

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

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21333  
-----

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2  
-----

(Exact name of registrant as specified in charter)

Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
-----

(Address of principal executive offices) (Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: December 31  
-----

Date of reporting period: June 30, 2006  
-----

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

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

SEMIANNUAL REPORT JUNE 30, 2006

NUVEEN INVESTMENTS  
EXCHANGE-TRADED  
CLOSED-END  
FUNDS

NUVEEN PREFERRED  
AND CONVERTIBLE  
INCOME FUND  
JPC

NUVEEN PREFERRED  
AND CONVERTIBLE  
INCOME FUND 2  
JQC

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

NUVEEN LOGO

COVER PHOTO

INSIDE COVER PHOTO

NOW YOU CAN RECEIVE YOUR

NUVEEN FUND REPORTS FASTER.

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

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

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

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

OR                      [WWW.NUVEEN.COM/ACCOUNTACCESS](http://WWW.NUVEEN.COM/ACCOUNTACCESS)  
if you get your Nuveen Fund  
dividends and statements directly  
from Nuveen.

NUVEEN LOGO

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

CHAIRMAN'S  
LETTER TO SHAREHOLDERS

Dear Shareholder:

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

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

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

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

Sincerely,

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

August 11, 2006

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

PORTFOLIO MANAGERS'  
COMMENTS

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

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

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

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

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

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

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

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

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

4

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

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

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

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

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

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

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

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

5

### TOTAL RETURN ON NET ASSET VALUE

For the 6-month period ended June 30, 2006

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

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

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

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

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

this report.

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

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

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

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

6

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

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

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

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

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

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

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

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

7

### DISTRIBUTION AND SHARE PRICE INFORMATION

#### DISTRIBUTION INFORMATION

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

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

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

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

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

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

SHARE REPURCHASE AND SHARE PRICE INFORMATION

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

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

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

Nuveen Preferred and Convertible Income Fund  
JPC

Performance

OVERVIEW As of June 30, 2006



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

PORTFOLIO APPLICATION  
(as a % of total investments)

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

Bar Chart:  
2005-2006 MONTHLY DISTRIBUTIONS PER SHARE

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

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

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

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

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

6/30/06

FUND SNAPSHOT

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

AVERAGE ANNUAL TOTAL RETURN

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

(Inception 3/26/03)

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

## INDUSTRIES (as a % of total investments)

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

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

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

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

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

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

10

Nuveen Preferred and Convertible Income Fund 2  
JQC

Performance  
OVERVIEW As of June 30, 2006

PORTFOLIO APPLICATION  
(as a % of total investments)

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

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

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

Bar Chart:  
2005-2006 MONTHLY DISTRIBUTIONS PER SHARE

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

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

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

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

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

6/30/06

FUND SNAPSHOT

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

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

ON SHARE PRICE ON NAV

6-Month

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

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

INDUSTRIES  
(as a % of total investments)

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

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

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

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

11

Shareholder  
MEETING REPORT

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

JPC

APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS:

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



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

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

12

Nuveen Preferred and Convertible Income Fund (JPC)

Portfolio of  
 INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

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

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

---

Total Electrical Equipment

---

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

---

Total Electronic Equipment & Instruments

---

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

---

Total Energy Equipment & Services

---

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

---

14

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

---

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

---

Total Food Products

---

	GAS UTILITIES - 0.1%
32,280	Energen Corporation

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

---

Total Health Care Equipment & Supplies

---

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

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

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

15

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

---

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

16

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

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

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

17

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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



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

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

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

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

18

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

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

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

19

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

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

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

20

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

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

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

21

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

WIRELESS TELECOMMUNICATION SERVICES - 0.7%			
34,100	AT&T Wireless (CORTS)		8.000%
18,300	AT&T Wireless, Series 2002-B (SATURNS)		9.250%
33,900	United States Cellular Corporation		8.750%
272,100	United States Cellular Corporation		7.500%

Total Wireless Telecommunication Services

TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES  
(COST \$717,889,379)

