

NUVEEN QUALITY PREFERRED INCOME FUND 2

Form N-Q

May 30, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT  
INVESTMENT COMPANY**

Investment Company Act file number 811-21137

**Nuveen Quality Preferred Income Fund 2**

(Exact name of registrant as specified in charter)

**333 West Wacker Drive, Chicago, Illinois 60606**

(Address of principal executive offices) (Zip code)

**Jessica R. Droeger Vice President and Secretary**

**333 West Wacker Drive, Chicago, Illinois 60606**

(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 3/31/06

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q 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 the 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. § 3507.

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| <b>Shares</b>                                                              | <b>Description (1)</b>                                       | <b>Coupon</b> | <b>Ratings<br/>(2)</b> | <b>Value</b> |
|----------------------------------------------------------------------------|--------------------------------------------------------------|---------------|------------------------|--------------|
| <b>Convertible Preferred Securities - 0.4% (0.3% of Total Investments)</b> |                                                              |               |                        |              |
| <b>Insurance - 0.1%</b>                                                    |                                                              |               |                        |              |
| 118,000                                                                    | XL Capital Ltd                                               | 6.500%        | A2                     | \$ 2,617,240 |
| <b>Thriffs &amp; Mortgage Finance - 0.3%</b>                               |                                                              |               |                        |              |
| 172,300                                                                    | PMI Group Inc.                                               | 5.875%        | A1                     | 4,557,335    |
|                                                                            | Total Convertible Preferred Securities (cost<br>\$7,088,078) |               |                        | 7,174,575    |

| <b>Shares</b>                                                                | <b>Description (1)</b>               | <b>Coupon</b> | <b>Ratings<br/>(2)</b> | <b>Value</b> |
|------------------------------------------------------------------------------|--------------------------------------|---------------|------------------------|--------------|
| <b>\$25 Par (or similar) Securities - 82.3% (57.1% of Total Investments)</b> |                                      |               |                        |              |
| <b>Automobiles - 0.1%</b>                                                    |                                      |               |                        |              |
| 2,400                                                                        | Daimler Chrysler, Series DCX (CORTS) | 8.250%        | A3                     | \$ 60,000    |
| 4,300                                                                        | Daimler Chrysler, Series DCX (CORTS) | 7.500%        | A3                     | 104,920      |
| 3,000                                                                        | Daimler Chrysler, Series DCX (CORTS) | 6.875%        | A3                     | 68,100       |
| 3,400                                                                        | DaimlerChrysler AG (CORTS)           | 7.875%        | A3                     | 84,150       |
| 23,300                                                                       | DaimlerChrysler Corp. (PPLUS)        | 7.250%        | A3                     | 576,675      |
|                                                                              | Total Automobiles                    |               |                        | 893,845      |
| <b>Capital Markets - 5.6%</b>                                                |                                      |               |                        |              |
| 68,324                                                                       | Bear Stearns Capital Trust III       | 7.800%        | A2                     | 1,734,063    |

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|         |                                                      |        |      |            |
|---------|------------------------------------------------------|--------|------|------------|
| 19,300  | BNY Capital Trust IV, Series E                       | 6.875% | A1   | 486,360    |
| 44,888  | BNY Capital Trust V, Series F                        | 5.950% | A1   | 1,080,903  |
| 395,625 | Compass Capital Trust III                            | 7.350% | A3   | 9,969,750  |
| 28,600  | CSFB USA, Series 2002-10 (SATURNS)                   | 7.000% | Aa3  | 727,584    |
| 31,300  | First Union Institutional Capital II (CORTS)         | 8.200% | A1   | 860,750    |
| 6,300   | Goldman Sachs Capital I (CORTS)                      | 6.000% | A1   | 146,916    |
| 2,100   | Goldman Sachs Capital I, Series A (CORTS)            | 6.000% | A1   | 49,476     |
| 3,000   | Goldman Sachs Group Inc., Series 2003-11 (SATURNS)   | 5.625% | Aa3  | 66,060     |
| 13,800  | Goldman Sachs Group Inc., Series 2004-04 (SATURNS)   | 6.000% | A1   | 319,470    |
| 4,300   | Goldman Sachs Group Inc., Series 2004-06 (SATURNS)   | 6.000% | A1   | 100,319    |
| 9,900   | Goldman Sachs Group Inc., Series GSC-3 (PPLUS)       | 6.000% | A1   | 228,888    |
| 3,000   | Goldman Sachs Group Inc., Series GSG-2 (PPLUS)       | 5.750% | Aa3  | 67,980     |
| 179,900 | Goldman Sachs Group Inc., (3)                        | 6.200% | A2   | 4,612,636  |
| 3,800   | Goldman Sachs Group Incorporated (SATURNS)           | 5.750% | Aa3  | 84,930     |
| 324,900 | Lehman Brothers Holdings Capital Trust III, Series K | 6.375% | A2   | 8,018,532  |
| 102,900 | Lehman Brothers Holdings Capital Trust IV, Series L  | 6.375% | A2   | 2,559,123  |
| 57,800  | Lehman Brothers Holdings Capital Trust V, Series M   | 6.000% | A2   | 1,391,246  |
| 42,000  | Lehman Brothers Holdings Inc., Series C, (3)         | 5.940% | BBB+ | 2,144,100  |
| 70,000  | Lehman Brothers Holdings Inc., Series F, (3)         | 6.500% | A-   | 1,794,800  |
| 122,400 | Merrill Lynch Capital Trust II                       | 8.000% | A1   | 3,155,472  |
| 210,600 | Merrill Lynch Preferred Capital Trust III            | 7.000% | A1   | 5,340,816  |
| 129,700 | Merrill Lynch Preferred Capital Trust IV             | 7.120% | A1   | 3,343,666  |
| 228,700 | Merrill Lynch Preferred Capital Trust V              | 7.280% | A1   | 5,863,868  |
| 107,900 | Merrill Lynch Preferred Capital Trust                | 7.750% | A1   | 2,739,581  |
| 53,200  | Morgan Stanley (PPLUS)                               | 7.050% | Aa3  | 1,328,936  |
| 168,008 | Morgan Stanley Capital Trust II                      | 7.250% | A1   | 4,264,043  |
| 430,350 | Morgan Stanley Capital Trust III                     | 6.250% | A1   | 10,483,326 |
| 380,000 | Morgan Stanley Capital Trust IV                      | 6.250% | A1   | 9,218,800  |
| 51,100  | Morgan Stanley Capital Trust V                       | 5.750% | A+   | 1,163,036  |
| 495,300 | Morgan Stanley Capital Trust VI                      | 6.600% | A1   | 12,531,090 |
| 46,400  | UBS Preferred Funding Trust III                      | 7.250% | AA-  | 1,167,424  |
|         | Total Capital Markets                                |        |      | 97,043,944 |

