples	5.8%
Utilities	4.9%
Other	8.1%
Total	100%

States and Territories

(% of total municipal bonds)

California	15.6%
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Texas	11.0%
Illinois	10.0%
Colorado	9.3 %
Ohio	5.5 %
New York	5.3 %
Louisiana	4.3 %
Indiana	3.9 %
Michigan	3.6 %
Nevada	3.5 %
Florida	2.7 %
Massachusetts	2.6 %
Arizona	2.3 %
Oklahoma	2.1 %
Other	18.3%
Total	100 %

18 Nuveen Investments

NMO

Nuveen Municipal Market Opportunity Fund, Inc.
 Performance Overview and Holding Summaries as of October 31,
 2015

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.
 Average Annual Total Returns as of October 31, 2015

	Average Annual		
	1-Year	5-Year	10-Year
NMO at Common Share NAV	5.16%	7.60%	6.07%
NMO at Common Share Price	4.37%	4.75%	5.75%
S&P Municipal Bond Index	2.87%	4.41%	4.69%
Lipper General & Insured Leveraged Municipal Debt Funds Classification Average	4.65%	7.47%	6.22%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index and Lipper return information is provided for the Fund's shares at NAV only. Indexes and Lipper averages are not available for direct investment.

NMO Performance Overview and Holding Summaries as of October 31, 2015 (continued)

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

Fund Allocation

(% of net assets)

Long-Term Municipal Bonds	147.7	%
Common Stocks	0.4	%
Corporate Bonds	0.0	%
Other Assets Less Liabilities	5.2	%
Net Assets Plus Floating Rate Obligations & VRDP Shares, at Liquidation Value	153.3	%
Floating Rate Obligations	(3.0))%
VRDP Shares, at Liquidation Value	(50.3))%
Net Assets	100	%

Credit Quality

(% of total investment exposure)

AAA/U.S. Guaranteed	14.2%
AA	47.9%
A	20.7%
BBB	7.7 %
BB or Lower	8.4 %
N/R (not rated)	0.9 %
N/A (not applicable)	0.2 %
Total	100 %

Portfolio Composition

(% of total investments)

Transportation	23.0%
Health Care	19.6%
Tax Obligation/Limited	16.2%
Tax Obligation/General	14.9%
U.S. Guaranteed	7.1 %
Consumer Staples	6.4 %
Utilities	5.7 %
Other	7.1 %
Total	100 %

States and Territories

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(% of total municipal bonds)

California	15.2%
Illinois	11.4%
Texas	9.5 %
Colorado	6.0 %
Ohio	5.8 %
Michigan	5.3 %
New York	4.9 %
Nevada	4.6 %
Pennsylvania	4.2 %
Florida	3.3 %
New Jersey	3.1 %
Virginia	3.0 %
Indiana	2.4 %
Washington	2.3 %
Other	19.0%
Total	100 %

20 Nuveen Investments

NAD

Nuveen Dividend Advantage Municipal Fund

Performance Overview and Holding Summaries as of October 31, 2015

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Average Annual Total Returns as of October 31, 2015

	Average Annual		
	1-Year	5-Year	10-Year
NAD at Common Share NAV	4.43%	7.30%	6.24%
NAD at Common Share Price	5.57%	6.14%	6.09%
S&P Municipal Bond Index	2.87%	4.41%	4.69%
Lipper General & Insured Leveraged Municipal Debt Funds Classification Average	4.65%	7.47%	6.22%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index and Lipper return information is provided for the Fund's shares at NAV only. Indexes and Lipper averages are not available for direct investment.

Nuveen Investments 21

NAD Performance Overview and Holding Summaries as of October 31, 2015 (continued)

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

Fund Allocation

(% of net assets)

Long-Term Municipal Bonds	144.0%
Corporate Bonds	0.0 %
Investment Companies	0.1 %
Other Assets Less Liabilities	3.8 %
Net Assets Plus Floating Rate Obligations & VMTP Shares, at Liquidation Value	147.9%
Floating Rate Obligations	(4.2)%
VMTP Shares, at Liquidation Value	(43.7)%
Net Assets	100 %

Credit Quality

(% of total investment exposure)

AAA/U.S. Guaranteed	12.3%
AA	55.2%
A	19.3%
BBB	5.1 %
BB or Lower	6.4 %
N/R (not rated)	1.6 %
N/A (not applicable)	0.1 %
Total	100 %

Portfolio Composition

(% of total investments)

