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NUVEEN QUALITY PREFERRED INCOME FUND 2
Form N-CSR
March 09, 2007

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 811-21137

Nuveen Quality Preferred 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: December 31, 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.

ANNUAL REPORT DECEMBER 31, 2006

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NUVEEN INVESTMENTS
CLOSED-END
FUNDS

NUVEEN QUALITY
PREFERRED INCOME
FUND
JTP

NUVEEN QUALITY
PREFERRED INCOME
FUND 2
JPS

NUVEEN QUALITY
PREFERRED INCOME
FUND 3
JHP

HIGH CURRENT INCOME
FROM A PORTFOLIO OF
INVESTMENT-GRADE
PREFERRED SECURITIES

NUVEEN LOGO

COVER PHOTO

INSIDE COVER PHOTO

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(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 twelve-month period covered by this report, your Fund continued to provide you with attractive monthly income from a diversified portfolio of quality preferred securities. 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.

"PORTFOLIO DIVERSIFICATION IS A RECOGNIZED WAY TO TRY TO REDUCE SOME OF THE RISK THAT COMES WITH INVESTING."

As you look through this report, be sure to review the inside front cover. This contains information on how you can receive future Fund reports and other Fund information faster by using e-mails and the Internet. Sign up is quick and easy - just follow the step-by-step instructions.

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

February 15, 2007

Nuveen Investments Closed-End Funds (JTP, JPS, JHP)

PORTFOLIO MANAGERS' COMMENTS

The Nuveen Quality Preferred Income Funds are subadvised by a team of specialists at Spectrum Asset Management, Inc., an affiliate of Principal Capital (SM). Mark Lieb, Bernie Sussman and Phil Jacoby, who have more than 50 years of combined experience in the preferred securities markets, lead the team.

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Here Mark, Bernie and Phil talk about their management strategy and the performance of each Fund for the 12-month period ended December 31, 2006.

WHAT WERE THE GENERAL ECONOMIC CONDITIONS AND MARKET TRENDS OVER THE COURSE OF 2006?

In 2006, the U.S. economy benefited from increased flexibility stemming mainly from productivity advancements and globalization, which seems to be reducing the reliance on monetary policy actions to offset unexpected shocks. We began the year still in the midst of a Fed tightening cycle. The departing Federal Reserve Chairman, Alan Greenspan warned, "History cautions that people experiencing long periods of relative stability are prone to excess. We must thus remain vigilant against complacency, especially since several important economic challenges confront policymakers in the years ahead." By June, after two full years of raising the short-term fed funds rate at regular intervals, the Fed finally paused. The uncertainty of the Fed's actions throughout the remainder of year led to a fair amount of volatility in the long end of the bond market, as the 30-year Treasury bond traded as high as 5.31% in the spring only to rally for the entire summer and close the year at 4.81%, just 27 basis points cheaper than where it started in January.

The bond rally in the second half of the year led to a U.S. Treasury yield curve inversion. The U.S. has experienced five yield curve inversions since the 1970s, with the average length of time being 12 months and the longest being 19 months. We do not think that this inversion will last too much longer because, according to the Fed, "economic growth has slowed over the course of the year, partly reflecting a substantial cooling of the housing market." Nonetheless, new Federal Reserve Chairman Bernanke still has lingering concerns over inflation risks even though the pressures seemed to moderate along with slowing aggregate demand around the globe. It seems that a soft landing for the U.S. economy is underway and this is making the bond market a bit anxious for a Fed rate cut (or two) next year.

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There were some very good buying opportunities for the Funds during the year. We believed that some closed-end funds were underpriced, and confusion in the hybrid preferred market due to the National Association of Insurance Commissioners' (NAIC) classification of several preferred structures as common equity. Since about 25% of the hybrid capital securities market is comprised of insurance company buyers, the IPO market for institutional deals took a timeout in April thanks to the NAIC, only to come back strong later in the year as it became evident that the buyer base went significantly beyond insurance companies to hedge funds, dealer proprietary funds and traditional corporate bond managers. Even the \$25 par market has found new buyer breadth as equity income and balanced funds are the latest institutional buyers competing with retail investors. Overall, new issuance in hybrid-preferred securities set a record in 2006 of over \$74 billion - about 60% more than the issuance amount the previous year, which at the time was also a record year.