**Commercial Banks - 11.4%**

|         |                                 |        |      |           |
|---------|---------------------------------|--------|------|-----------|
| 119,000 | ABN AMRO Capital Fund Trust V   | 5.900% | A    | 2,767,940 |
| 7,000   | ABN AMRO Capital Trust Fund VII | 6.080% | A    | 167,650   |
| 158,960 | ASBC Capital I                  | 7.625% | Baa1 | 4,031,226 |
| 136,100 | BAC Capital Trust I             | 7.000% | Aa3  | 3,428,359 |
| 168,500 | BAC Capital Trust II            | 7.000% | Aa3  | 4,286,640 |

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|            |                                            |         |      |            |
|------------|--------------------------------------------|---------|------|------------|
| 218,300    | BAC Capital Trust III                      | 7.000%  | Aa3  | 5,575,382  |
| 304,100    | Banco Santander                            | 6.410%  | A2   | 7,693,730  |
| 54,100     | Banco Totta & Acores Finance, Series A     | 8.875%  | A3   | 1,381,243  |
| 12,000     | BancorpSouth Capital Trust I               | 8.150%  | Baa2 | 303,960    |
| 731,000    | Banesto Holdings, Series A, 144A           | 10.500% | A2   | 22,501,130 |
| 204,000    | Bank One Capital Trust VI                  | 7.200%  | A1   | 5,206,080  |
| 67,200     | BankNorth Capital Trust II                 | 8.000%  | A3   | 1,714,272  |
| 15,600,000 | BOI Capital Funding 3, 144A                | 6.107%  | A2   | 15,074,015 |
| 122,800    | Chittenden Capital Trust I                 | 8.000%  | Baa1 | 3,119,120  |
| 225,500    | Cobank ABC, 144A, (3)                      | 7.000%  | N/R  | 10,942,613 |
| 268,700    | Comerica Capital Trust I                   | 7.600%  | A3   | 6,738,996  |
| 361,300    | HSBC Finance Corporation                   | 6.875%  | Aa3  | 9,195,085  |
| 41,200     | KeyCorp (PCARS)                            | 7.500%  | A3   | 1,058,840  |
| 7,867      | KeyCorp Capital Trust V                    | 5.875%  | A3   | 185,032    |
| 270,900    | National Commerce Capital Trust II         | 7.700%  | A1   | 6,878,151  |
| 5,000      | National Westminster Bank PLC              | 7.760%  | Aa3  | 127,450    |
| 2,900      | PNC Capital Trust                          | 6.125%  | A3   | 69,629     |
| 596,876    | Royal Bank of Scotland Group PLC, Series N | 6.350%  | A1   | 15,029,338 |
| 173,800    | SunTrust Capital Trust IV                  | 7.125%  | A1   | 4,376,284  |
| 162,200    | SunTrust Capital Trust V                   | 7.050%  | A1   | 4,092,306  |
| 714,300    | USB Capital Trust III                      | 7.750%  | Aa3  | 18,128,934 |
| 315,800    | USB Capital Trust IV                       | 7.350%  | Aa3  | 8,033,952  |
| 132,200    | USB Capital Trust V                        | 7.250%  | Aa3  | 3,335,406  |
| 63,300     | USB Capital Trust VI                       | 5.750%  | Aa3  | 1,437,543  |
| 118,600    | USB Capital Trust VII                      | 5.875%  | Aa3  | 2,732,544  |
| 92,300     | VNB Capital Trust I                        | 7.750%  | Baa1 | 2,338,882  |
| 55,900     | Well Fargo Capital Trust IX                | 5.625%  | Aa2  | 1,262,222  |
| 38,900     | Wells Fargo Capital Trust IV               | 7.000%  | Aa2  | 981,058    |
| 304,300    | Wells Fargo Capital Trust V                | 7.000%  | Aa2  | 7,677,489  |
| 43,100     | Wells Fargo Capital Trust VI               | 6.950%  | Aa2  | 1,081,379  |
| 45,975     | Wells Fargo Capital Trust VII              | 5.850%  | Aa2  | 1,090,987  |
| 578,650    | Zions Capital Trust B                      | 8.000%  | Baa1 | 15,108,552 |

Total Commercial Banks 199,153,419

**Computers & Peripherals - 0.1%**

|        |                                             |        |    |           |
|--------|---------------------------------------------|--------|----|-----------|
| 2,600  | IBM Inc., Series 2001-1 (SATURNS)           | 7.125% | A+ | 66,534    |
| 11,700 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% | A+ | 300,047   |
| 20,200 | IBM Trust II (CORTS)                        | 7.125% | A+ | 502,172   |
| 39,200 | IBM Trust III (CORTS)                       | 7.200% | A+ | 1,004,500 |

Total Computers & Peripherals 1,873,253

**Consumer Finance - 1.4%**

|         |                             |        |    |            |
|---------|-----------------------------|--------|----|------------|
| 73,600  | Household Capital Trust VII | 7.500% | A1 | 1,870,912  |
| 899,300 | HSBC Finance Corporation    | 6.360% | A2 | 22,923,157 |
| 19,950  | SLM Corporation             | 6.000% | A  | 476,805    |

|                        |            |
|------------------------|------------|
| Total Consumer Finance | 25,270,874 |
|------------------------|------------|

**Diversified Financial Services - 9.5%**

|           |                                                        |        |      |             |
|-----------|--------------------------------------------------------|--------|------|-------------|
| 78,800    | BBVA Preferred Capital Ltd., Series B                  | 7.750% | A1   | 1,978,668   |
| 407,000   | CIT Group Inc., Series A, (3)                          | 6.350% | BBB+ | 10,297,100  |
| 40,000    | CIT Group Incorporated (CORTS)                         | 7.750% | A3   | 1,046,800   |
| 5,960     | Citigroup Capital Trust IX                             | 6.000% | Aa2  | 142,086     |
| 587,400   | Citigroup Capital Trust VII                            | 7.125% | Aa2  | 14,849,472  |
| 934,437   | Citigroup Capital Trust VIII                           | 6.950% | Aa2  | 23,501,091  |
| 28,200    | Citigroup Capital Trust XI                             | 6.000% | Aa2  | 672,006     |
| 29,600    | Citigroup Inc., Series H, (3)                          | 6.231% | Aa3  | 1,494,060   |
| 10,600    | Citigroup, Series CIT (CORTS)                          | 6.750% | A3   | 266,272     |
| 3,900     | General Electric Capital Corporation (CORTS)           | 6.000% | AAA  | 94,692      |
| 199,700   | General Electric Capital Corporation                   | 6.625% | AAA  | 5,044,422   |
| 300,700   | General Electric Capital Corporation                   | 6.100% | AAA  | 7,412,255   |
| 1,523,600 | ING Group N.V.                                         | 7.200% | A    | 39,080,340  |
| 1,445,555 | ING Group N.V.                                         | 7.050% | A    | 36,717,097  |
| 8,900     | ING Group N.V.                                         | 6.200% | A    | 220,275     |
| 92,400    | JPM Capital Trust (CORTS)                              | 7.200% | A2   | 2,338,644   |
| 9,700     | JPMorgan Chase & Company (PCARS)                       | 7.125% | A2   | 245,216     |
| 323,000   | JPMorgan Chase Capital Trust IX, Series I              | 7.500% | A1   | 8,197,740   |
| 203,600   | JPMorgan Chase Capital Trust X                         | 7.000% | A1   | 5,161,260   |
| 22,156    | JPMorgan Chase Capital Trust XI                        | 5.875% | A1   | 517,564     |
| 210,900   | JPMorgan Chase Capital Trust XVI                       | 6.350% | A1   | 5,272,500   |
| 52,900    | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% | A1   | 1,343,131   |
|           | Total Diversified Financial Services                   |        |      | 165,892,691 |