Transportation	20.5 %
Health Care	20.3 %
Tax Obligation/Limited	18.3 %
Tax Obligation/General	14.4 %
U.S. Guaranteed	7.6 %
Consumer Staples	6.3 %
Utilities	4.2 %
Other	8.4 %
Total	100 %

States and Territories

(% of total municipal bonds)

Illinois	14.3%
California	9.7 %
Texas	8.8 %
Colorado	7.8 %
Nevada	5.7 %

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Washington	5.3 %
New York	4.9 %
Florida	4.8 %
Michigan	4.2 %
New Jersey	4.1 %
Ohio	4.0 %
Wisconsin	3.3 %
Indiana	2.7 %
Louisiana	2.3 %
Other	18.1 %
Total	100 %

22 Nuveen Investments

NXZ

Nuveen Dividend Advantage Municipal Fund 2

Performance Overview and Holding Summaries as of October 31, 2015

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.
Average Annual Total Returns as of October 31, 2015

	Average Annual		
	1-Year	5-Year	10-Year
NXZ at Common Share NAV	4.94%	7.63%	6.29%
NXZ at Common Share Price	3.53%	5.33%	5.20%
S&P Municipal Bond Index	2.87%	4.41%	4.69%
Lipper General & Insured Leveraged Municipal Debt Funds Classification Average	4.65%	7.47%	6.22%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index and Lipper return information is provided for the Fund's shares at NAV only. Indexes and Lipper averages are not available for direct investment.

NXZ Performance Overview and Holding Summaries as of October 31, 2015 (continued)

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

Fund Allocation

(% of net assets)

Long-Term Municipal Bonds	143.1	%
Corporate Bonds	0.0	%
Other Assets Less Liabilities	3.3	%
Net Assets Plus Floating Rate Obligations & VRDP Shares, at Liquidation Value	146.4	%
Floating Rate Obligations	(4.2))%
VRDP Shares, at Liquidation Value	(42.2))%
Net Assets	100	%

Credit Quality

(% of total investment exposure)

AAA/U.S. Guaranteed	14.1 %
AA	51.7 %
A	15.9 %
BBB	7.4 %
BB or Lower	8.8 %
N/R (not rated)	2.1 %
Total	100 %

Portfolio Composition

(% of total investments)

Tax Obligation/Limited	18.9 %
Health Care	16.7 %
Transportation	15.2 %
Tax Obligation/General	15.1 %
U.S. Guaranteed	8.2 %
Consumer Staples	7.1 %
Utilities	6.3 %
Water and Sewer	3.4 %
Other	9.1 %
Total	100 %

States and Territories

(% of total municipal bonds)

Texas	15.7%
Illinois	12.6%
California	12.0%
Michigan	6.5 %
New York	6.5 %
Colorado	5.6 %
South Carolina	3.3 %
Georgia	3.2 %
Nevada	2.9 %
Indiana	2.9 %
Ohio	2.5 %
Pennsylvania	2.3 %
Florida	2.3 %
New Jersey	2.0 %
Other	19.7%
Total	100 %

24 Nuveen Investments

NZF

Nuveen Dividend Advantage Municipal Fund 3

Performance Overview and Holding Summaries as of October 31, 2015

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Average Annual Total Returns as of October 31, 2015

	Average Annual		
	1-Year	5-Year	10-Year
NZF at Common Share NAV	4.57%	7.20%	6.32%
NZF at Common Share Price	6.21%	5.16%	5.97%
S&P Municipal Bond Index	2.87%	4.41%	4.69%
Lipper General & Insured Leveraged Municipal Debt Funds Classification Average	4.65%	7.47%	6.22%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index and Lipper return information is provided for the Fund's shares at NAV only. Indexes and Lipper averages are not available for direct investment.

Nuveen Investments 25

NZF Performance Overview and Holding Summaries as of October 31, 2015 (continued)

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

Fund Allocation

(% of net assets)

Long-Term Municipal Bonds	144.8 %
Corporate Bonds	0.0 %
Investment Companies	0.6 %
Other Assets Less Liabilities	2.2 %
Net Assets Plus Floating Rate Obligations, iMTP shares at Liquidation Value & VMTP Shares, at Liquidation Value	147.6 %
Floating Rate Obligations	(7.2)%
iMTP Share, at Liquidation Value	(26.2)%
VMTP Shares, at Liquidation Value	(14.2)%
Net Assets	100 %