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

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

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

22

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



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

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

23

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

24

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

PHARMACEUTICALS (continued)

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

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

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

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

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

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

25

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

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

26

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

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

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

27

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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



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

COMMERCIAL BANKS - 19.0%			
3,000	AB Svensk Exportkredit, 144A	6.375%	10/27/49
9,500	Abbey National Capital Trust I	8.963%	6/30/50
6,500	AgFirst Farm Credit Bank	7.300%	12/15/53
3,000	Bank One Capital III	8.750%	9/01/30
1,000	BankAmerica Capital II, Series 2	8.000%	12/15/26
6,000	BankBoston Capital Trust I, Series B	8.250%	12/15/26
2,000	BanPonce Trust I, Series A	8.327%	2/01/27
13,030	Barclays Bank PLC, 144A	8.550%	6/15/49
200	Barclays Bank PLC	6.278%	12/15/55
3,000	Centura Capital Trust I, 144A	8.845%	6/01/27
1,500	DBS Capital Funding Corporation, 144A	7.657%	3/15/49
6,200	First Empire Capital Trust I	8.234%	2/01/27
2,000	First Midwest Bancorp Inc.	6.950%	12/01/33
23,500	HBOS Capital Funding LP, Notes	6.850%	3/23/49
2,400	HSEC Capital Funding LP, 144A	9.547%	12/31/49
5,750	HSEC Capital Funding LP, Debt	10.176%	6/30/50
11,000	KBC Bank Fund Trust III, 144A	9.860%	5/02/50
6,300	KeyCorp Institutional Capital Trust A+	7.826%	12/01/26
18,600	Lloyds TSB Bank PLC, Subordinated Note	6.900%	11/22/49

28

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION (1)	COUPON	MATURITY
COMMERCIAL BANKS (continued)			
20,000	M&I Capital Trust A	7.650%	12/01/26
5,000	NB Capital Trust IV	8.250%	4/15/27
1,000	North Fork Capital Trust I, Capital Securities	8.700%	12/15/26
8,000	North Fork Capital Trust II	8.000%	12/15/27
1,000	Popular North American Capital Trust I	6.564%	9/15/34
15,500	RBS Capital Trust B	6.800%	12/31/49
100	Reliance Capital Trust I, Series B	8.170%	5/01/28
8,000	Sparebanken Rogaland, Notes, 144A	6.443%	5/01/49
10,500	St. George Funding Company LLC	8.485%	6/30/17
1,650	Swedbank ForeningsSparbanken AB, 144A	9.000%	9/17/50
2,000	Unicredito Italiano Capital Trust, 144A	9.200%	4/05/51
300	Union Planters Preferred Fund, 144A	7.750%	7/15/53
12,800	Washington Mutual Preferred Funding Cayman, Series A-1, 144A	7.250%	3/15/49
3,000	Washington Mutual Preferred Funding Delaware, Series A-1, 144A	6.534%	3/15/49
5,000	Zions Institutional Capital Trust, Series A	8.536%	12/15/26
Total Commercial Banks			
DIVERSIFIED FINANCIAL SERVICES - 1.0%			
4,000	BNP Paribas Capital Trust	7.200%	12/31/49
5,000	Chase Capital Trust I, Series A	7.670%	12/01/26
14,500	Citigroup Capital X	6.100%	9/30/33
1,700	Fulton Capital Trust I	6.290%	2/01/36
2,800	Old Mutual Capital Funding, Notes	8.000%	6/22/53

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

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

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

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

INTEREST RATE SWAPS OUTSTANDING AT JUNE 30, 2006:

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

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

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

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

See accompanying notes to financial statements.