**Diversified Telecommunication Services - 0.6%**

|         |                                                |        |     |           |
|---------|------------------------------------------------|--------|-----|-----------|
| 114,999 | AT&T Inc.                                      | 7.000% | A   | 2,889,925 |
| 17,500  | BellSouth Capital Funding (CORTS)              | 7.100% | A   | 441,875   |
| 21,600  | BellSouth Corporation (CORTS)                  | 7.000% | Aa3 | 549,936   |
| 16,300  | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% | A   | 413,205   |
| 15,800  | BellSouth Corporation, Series BLS (CORTS)      | 7.000% | A   | 401,162   |
| 42,600  | BellSouth Corporation                          | 7.125% | A   | 1,083,105 |
| 16,300  | BellSouth Inc. (CORTS)                         | 7.000% | A   | 413,042   |
| 28,400  | BellSouth Telecommunications (PPLUS)           | 7.300% | A   | 726,472   |
| 30,600  | Verizon Communications (CORTS)                 | 7.625% | A   | 786,420   |
| 7,600   | Verizon Communications (CORTS)                 | 7.375% | A   | 194,636   |
| 70,100  | Verizon Global Funding Corporation (SATURNS)   | 7.500% | A   | 1,791,055 |
| 22,100  | Verizon New England Inc., Series B             | 7.000% | A3  | 563,550   |
| 13,000  | Verizon South Inc., Series F                   | 7.000% | A   | 328,120   |

|           |                                                          |        |      |            |
|-----------|----------------------------------------------------------|--------|------|------------|
|           | Total Diversified Telecommunication Services             |        |      | 10,582,503 |
|           | <b>Electric Utilities - 4.7%</b>                         |        |      |            |
| 189,500   | Alabama Power Company, (3)                               | 5.830% | BBB+ | 4,692,020  |
| 17,200    | Consolidated Edison Company of New York Inc.             | 7.500% | A1   | 432,064    |
| 2,800     | Consolidated Edison, Inc.                                | 7.250% | A2   | 71,120     |
| 27,400    | DTE Energy Trust I                                       | 7.800% | Baa3 | 697,878    |
| 4,200     | Entergy Arkansas Inc.                                    | 6.700% | AAA  | 108,654    |
| 56,750    | Entergy Louisiana LLC                                    | 7.600% | A-   | 1,434,640  |
| 1,299,100 | Entergy Mississippi Inc.                                 | 7.250% | A-   | 33,386,870 |
| 1,900     | Georgia Power Capital Trust VII                          | 5.875% | A3   | 45,467     |
| 3,900     | Georgia Power Capital Trust V                            | 7.125% | A3   | 98,631     |
| 59,000    | Georgia Power Company                                    | 5.900% | A    | 1,427,800  |
| 11,452    | Georgia Power Company                                    | 5.700% | AAA  | 276,108    |
| 941,500   | Interstate Power and Light Company, Series B, (3)        | 8.375% | BBB- | 30,951,813 |
| 9,100     | National Rural Utilities Cooperative Finance Corporation | 7.600% | A3   | 228,956    |
| 30,200    | National Rural Utilities Cooperative Finance Corporation | 7.400% | A3   | 768,288    |
| 1,700     | National Rural Utilities Cooperative Finance Corporation | 6.750% | A3   | 42,806     |
| 1,700     | National Rural Utilities Cooperative Finance Corporation | 6.100% | A3   | 40,800     |
| 18,400    | National Rural Utilities Cooperative Finance Corporation | 5.950% | A3   | 433,136    |
| 1,000     | Southern Company Capital Trust I (CORTS)                 | 8.190% | BBB+ | 26,610     |
| 2,900     | Southern Company Capital Trust I (CORTS)                 | 7.375% | BBB+ | 73,312     |
| 29,900    | Tennessee Valley Authority, Series D                     | 6.750% | AAA  | 712,218    |
| 265,500   | Virginia Power Capital Trust                             | 7.375% | Baa2 | 6,802,110  |
|           | Total Electric Utilities                                 |        |      | 82,751,301 |
|           | <b>Food Products - 0.7%</b>                              |        |      |            |
| 122,000   | Dairy Farmers of America Inc., 144A, (3)                 | 7.875% | BBB- | 12,051,319 |
|           | <b>Gas Utilities - 0.1%</b>                              |        |      |            |
| 53,500    | AGL Capital Trust II                                     | 8.000% | BBB  | 1,356,760  |
|           | <b>Health Care Providers &amp; Services - 0.1%</b>       |        |      |            |
| 62,900    | Aetna Inc.                                               | 8.500% | A3   | 1,592,628  |



**Industrial Conglomerates - 0.0%**

|       |                                             |        |     |         |
|-------|---------------------------------------------|--------|-----|---------|
| 8,600 | General Electric Company, Series GE (CORTS) | 6.800% | AAA | 218,354 |
|-------|---------------------------------------------|--------|-----|---------|