Credit Quality

(% of total investment exposure)

AAA/U.S. Guaranteed	9.6 %
AA	41.4 %
A	21.0 %
BBB	13.3 %
BB or Lower	6.4 %
N/R (not rated)	7.9 %
N/A (not applicable)	0.4 %
Total	100 %

Portfolio Composition

(% of total investments)

Health Care	18.8 %
Tax Obligation/Limited	17.8 %
Transportation	15.7 %
Tax Obligation/General	10.4 %
Utilities	7.8 %
Water and Sewer	6.8 %
Education and Civic Organizations	5.2 %
U.S. Guaranteed	5.1 %
Consumer Staples	4.8 %
Other	7.6 %
Total	100 %

States and Territories

(% of total municipal bonds)

Texas	13.9 %
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Illinois	10.6%
California	10.2%
Indiana	7.1 %
New York	6.3 %
Michigan	4.7 %
Washington	4.0 %
Ohio	4.0 %
Nevada	3.7 %
Florida	3.1 %
Louisiana	3.1 %
Colorado	3.1 %
Georgia	2.9 %
Massachusetts	2.7 %
Kentucky	2.4 %
Other	18.2%
Total	100 %

26 Nuveen Investments

Shareholder Meeting Report

The annual meeting of shareholders was held in the offices of Nuveen Investments on August 5, 2015 for NPP, NMA, NMO, NAD, NXZ and NZF; at this meeting the shareholders were asked to elect Board Members.

	NPP Common and Preferred shares voting together as a class		NMA Common and Preferred shares voting together as a class		NMO Common and Preferred shares voting together as a class	
		Preferred Shares		Preferred Shares		Preferred Shares
William Adams IV						
For	51,615,063	—	31,398,293	—	36,322,718	—
Withhold	1,206,985	—	1,820,810	—	2,291,215	—
Total	52,822,048	—	33,219,103	—	38,613,933	—
Jack B. Evans						
For	51,538,964	—	31,357,511	—	36,306,237	—
Withhold	1,283,084	—	1,861,592	—	2,307,696	—
Total	52,822,048	—	33,219,103	—	38,613,933	—
William C. Hunter						
For	—	5,350	—	924	—	2,660
Withhold	—	—	—	882	—	550
Total	—	5,350	—	1,806	—	3,210
David J. Kundert						
For	51,601,940	—	31,337,181	—	36,285,748	—
Withhold	1,220,108	—	1,881,922	—	2,328,185	—
Total	52,822,048	—	33,219,103	—	38,613,933	—
John K. Nelson						
For	51,621,993	—	31,398,686	—	36,321,200	—
Withhold	1,200,055	—	1,820,417	—	2,292,733	—
Total	52,822,048	—	33,219,103	—	38,613,933	—
William J. Schneider						
For	—	5,350	—	924	—	2,660
Withhold	—	—	—	882	—	550
Total	—	5,350	—	1,806	—	3,210
Thomas S. Schreier, Jr.						
For	51,554,352	—	31,375,453	—	36,307,412	—
Withhold	1,267,696	—	1,843,650	—	2,306,521	—
Total	52,822,048	—	33,219,103	—	38,613,933	—
Judith M. Stockdale						
For	51,567,283	—	31,345,129	—	36,304,432	—
Withhold	1,254,765	—	1,873,974	—	2,309,501	—
Total	52,822,048	—	33,219,103	—	38,613,933	—
Carole E. Stone						
For	51,652,513	—	31,343,101	—	36,310,071	—
Withhold	1,169,535	—	1,876,002	—	2,303,862	—
Total	52,822,048	—	33,219,103	—	38,613,933	—
Virginia L. Stringer						
For	51,609,122	—	31,338,857	—	36,306,953	—
Withhold	1,212,926	—	1,880,246	—	2,306,980	—

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Total	52,822,048	—	33,219,103	—	38,613,933	—
Terence J. Toth						
For	51,593,804	—	31,369,718	—	36,303,866	—
Withhold	1,228,244	—	1,849,385	—	2,310,067	—
Total	52,822,048	—	33,219,103	—	38,613,933	—

Nuveen Investments 27

Shareholder Meeting Report (continued)