30

Nuveen Preferred and Convertible Income Fund 2 (JQC)

Portfolio of  
INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

31

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

SHARES DESCRIPTION (1)

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

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

-----  
Total Commercial Services & Supplies  
-----

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

-----  
Total Communications Equipment  
-----

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

-----  
Total Computers & Peripherals  
-----

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

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

-----  
Total Consumer Finance  
-----

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

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

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

-----  
Total Diversified Financial Services  
-----

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

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

-----  
Total Electric Utilities  
-----

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

-----  
Total Electrical Equipment  
-----

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

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

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

-----  
 Total Electronic Equipment & Instruments  
 -----

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

-----  
 Total Energy Equipment & Services  
 -----

32

SHARES      DESCRIPTION (1)

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

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

-----  
 Total Food Products  
 -----

GAS UTILITIES - 0.1%  
 49,463      Energen Corporation

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

-----  
 Total Health Care Equipment & Supplies  
 -----

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

-----  
 Total Health Care Providers & Services  
 -----

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

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

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

33

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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



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

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

---

Total Machinery

---

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

---

Total Media

---

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

---

Total Metals & Mining

---

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

---

Total Multiline Retail

---

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

---

Total Oil, Gas & Consumable Fuels

---

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

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

---

Total Pharmaceuticals

---

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

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

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

34

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

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

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

35

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

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

36

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

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

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

-----  
 Total Commercial Banks  
 -----

37

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

38

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

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

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



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

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

39

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

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

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

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

42

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

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

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

43

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

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

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

44

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



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

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

45

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

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

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

46

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

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

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

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

47

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

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

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

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

INTEREST RATE SWAPS OUTSTANDING AT JUNE 30, 2006:

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

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

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

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

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

See accompanying notes to financial statements.

49

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

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

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

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

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

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

See accompanying notes to financial statements.

50

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

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
<hr style="border-top: 1px dashed black;"/>		
INVESTMENT INCOME		
Dividends	\$ 29,750,741	\$ 39,340,145
Interest	29,156,019	44,951,951
<hr style="border-top: 1px dashed black;"/>		
Total investment income	58,906,760	84,292,096
<hr style="border-top: 1px dashed black;"/>		
EXPENSES		
Management fees	8,891,662	12,166,761
FundPreferred shares - auction fees	877,727	1,196,336
FundPreferred shares - dividend disbursing agent fees	17,989	26,531





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

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

See accompanying notes to financial statements.

52

### Notes to FINANCIAL STATEMENTS (Unaudited)

#### 1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

### Investment Valuation

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

### Investment Transactions

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

### Investment Income

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

### Federal Income Taxes

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

### Dividends and Distributions to Common Shareholders

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

Notes to  
FINANCIAL STATEMENTS (Unaudited) (continued)

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

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

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

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

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

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

shareholders of the actual breakdown of income type.

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

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

54

### FundPreferred Shares

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

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

### Interest Rate Swap Transactions

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

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

#### Futures Contracts

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

#### Short Sales

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

#### Repurchase Agreements

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

55

#### Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

#### Custodian Fee Credit

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

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

investments.

### Indemnifications

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

### Use of Estimates

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

### 2. FUND SHARES

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

Transactions in Common shares were as follows:

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

### 3. INVESTMENT TRANSACTIONS

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

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

56

4. INCOME TAX INFORMATION

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

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

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

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

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

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

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



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

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

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

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

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

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

## 5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

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

57

Notes to  
FINANCIAL STATEMENTS (Unaudited) (continued)

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

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

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

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

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

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

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

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

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

58

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

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

\* From the commencement of operations.

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

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

YEAR ENDING JUNE 30,		YEAR ENDING JUNE 30,	
2003 *	.32%	2008	.32%
2004	.32	2009	.24
2005	.32	2010	.16
2006	.32	2011	.08
2007	.32		

\* From the commencement of operations.

The Adviser has not agreed to reimburse Preferred and Convertible Income 2 (JQC) for any portion of its fees and expenses beyond June 30, 2011.

### 6. NEW ACCOUNTING PRONOUNCEMENT

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

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

### 7. SUBSEQUENT EVENT

#### Distributions to Common Shareholders

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

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

59

### Financial

#### HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

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

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

## PREFERRED AND CONVERTIBLE INCOME 2 (JQC)

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

### Less Distributions

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

## PREFERRED AND CONVERT

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

## PREFERRED AND CONVERT

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

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

\*\* Annualized.