**Insurance - 19.8%**

|           |                                                   |        |      |            |
|-----------|---------------------------------------------------|--------|------|------------|
| 972,600   | Ace Ltd., Series C                                | 7.800% | Baa2 | 25,482,120 |
| 131,200   | Aegon N.V.                                        | 6.500% | A-   | 3,286,560  |
| 2,124,800 | Aegon N.V.                                        | 6.375% | A-   | 52,907,520 |
| 21,300    | AMBAC Financial Group Inc.                        | 7.000% | AA   | 533,991    |
| 56,600    | AMBAC Financial Group Inc.                        | 5.950% | AA   | 1,335,194  |
| 4,800     | AMBAC Financial Group Inc.                        | 5.875% | AA   | 112,752    |
| 704,208   | Arch Capital Group Limited                        | 8.000% | Baa3 | 18,111,385 |
| 479,357   | Delphi Financial Group, Inc.                      | 8.000% | BBB  | 12,492,043 |
| 1,976,095 | EverestRe Group Limited                           | 7.850% | Baa1 | 50,726,359 |
| 61,400    | Financial Security Assurance Holdings             | 6.875% | AA   | 1,542,982  |
| 704,200   | Financial Security Assurance Holdings             | 6.250% | AA   | 17,527,538 |
| 369,200   | Hartford Capital Trust III, Series C              | 7.450% | Baa1 | 9,277,996  |
| 105,300   | Hartford Life Capital Trust II, Series B          | 7.625% | Baa1 | 2,671,461  |
| 94,000    | Lincoln National Capital Trust V, Series E        | 7.650% | A-   | 2,368,800  |
| 55,300    | Lincoln National Capital Trust VI                 | 6.750% | A-   | 1,409,597  |
| 1,097,500 | MetLife Inc., Series B, (3)                       | 6.500% | Baa1 | 28,074,050 |
| 7,500     | MetLife Inc.                                      | 5.875% | A    | 178,500    |
| 646,020   | PartnerRe Limited, Series C                       | 6.750% | BBB+ | 16,156,960 |
| 27,400    | PartnerRe Limited, Series D                       | 6.500% | BBB+ | 656,230    |
| 301,581   | PartnerRe Limited                                 | 7.900% | A3   | 7,596,825  |
| 108,700   | PLC Capital Trust III                             | 7.500% | BBB+ | 2,755,545  |
| 453,840   | PLC Capital Trust IV                              | 7.250% | BBB+ | 11,463,998 |
| 21,200    | PLC Capital Trust V                               | 6.125% | BBB+ | 505,620    |
| 6,500     | Prudential Financial Inc. (CORTS)                 | 6.000% | A    | 153,725    |
| 223,000   | Prudential PLC                                    | 6.750% | A    | 5,586,150  |
| 145,800   | RenaissanceRe Holdings Limited, Series B          | 7.300% | BBB  | 3,685,824  |
| 20,200    | RenaissanceRe Holdings Limited, Series C          | 6.080% | BBB+ | 434,300    |
| 324,060   | RenaissanceRe Holdings Ltd., Series A             | 8.100% | BBB+ | 8,240,846  |
| 21,100    | Safeco Capital Trust I (CORTS)                    | 8.750% | Baa2 | 614,749    |
| 93,500    | Safeco Capital Trust I (CORTS)                    | 8.700% | Baa2 | 2,559,095  |
| 5,300     | Safeco Capital Trust III (CORTS)                  | 8.072% | Baa2 | 138,065    |
| 3,100     | Safeco Capital Trust IV (CORTS)                   | 8.375% | Baa2 | 80,864     |
| 2,600     | Safeco Corporation, Series 2001-7 (SATURNS)       | 8.250% | Baa2 | 67,327     |
| 8,100     | Safeco Corporation, Series 2002-5 (SATURNS)       | 8.250% | Baa2 | 210,924    |
| 132,300   | Saint Paul Capital Trust I                        | 7.600% | Baa1 | 3,372,327  |
| 132,300   | Torchmark Capital Trust I                         | 7.750% | A-   | 3,373,650  |
| 7,900     | Torchmark Capital Trust II                        | 7.750% | A-   | 201,529    |
| 21,200    | W.R. Berkley (CORTS)                              | 8.250% | BBB- | 546,324    |
| 26,800    | W.R. Berkley Capital Trust, Series 2002-1 (CBTCS) | 8.125% | BBB- | 274,968    |
| 711,146   | W.R. Berkley Corporation                          | 6.750% | BBB- | 18,063,108 |
| 570,600   | XL Capital Ltd, Series A                          | 8.000% | Baa1 | 14,681,538 |

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|         |                                               |        |      |             |
|---------|-----------------------------------------------|--------|------|-------------|
| 598,417 | XL Capital Ltd, Series B                      | 7.625% | Baa1 | 15,349,396  |
|         | Total Insurance                               |        |      | 344,808,735 |
|         | <b>IT Services - 0.0%</b>                     |        |      |             |
| 16,100  | Vertex Industries Inc. (PPLUS)                | 7.625% | A    | 414,575     |
|         | <b>Media - 0.3%</b>                           |        |      |             |
| 166,800 | CBS Corporation                               | 0.000% | BBB+ | 4,186,680   |
| 2,900   | Walt Disney Company (CORTS)                   | 6.875% | A-   | 73,399      |
| 18,200  | Walt Disney Company                           | 7.000% | A-   | 462,280     |
|         | Total Media                                   |        |      | 4,722,359   |
|         | <b>Multiline Retail - 0.0%</b>                |        |      |             |
| 6,800   | Nordstrom Inc. (CORTS)                        | 7.625% | A    | 170,680     |
|         | <b>Multi-Utilities - 0.4%</b>                 |        |      |             |
| 119,400 | Dominion CNG Capital Trust I                  | 7.800% | Baa2 | 3,039,924   |
| 46,300  | Dominion Resources Capital Trust II           | 8.400% | Baa3 | 1,174,168   |
| 120,200 | Energy East Capital Trust I                   | 8.250% | BBB- | 3,061,494   |
|         | Total Multi-Utilities                         |        |      | 7,275,586   |
|         | <b>Oil, Gas &amp; Consumable Fuels - 1.6%</b> |        |      |             |
| 906,911 | Nexen Inc.                                    | 7.350% | Baa3 | 23,987,796  |
| 151,900 | TransCanada Pipeline                          | 8.250% | A3   | 3,826,361   |
|         | Total Oil, Gas & Consumable Fuels             |        |      | 27,814,157  |
|         | <b>Pharmaceuticals - 0.0%</b>                 |        |      |             |
| 10,800  | Bristol Myers Squibb Company (CORTS)          | 6.250% | A+   | 270,756     |
| 7,300   | Bristol-Myers Squibb Company Trust (CORTS)    | 6.800% | A+   | 184,471     |
|         | Total Pharmaceuticals                         |        |      | 455,227     |
|         | <b>Real Estate - 21.4%</b>                    |        |      |             |