	NAD Common and Preferred shares voting together as a class	Preferred Shares	NXZ Common and Preferred shares voting together as a class	Preferred Shares	NZF Common and Preferred shares voting together as a class	Preferred shares voting together as a class
William Adams IV						
For	—	—	—	—	—	—
Withhold	—	—	—	—	—	—
Total	—	—	—	—	—	—
Jack B. Evans						
For	33,271,100	—	24,368,070	—	26,902,710	—
Withhold	957,944	—	929,010	—	3,925,717	—
Total	34,229,044	—	25,297,080	—	30,828,427	—
William C. Hunter						
For	—	2,650	—	293	—	25,810
Withhold	—	—	—	1,274	—	—
Total	—	2,650	—	1,567	—	25,810
David J. Kundert						
For	—	—	—	—	—	—
Withhold	—	—	—	—	—	—
Total	—	—	—	—	—	—
John K. Nelson						
For	—	—	—	—	—	—
Withhold	—	—	—	—	—	—
Total	—	—	—	—	—	—
William J. Schneider						
For	—	2,650	—	293	—	25,810
Withhold	—	—	—	1,274	—	—
Total	—	2,650	—	1,567	—	25,810
Thomas S. Schreier, Jr.						
For	33,265,381	—	24,378,636	—	26,933,207	—
Withhold	963,663	—	918,444	—	3,895,220	—
Total	34,229,044	—	25,297,080	—	30,828,427	—
Judith M. Stockdale						
For	—	—	—	—	—	—
Withhold	—	—	—	—	—	—
Total	—	—	—	—	—	—
Carole E. Stone						
For	—	—	—	—	—	—
Withhold	—	—	—	—	—	—
Total	—	—	—	—	—	—
Virginia L. Stringer						
For	—	—	—	—	—	—
Withhold	—	—	—	—	—	—
Total	—	—	—	—	—	—
Terence J. Toth						
For	—	—	—	—	—	—

Withhold	—	—	—	—	—	—
Total	—	—	—	—	—	—

28 Nuveen Investments

Report of Independent Registered Public Accounting Firm

To the Board of Directors/Trustees and Shareholders of

Nuveen Performance Plus Municipal Fund, Inc.

Nuveen Municipal Advantage Fund, Inc.

Nuveen Municipal Market Opportunity Fund, Inc.

Nuveen Dividend Advantage Municipal Fund

Nuveen Dividend Advantage Municipal Fund 2

Nuveen Dividend Advantage Municipal Fund 3:

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Performance Plus Municipal Fund, Inc., Nuveen Municipal Advantage Fund, Inc., Nuveen Municipal Market Opportunity Fund, Inc., Nuveen Dividend Advantage Municipal Fund, Nuveen Dividend Advantage Municipal Fund 2 and Nuveen Dividend Advantage Municipal Fund 3 (the "Funds") as of October 31, 2015, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, the statements of cash flows for the year then ended and the financial highlights for each of the years in the two-year period then ended. The financial highlights for the periods presented through October 31, 2013, were audited by other auditors whose report dated December 27, 2013, expressed an unqualified opinion on those financial highlights. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2015, by correspondence with the custodian and brokers or other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Funds as of October 31, 2015, the results of their operations for the year then ended, the changes in their net assets each of the years in the two-year period then ended, their cash flows for the year then ended and the financial highlights for each of the years in the two-year period then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Chicago, Illinois

December 28, 2015

Nuveen Investments 29

NPP

Nuveen Performance Plus Municipal Fund, Inc.

Portfolio of Investments

October 31, 2015

Principal Amount (000)	Description (1)	Optional Call Provisions (2)	Ratings (3)	Value
	LONG-TERM INVESTMENTS – 154.8% (100.0% of Total Investments)			
	MUNICIPAL BONDS – 154.8% (100.0% of Total Investments)			
	Alaska – 1.1% (0.7% of Total Investments)			
	Northern Tobacco Securitization Corporation, Alaska, Tobacco Settlement Asset-Backed Bonds, Series 2006A:			
\$8,500	5.000%, 6/01/32	1/16 at 100.00	B	\$7,722,335
3,545	5.000%, 6/01/46	1/16 at 100.00	B	2,977,375
12,045	Total Alaska			10,699,710
	Arizona – 0.9% (0.6% of Total Investments)			
7,780	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Airport Revenue Bonds, Series 2010A, 5.000%, 7/01/40	7/20 at 100.00	A+	8,572,160
	Arkansas – 0.4% (0.3% of Total Investments)			
5,080	Independence County, Arkansas, Hydroelectric Power Revenue Bonds, Series 2003, 5.350%, 5/01/28 – ACA Insured	1/16 at 100.00	N/R	4,294,784