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

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

+ The amounts shown are based on Common share equivalents.

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

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

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

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

PREFERRED AND CONVERTIBLE INCOME

(JPC)

Year Ended 12/31:

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

Year Ended 7/31:

2004 .03  
2003(c) --

PREFERRED AND CONVERTIBLE INCOME 2

(JQC)

Year Ended 12/31:

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

Year Ended 7/31:

2004 .03  
2003(d) --

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

60

Ratios/Supplemental Data

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

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

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

Fund Preferred Shares at End of Period

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

See accompanying notes to financial statements.

61

ANNUAL INVESTMENT  
MANAGEMENT AGREEMENT  
APPROVAL PROCESS

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

THE APPROVAL PROCESS

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

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

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

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

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

### A. NATURE, EXTENT AND QUALITY OF SERVICES

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



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

62

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

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

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

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

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

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

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

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

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

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

### C. FEES, EXPENSES AND PROFITABILITY

#### 1. FEES AND EXPENSES

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

63

#### ANNUAL INVESTMENT MANAGEMENT AGREEMENT APPROVAL PROCESS (continued)

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

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

## 2. COMPARISONS WITH THE FEES OF OTHER CLIENTS

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

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

## 3. PROFITABILITY OF FUND ADVISERS

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

Notwithstanding the foregoing, in reviewing profitability, the Trustees reviewed

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

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

64

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

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

#### E. INDIRECT BENEFITS

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

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

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

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

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

65

Reinvest Automatically  
EASILY AND CONVENIENTLY

NUVEEN EXCHANGE-TRADED CLOSED-END FUNDS  
DIVIDEND REINVESTMENT PLAN

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

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

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

EASY AND CONVENIENT

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

HOW SHARES ARE PURCHASED

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

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

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

### FLEXIBLE

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

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

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

### CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

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

66

### AUTOMATIC DIVIDEND REINVESTMENT PLAN

#### NOTICE OF AMENDMENT TO THE TERMS AND CONDITIONS

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

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

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

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

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

67

Notes

68

Notes

69

Notes

70

### OTHER USEFUL INFORMATION

#### QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

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

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

#### GLOSSARY OF TERMS USED IN THIS REPORT

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

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

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

**NET ASSET VALUE (NAV):** A Fund's common share NAV per share is calculated by subtracting the liabilities of the Fund (including any MuniPreferred shares issued in order to leverage the Fund) from its total assets and then dividing the remainder by the number of shares outstanding. Fund NAVs are calculated at the end of each business day.

### BOARD OF TRUSTEES

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

### FUND MANAGER

Nuveen Asset Management  
333 West Wacker Drive  
Chicago, IL 60606

### CUSTODIAN

State Street Bank & Trust Company  
Boston, MA

### TRANSFER AGENT AND SHAREHOLDER SERVICES

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

### LEGAL COUNSEL

Chapman and Cutler LLP  
Chicago, IL

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP  
Chicago, IL

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



(back cover photo)

NUVEEN INVESTMENTS:

SERVING INVESTORS

FOR GENERATIONS

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

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

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

Managing more than \$149 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under six distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; Symphony, a leading institutional manager of market-neutral alternative investment portfolios; Santa Barbara, a leader in growth equities; and Tradewinds, NWQ a leader in global equities.

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

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

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

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

LEARN MORE  
ABOUT NUVEEN FUNDS AT  
[WWW.NUVEEN.COM/CEF](http://WWW.NUVEEN.COM/CEF)

ESA-F-0606D

ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS.

See Portfolio of Investments in Item 1.

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

Not applicable to this filing.

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

Not applicable to this filing.

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

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

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

TOTAL 511,200

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

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

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

### ITEM 11. CONTROLS AND PROCEDURES.

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

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

internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form.

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

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

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

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference. Ex-99.906 CERT attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Preferred and Convertible Income Fund 2

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

Date: September 8, 2006

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

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

Date: September 8, 2006

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

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

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

Date: September 8, 2006

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