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|           |                                                     |        |      |            |
|-----------|-----------------------------------------------------|--------|------|------------|
| 95,400    | AvalonBay Communities, Inc., Series H               | 8.700% | BBB  | 2,594,880  |
| 16,400    | BRE Properties, Series B                            | 8.080% | BBB- | 417,216    |
| 221,020   | BRE Properties, Series C                            | 6.750% | BBB- | 5,450,353  |
| 81,006    | BRE Properties, Series D                            | 6.750% | BBB- | 1,974,116  |
| 717,370   | CarrAmerica Realty Corporation, Series E            | 7.500% | BBB- | 18,063,377 |
| 40,467    | Developers Diversified Realty Corporation           | 7.500% | BBB- | 1,019,364  |
| 135,925   | Developers Diversified Realty Corporation, Series F | 8.600% | BBB- | 3,466,088  |
| 639,813   | Developers Diversified Realty Corporation, Series G | 8.000% | BBB- | 16,424,000 |
| 187,823   | Developers Diversified Realty Corporation, Series H | 7.375% | BBB- | 4,712,479  |
| 298,900   | Duke Realty Corporation, Series L                   | 6.600% | BBB  | 7,412,720  |
| 150,000   | Duke-Weeks Realty Corporation                       | 6.950% | BBB  | 3,870,000  |
| 5,600     | Duke-Weeks Realty Corporation                       | 6.625% | BBB  | 138,376    |
| 220,650   | Duke-Weeks Realty Corporation, Series B             | 7.990% | BBB  | 10,867,013 |
| 383,000   | Equity Office Properties Trust, Series G            | 7.750% | BBB- | 9,743,520  |
| 54,000    | Equity Residential Properties Trust, Series C       | 9.125% | BBB  | 1,374,300  |
| 68,250    | Equity Residential Properties Trust, Series D       | 8.600% | BBB  | 1,788,150  |
| 36,484    | Equity Residential Properties Trust, Series N       | 6.480% | BBB  | 893,858    |
| 332,800   | Federal Realty Investment Trust                     | 8.500% | BBB- | 8,582,912  |
| 18,300    | First Industrial Realty Trust, Inc., Series C       | 8.625% | BBB- | 478,545    |
| 221,200   | First Industrial Realty Trust, Inc., Series J       | 7.250% | BBB- | 5,740,140  |
| 1,579,825 | HRPT Properties Trust, Series B                     | 8.750% | BBB- | 41,502,003 |
| 247,600   | HRPT Properties Trust, Series C                     | 7.125% | BBB- | 6,301,420  |
| 149,600   | Kimco Realty Corporation, Series F                  | 6.650% | BBB+ | 3,725,040  |
| 199,550   | New Plan Excel Realty Trust, Series D               | 7.800% | BBB- | 10,008,690 |
| 770,900   | New Plan Excel Realty Trust, Series E               | 7.625% | BBB- | 19,503,770 |
| 1,700     | Prologis Trust, Series F                            | 6.750% | BBB  | 42,500     |
| 97,728    | Prologis Trust, Series G                            | 6.750% | BBB  | 2,443,200  |
| 734,970   | PS Business Parks, Inc.                             | 7.000% | BBB- | 18,153,759 |
| 107,600   | PS Business Parks, Inc., Series I                   | 6.875% | BBB- | 2,566,260  |
| 401,000   | PS Business Parks, Inc., Series L                   | 7.600% | BBB- | 10,105,200 |
| 230,400   | Public Storage, Inc., Series C                      | 6.600% | BBB+ | 5,598,720  |
| 35,200    | Public Storage, Inc., Series D                      | 6.180% | BBB+ | 803,616    |
| 38,600    | Public Storage, Inc., Series E                      | 6.750% | BBB+ | 958,824    |
| 60,066    | Public Storage, Inc., Series F                      | 6.450% | BBB+ | 1,400,739  |
| 125,300   | Public Storage, Inc., Series H                      | 6.950% | BBB+ | 3,182,620  |
| 268,295   | Public Storage, Inc., Series R                      | 8.000% | BBB+ | 6,769,083  |
| 65,800    | Public Storage, Inc., Series S                      | 7.875% | BBB+ | 1,658,818  |
| 131,065   | Public Storage, Inc., Series T                      | 7.625% | BBB+ | 3,298,906  |
| 108,900   | Public Storage, Inc., Series U                      | 7.625% | BBB+ | 2,759,526  |
| 148,000   | Public Storage, Inc., Series V                      | 7.500% | BBB+ | 3,751,800  |
| 2,129     | Public Storage, Inc., Series X                      | 6.450% | BBB+ | 50,457     |
| 6,000     | Public Storage, Inc.                                | 7.125% | BBB+ | 153,900    |
| 164,100   | Realty Income Corporation                           | 7.375% | BBB- | 4,227,216  |
| 309,100   | Regency Centers Corporation                         | 7.450% | BBB- | 7,929,961  |
| 245,800   | Regency Centers Corporation                         | 7.250% | BBB- | 6,255,610  |
| 16,100    | Regency Centers Corporation                         | 6.700% | BBB- | 400,085    |
| 34,500    | Simon Property Group, Inc., Series F                | 8.750% | Baa2 | 873,540    |
| 326,041   | Simon Property Group, Inc., Series G                | 7.890% | BBB  | 16,895,445 |

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|           |                                        |        |      |             |
|-----------|----------------------------------------|--------|------|-------------|
| 74,600    | United Dominion Realty Trust           | 8.600% | BBB- | 1,923,188   |
| 9,200     | Vornado Realty Trust, Series E         | 7.000% | BBB- | 231,380     |
| 22,300    | Vornado Realty Trust, Series F         | 6.750% | BBB- | 553,040     |
| 213,940   | Vornado Realty Trust, Series G         | 6.625% | BBB- | 5,145,257   |
| 113,500   | Vornado Realty Trust, Series H         | 6.750% | BBB- | 2,813,665   |
| 226,700   | Vornado Realty Trust, Series I         | 6.625% | BBB- | 5,406,795   |
| 2,461,900 | Wachovia Preferred Funding Corporation | 7.250% | A2   | 67,185,251  |
| 158,600   | Weingarten Realty Trust, Series E      | 6.950% | A-   | 4,028,440   |
|           | Total Real Estate                      |        |      | 373,619,131 |

**Specialty Retail - 0.2%**

|        |                                              |        |    |           |
|--------|----------------------------------------------|--------|----|-----------|
| 44,200 | Sherwin Williams Company, Series III (CORTS) | 7.250% | A+ | 1,106,768 |
|--------|----------------------------------------------|--------|----|-----------|

**Thriffs & Mortgage Finance - 1.5%**

|           |                                                 |        |      |            |
|-----------|-------------------------------------------------|--------|------|------------|
| 4,800     | Countrywide Capital Trust II, Series II (CORTS) | 8.000% | BBB+ | 123,840    |
| 1,050,000 | Countrywide Capital Trust IV                    | 6.750% | BBB+ | 26,355,000 |
| 16,800    | Harris Preferred Capital Corporation, Series A  | 7.375% | A1   | 422,520    |
|           | Total Thrifts & Mortgage Finance                |        |      | 26,901,360 |

**U.S. Agency - 0.8%**

|         |                                             |        |     |            |
|---------|---------------------------------------------|--------|-----|------------|
| 20,300  | Fannie Mae, (3)                             | 5.810% | AA- | 994,700    |
| 2,800   | Fannie Mae, (3)                             | 4.750% | AA- | 114,380    |
| 124,200 | Federal Home Loan Mortgage Corporation, (3) | 6.000% | AA- | 6,300,666  |
| 34,000  | Federal Home Loan Mortgage Corporation, (3) | 5.300% | AA- | 1,568,250  |
| 107,900 | Federal Home Loan Mortgage Corporation, (3) | 5.100% | AA- | 4,726,020  |
|         | Total U.S. Agency                           |        |     | 13,704,016 |

**Wireless Telecommunication Services - 2.0%**

|           |                                           |        |    |            |
|-----------|-------------------------------------------|--------|----|------------|
| 16,271    | Telephone and Data Systems Inc.           | 7.600% | A- | 406,775    |
| 1,315,200 | United States Cellular Corporation        | 8.750% | A- | 34,918,560 |
|           | Total Wireless Telecommunication Services |        |    | 35,325,335 |

|  |                                                               |  |  |               |
|--|---------------------------------------------------------------|--|--|---------------|
|  | Total \$25 Par (or similar) Securities (cost \$1,413,427,687) |  |  | 1,434,998,820 |
|--|---------------------------------------------------------------|--|--|---------------|



**Table of Contents**

| <b>Principal Amount</b><br><b>(000)</b>                   | <b>Description (1)</b>                    | <b>Coupon</b> | <b>Maturity</b> | <b>Ratings (2)</b> | <b>Value</b> |
|-----------------------------------------------------------|-------------------------------------------|---------------|-----------------|--------------------|--------------|
| <b>Corporate Bonds - 1.0% (0.7% of Total Investments)</b> |                                           |               |                 |                    |              |
| <b>Commercial Banks - 0.1%</b>                            |                                           |               |                 |                    |              |
| \$ 2,000                                                  | HBOS PLC, Series, 144A                    | 6.413%        | 9/29/49         | A1                 | \$ 1,909,900 |
| <b>Household Durables - 0.5%</b>                          |                                           |               |                 |                    |              |
| 8,600                                                     | Stanley Works Capital Trust I, 144A       | 5.902%        | 12/01/45        | Baa1               | 7,972,260    |
| <b>Insurance - 0.4%</b>                                   |                                           |               |                 |                    |              |
| 7,500                                                     | ILFC E-Capital Trust I, 144A              | 5.900%        | 12/21/65        | A                  | 7,286,243    |
| 1,100                                                     | ILFC E-Capital Trust II, 144A             | 6.250%        | 12/21/65        | A                  | 1,056,084    |
| 8,600                                                     | Total Insurance                           |               |                 |                    | 8,342,327    |
| \$ 19,200                                                 | Total Corporate Bonds (cost \$18,981,274) |               |                 |                    | 18,224,487   |

| <b>Principal Amount</b><br><b>(000)/</b><br><b>Shares</b>                | <b>Description (1)</b>                   | <b>Coupon</b> | <b>Maturity</b> | <b>Ratings (2)</b> | <b>Value</b>  |
|--------------------------------------------------------------------------|------------------------------------------|---------------|-----------------|--------------------|---------------|
| <b>Capital Preferred Securities - 58.1% (40.3% of Total Investments)</b> |                                          |               |                 |                    |               |
| <b>Capital Markets - 7.0%</b>                                            |                                          |               |                 |                    |               |
| 15,000                                                                   | Ahmanson Capital Trust I, 144A           | 8.360%        | 12/01/26        | Baa1               | \$ 15,768,270 |
| 1,465                                                                    | Bank of New York Capital I, Series B     | 7.970%        | 12/31/26        | A1                 | 1,546,105     |
| 4,000                                                                    | BT Capital Trust, Series B1              | 7.900%        | 1/15/27         | A2                 | 4,201,176     |
| 2,000                                                                    | BT Institutional Capital Trust B, 144A   | 7.750%        | 12/01/26        | A2                 | 2,102,554     |
| 500                                                                      | BT Preferred Capital Trust II            | 7.875%        | 2/25/27         | A2                 | 527,671       |
| 5,000                                                                    | C.A. Preferred Fund Trust II             | 7.000%        | 10/30/49        | A1                 | 5,034,460     |
| 18,600                                                                   | C.A. Preferred Funding Trust             | 7.000%        | 1/30/49         | A1                 | 18,739,723    |
| 5,050                                                                    | First Hawaiian Capital Trust I, Series B | 8.343%        | 7/01/27         | A-                 | 5,407,055     |
| 1,000                                                                    | First Security Capital I                 | 8.410%        | 12/15/26        | Aa2                | 1,057,965     |
| 17,095                                                                   | First Union Capital Trust II, Series A   | 7.950%        | 11/15/29        | A1                 | 20,399,481    |
| 20,000                                                                   | Mellon Capital Trust I, Series A         | 7.720%        | 12/01/26        | A2                 | 21,020,180    |

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|        |                                                |        |          |     |             |
|--------|------------------------------------------------|--------|----------|-----|-------------|
| 3,240  | State Street Institutional Capital Trust, 144A | 7.940% | 12/30/26 | A1  | 3,410,923   |
| 19,800 | UBS Preferred Funding Trust I                  | 8.622% | 10/29/49 | AA- | 22,111,888  |
|        | Total Capital Markets                          |        |          |     | 121,327,451 |

**Commercial Banks - 32.0%**

|         |                                                                |         |          |      |            |
|---------|----------------------------------------------------------------|---------|----------|------|------------|
| 19,000  | AB Svensk Exportkredit, 144A                                   | 6.375%  | 10/27/49 | AA-  | 19,212,838 |
| 37,250  | Abbey National Capital Trust I                                 | 8.963%  | 6/30/50  | A2   | 48,490,560 |
| 7,100   | AgFirst Farm Credit Bank                                       | 7.300%  | 12/15/53 | N/R  | 6,859,502  |
| 6,500   | Bank One Capital III                                           | 8.750%  | 9/01/30  | A1   | 8,395,407  |
| 21,000  | BankBoston Capital Trust I, Series B                           | 8.250%  | 12/15/26 | Aa3  | 22,206,975 |
| 5,000   | BanPonce Trust I, Series A                                     | 8.327%  | 2/01/27  | Baa1 | 5,281,765  |
| 36,000  | Barclays Bank PLC, 144A                                        | 8.550%  | 6/15/49  | Aa3  | 40,547,556 |
| 2,000   | Corestates Capital Trust I, 144A                               | 8.000%  | 12/15/26 | A1   | 2,103,484  |
| 3,700   | DBS Capital Funding Corporation, 144A                          | 7.657%  | 3/15/49  | A1   | 4,001,957  |
| 1,500   | First Empire Capital Trust I                                   | 8.234%  | 2/01/27  | Baa1 | 1,586,908  |
| 1,500   | First Midwest Bancorp Inc.                                     | 6.950%  | 12/01/33 | Baa2 | 1,580,577  |
| 22,080  | Fleet Capital Trust II                                         | 7.920%  | 12/11/26 | Aa3  | 23,260,662 |
| 44,010  | HBOS Capital Funding LP, Notes                                 | 6.850%  | 3/23/49  | A1   | 44,143,570 |
| 2,400   | HSBC Capital Funding LP, 144A                                  | 9.547%  | 12/31/49 | A1   | 2,742,672  |
| 6,250   | HSBC Capital Funding LP, Debt                                  | 10.176% | 6/30/50  | A1   | 9,066,781  |
| 32,000  | KBC Bank Fund Trust III, 144A                                  | 9.860%  | 5/02/50  | A2   | 36,203,520 |
| 8,000   | KeyCorp Capital III                                            | 7.750%  | 7/15/29  | A3   | 9,321,728  |
| 2,500   | KeyCorp Institutional Capital Trust A                          | 7.826%  | 12/01/26 | A3   | 2,626,535  |
| 13,500  | Lloyds TSB Bank PLC, Subordinated Note                         | 6.900%  | 11/22/49 | Aa2  | 13,537,895 |
| 25,000  | M&I Capital Trust A                                            | 7.650%  | 12/01/26 | A2   | 26,213,750 |
| 19,500  | NB Capital Trust II                                            | 7.830%  | 12/15/26 | Aa3  | 20,537,517 |
| 14,000  | Nordbanken AB, 144A                                            | 8.950%  | 11/29/49 | A    | 15,471,064 |
| 2,000   | North Fork Capital Trust I, Capital Securities                 | 8.700%  | 12/15/26 | A3   | 2,118,002  |
| 8,000   | North Fork Capital Trust II                                    | 8.000%  | 12/15/27 | A3   | 8,554,056  |
| 2,000   | Peoples Heritage Capital Trust I, Series B                     | 9.060%  | 2/01/27  | A3   | 2,138,832  |
| 289,600 | PFCI Capital Corporation                                       | 7.750%  | 8/17/52  | A-   | 7,692,500  |
| 33,085  | PNC Institutional Capital Securities, 144A                     | 7.950%  | 12/15/26 | A-   | 34,810,581 |
| 2,000   | Popular North American Capital Trust I                         | 6.564%  | 9/15/34  | Baa1 | 1,951,394  |
| 13,100  | RBS Capital Trust B                                            | 6.800%  | 12/31/49 | A1   | 13,121,864 |
| 8,000   | Reliance Capital Trust I, Series B                             | 8.170%  | 5/01/28  | N/R  | 8,610,664  |
| 500     | Republic New York Capital II, Capital Securities               | 7.530%  | 12/04/26 | A1   | 523,602    |
| 17,500  | Royal Bank of Scotland Group PLC                               | 9.118%  | 3/31/49  | A1   | 19,625,095 |
| 5,000   | Sparebanken Rogaland, Notes, 144A                              | 6.443%  | 5/01/49  | Baa1 | 4,897,740  |
| 9,000   | St. George Funding Company LLC, 144A                           | 8.485%  | 12/31/47 | Baa1 | 9,460,890  |
| 3,400   | Swedbank ForeningsSparbanken AB, 144A                          | 9.000%  | 9/17/50  | A2   | 3,848,028  |
| 7,500   | Union Planters Capital Trust A                                 | 8.200%  | 12/15/26 | A2   | 7,900,103  |
| 240     | Union Planters Preferred Fund, 144A                            | 7.750%  | 7/15/53  | A2   | 26,032,500 |
| 26,500  | Washington Mutual Preferred Funding Cayman, Series A-1, 144A   | 7.250%  | 3/15/49  | BBB  | 25,969,523 |
| 6,300   | Washington Mutual Preferred Funding Delaware, Series A-1, 144A | 6.534%  | 3/15/49  | BBB  | 6,126,359  |
| 10,000  | Zions Institutional Capital Trust, Series A                    | 8.536%  | 12/15/26 | Baa1 | 10,582,400 |

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Total Commercial Banks 557,357,356

**Diversified Financial Services - 2.8%**

|        |                                   |        |          |      |            |
|--------|-----------------------------------|--------|----------|------|------------|
| 1,000  | BNP Paribas Capital Trust, 144A   | 9.003% | 12/29/49 | A+   | 1,130,089  |
| 2,750  | BNP Paribas Capital Trust         | 7.200% | 12/31/49 | A+   | 2,778,154  |
| 18,800 | Citigroup Capital X               | 6.100% | 9/30/33  | Aa2  | 454,772    |
| 3,700  | Fulton Capital Trust I            | 6.290% | 2/01/36  | A3   | 3,524,520  |
| 3,600  | JPM Capital Trust I               | 7.540% | 1/15/27  | A1   | 3,774,330  |
| 22,085 | JPM Capital Trust II              | 7.950% | 2/01/27  | A1   | 23,325,735 |
| 13,800 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53  | Baa2 | 14,393,510 |

Total Diversified Financial Services 49,381,110

**Diversified Telecommunication Services - 2.2%**

|        |                                             |        |         |    |            |
|--------|---------------------------------------------|--------|---------|----|------------|
| 30,250 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 | A- | 37,519,453 |
|--------|---------------------------------------------|--------|---------|----|------------|

**Insurance - 10.5%**

|        |                                                         |        |         |      |            |
|--------|---------------------------------------------------------|--------|---------|------|------------|
| 14,280 | Ace Capital Trust II                                    | 9.700% | 4/01/30 | Baa1 | 19,067,470 |
| 28,000 | American General Institutional Capital, 144A            | 8.125% | 3/15/46 | Aa3  | 34,564,096 |
| 2,000  | Mangrove Bay, Class 3, 144A                             | 6.102% | 7/15/33 | BBB+ | 1,938,020  |
| 6,000  | MIC Financing Trust I                                   | 8.375% | 2/01/27 | A+   | 6,094,626  |
| 10,250 | Prudential PLC                                          | 6.500% | 6/29/49 | A    | 10,215,775 |
| 10,000 | RenaissanceRe Capital Trust                             | 8.540% | 3/01/27 | BBB+ | 9,962,950  |
| 51,700 | Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06/47 | A+   | 55,162,246 |
| 43,000 | Zurich Capital Trust I, 144A                            | 8.376% | 6/01/37 | A-   | 46,012,193 |

Total Insurance 183,017,376

**Oil, Gas & Consumable Fuels - 1.2%**

|        |                                          |        |         |      |            |
|--------|------------------------------------------|--------|---------|------|------------|
| 3,680  | KN Capital Trust I, Preferred Securities | 8.560% | 4/15/27 | Baa3 | 3,906,092  |
| 10,750 | KN Capital Trust III                     | 7.630% | 4/15/28 | Baa3 | 11,495,760 |
| 7,355  | Phillips 66 Capital Trust II             | 8.000% | 1/15/37 | A3   | 7,760,055  |

Total Oil, Gas & Consumable Fuels 23,161,907

**Thriffs & Mortgage Finance - 2.4%**

|        |                                            |        |          |      |            |
|--------|--------------------------------------------|--------|----------|------|------------|
| 5,595  | Countrywide Capital Trust I                | 8.000% | 12/15/26 | BBB+ | 5,674,751  |
| 8,460  | Countrywide Capital Trust III, Series B    | 8.050% | 6/15/27  | BBB+ | 9,692,142  |
| 11,825 | Dime Capital Trust I, Series A             | 9.330% | 5/06/27  | Baa1 | 12,786,030 |
| 13,000 | Great Western Financial Trust II, Series A | 8.206% | 2/01/27  | Baa1 | 13,756,873 |



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|                                                           |               |
|-----------------------------------------------------------|---------------|
| Total Thrifts & Mortgage Finance                          | 41,909,796    |
| Total Capital Preferred Securities (cost \$1,000,809,887) | 1,013,674,449 |

|               |                        |              |
|---------------|------------------------|--------------|
| <b>Shares</b> | <b>Description (1)</b> | <b>Value</b> |
|---------------|------------------------|--------------|

**Investment Companies - 0.5% (0.2% of Total Investments)**

|         |                                                                      |    |           |
|---------|----------------------------------------------------------------------|----|-----------|
| 33,071  | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. | \$ | 655,137   |
| 66,886  | Flaherty and Crumrine/Claymore Total Return Fund Inc.                |    | 1,325,012 |
| 3,000   | John Hancock Preferred Income Fund                                   |    | 70,050    |
| 8,108   | John Hancock Preferred Income Fund II                                |    | 185,835   |
| 83,517  | John Hancock Preferred Income Fund III                               |    | 1,701,241 |
| 30,869  | Preferred and Corporate Strategies Fund Inc.                         |    | 627,567   |
| 105,849 | Preferred Income Strategies Fund Inc.                                |    | 2,061,939 |
|         | Total Investment Companies (cost \$6,733,625)                        |    | 6,626,781 |

**Principal Amount**

**(000) Description (1)**

**Coupon Maturity**

**Value**

**Short-Term Investments 2.0% (1.4% of Total Investments)**

|           |                                                                                                                                                                                        |         |         |    |                  |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|----|------------------|
| \$ 34,355 | Repurchase Agreement with State Street Bank, dated 3/31/06, repurchase price \$34,367,355, collateralized by \$37,035,000 U.S. Treasury Bonds, 4.500%, due 2/15/36, value \$35,044,369 | 4.250%  | 4/03/06 | \$ | 34,355,188       |
|           | Total Short-Term Investments (cost \$34,355,188)                                                                                                                                       |         |         |    | 34,355,188       |
|           | Total Investments (cost \$2,481,395,739)                                                                                                                                               | 144.3%  |         |    | 2,515,054,300    |
|           | Other Assets Less Liabilities                                                                                                                                                          | 1.6%    |         |    | 28,412,924       |
|           | Preferred Shares, at Liquidation Value                                                                                                                                                 | (45.9)% |         |    | (800,000,000)    |
|           | Net Assets Applicable to Common Shares                                                                                                                                                 | 100%    |         |    | \$ 1,743,467,224 |

**Interest Rate Swaps outstanding at March 31, 2006:**

| <b>Counterparty</b> | <b>Notional Amount</b> | <b>Fixed Rate Paid by the Fund</b> | <b>Fixed Rate Payment Frequency</b> | <b>Floating Rate Received by the Fund</b> | <b>Floating Rate Payment Frequency</b> | <b>Termination Date</b> | <b>Unrealized Appreciation (Depreciation)</b> |
|---------------------|------------------------|------------------------------------|-------------------------------------|-------------------------------------------|----------------------------------------|-------------------------|-----------------------------------------------|
| Citigroup Inc.      | \$ 100,000,000         | 4.604%                             | Monthly                             | 4.661%                                    | Monthly                                | 6/06/06                 | \$ 85,327                                     |
| Citigroup Inc.      | 100,000,000            | 4.713                              | Monthly                             | 4.661                                     | Monthly                                | 12/06/06                | 334,784                                       |
| Citigroup Inc.      | 200,000,000            | 3.375                              | Monthly                             | 4.661                                     | Monthly                                | 11/06/07                | 5,642,576                                     |
| Citigroup Inc.      | 200,000,000            | 3.910                              | Monthly                             | 4.661                                     | Monthly                                | 11/06/09                | 8,275,132                                     |
|                     |                        |                                    |                                     |                                           |                                        |                         | \$ 14,337,819                                 |

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

(2) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.

(3) Investment is eligible for the Dividends Received Deduction.

- (4) Based on  
USD-LIBOR  
(United States  
Dollar-London  
Inter-Bank  
Offered Rate).

N/R Not rated.

144A Investment is  
exempt from  
registration  
under  
Rule 144A of  
the Securities  
Act of 1933, as  
amended.  
These  
investments  
may only be  
resold in  
transactions  
exempt from  
registration  
which are  
normally those  
transactions  
with qualified  
institutional  
buyers.

CBTCS Corporate  
Backed Trust  
Certificates.

CORTS Corporate  
Backed Trust  
Securities.

PCARS Public Credit  
and  
Repackaged  
Securities.

PPLUS PreferredPlus  
Trust.

SATURNS Structured  
Asset Trust  
Unit  
Repackaging.

### **Income Tax Information**

The following information is presented on an income tax basis based on the information currently available to the Fund. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in the recognition of income and timing differences in recognizing certain gains and losses on investment transactions.

At March 31, 2006, the cost of investments was \$2,489,827,180.

Gross unrealized appreciation and gross unrealized depreciation of investments at March 31, 2006, were as follows:

|                                                           |               |
|-----------------------------------------------------------|---------------|
| Gross unrealized:                                         |               |
| Appreciation                                              | \$ 68,827,222 |
| Depreciation                                              | (43,600,102)  |
| <br>                                                      |               |
| Net unrealized appreciation (depreciation) of investments | \$ 25,227,120 |

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**Item 2. 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 Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- b. There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits.**

File as exhibits as part of this Form 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)), exactly as set forth below: EX-99 CERT Attached hereto.

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**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 Quality Preferred Income Fund 2

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

Date May 30, 2006

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

By (Signature and Title)\* /s/ Gifford R. Zimmerman  
Gifford R. Zimmerman  
Chief Administrative Officer (principal executive officer)

Date May 30, 2006

By (Signature and Title)\* /s/ Stephen D. Foy  
Stephen D. Foy  
Vice President and Controller (principal financial officer)

Date May 30, 2006

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