WHAT WAS YOUR OVERALL MANAGEMENT STRATEGY FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006?

We generally maintained the 60/40 portfolio mix between the \$25 par sector and the Capital Securities sector for each of the portfolios. We sold Dividends Received Deduction (DRD) tax-advantaged securities as spreads tightened from the cheap positioning that took place in 2005. These sale proceeds were reinvested roughly equally in fully taxable \$25 par securities and in competitors' closed-end funds that were priced at discounts to their net asset values.

In the Capital Security sector, we decreased concentrations in "Euro-listed" securities and purchased Yankee Tier 1 and secondary "enhanced equity" hybrid

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securities that offered more return potential with less duration risk. We also sold some high coupon, callable capital securities that had little potential upside and used the proceeds to purchase some IPOs of "enhanced equity" hybrids that were priced attractively, particularly in the late summer. These actions were part of an ongoing effort to support the earnings potential of the portfolios while maintaining credit quality and diversity.

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HOW DID THE FUNDS PERFORM OVER THIS TWELVE-MONTH PERIOD?

The performance of JTP, JPS and JHP, as well as the performance of a comparative index and benchmark, is shown in the following chart:

TOTAL RETURN ON NET ASSET VALUE

For the twelve-month period ended December 31, 2006

| | |
|---|-------|
| JTP | 7.26% |
| ----- | |
| JPS | 7.09% |
| ----- | |
| JHP | 7.49% |
| ----- | |
| Lehman Brothers Aggregate Bond Index (1) | 4.30% |
| ----- | |
| Comparative Benchmark (2) | 6.50% |
| ----- | |

-
- 1 The Lehman Brothers Aggregate Bond Index is an unmanaged index that includes all investment-grade, publicly issued, fixed-rate, dollar denominated, nonconvertible debt issues and commercial mortgage backed securities with maturities of at least one year and outstanding par values of \$150 million or more. Index returns do not include the effects of any sales charges or management fees. It is not possible to invest directly in an index.
 - 2 Comparative benchmark performance is a blended return consisting of: 1) 55% of the Merrill Lynch Preferred Stock Hybrid Securities Index, an unmanaged index of investment-grade, exchange traded preferred stocks with outstanding market values of at least \$30 million and at least one year to maturity; and 2) 45% 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.
-

Past performance does not guarantee future results. Current performance may be higher or lower than the data shown.

Returns do not reflect the deduction of taxes that a shareholder may have to pay on Fund distributions or upon the sale of Fund shares.

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

For the twelve months ended December 31, 2006, all three funds outperformed the

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unleveraged, unmanaged Lehman Brothers Aggregate Bond Index and their comparative benchmark.

One driver of the Funds' performance was our allocation to DRD-eligible securities. We continued to opportunistically increase the Funds' concentrations in DRDs due to the relative attractiveness of the sector. As the year progressed and spreads in this area tightened while spreads in other sectors widened, we took some profits in order to redeploy proceeds into competitor CEFs and newer hybrid issues. We also switched from \$25 par securities and capital securities that were soon callable into relatively cheap bullet capital securities and perpetuals whose structures and pricing seemed attractive. We also benefited from the strong performance of the IPO market for floating rate DRD paper.

While the added volatility in the "enhanced equity" hybrid and Tier 1 securities provided some trading opportunities for the Funds, it sometimes hurt our holdings in these sectors. We also made a decision to stop selling callable hybrid securities because it became unclear whether the issuers would have adequate incentive to call them. As a result, the portfolio duration drifted lower than the comparative benchmark and switches for lower yield and more duration became less attractive than holding the higher income, low duration securities.

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DISTRIBUTION AND SHARE PRICE INFORMATION

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

JTP and JPS each paid steady monthly distributions over the course of the period. JHP declared a monthly distribution decrease in March. The distribution decreased from \$0.0945 to \$0.0910 per share.

The following table provides information regarding JHP's distributions and total return performance for the fiscal year ended December 31, 2006. The distribution information is presented on a tax basis rather than on a generally accepted accounting principles (GAAP) basis. This information is intended to help you better understand whether the Fund's returns for the specified time period was sufficient to meet the Fund's distributions. Information regarding such distributions in the future will likely vary based on the Fund's investment activities and portfolio investment value changes at that time.

AS OF 12/31/2006

JHP

| | |
|-------------------------------|----------|
| Inception date | 12/18/02 |
| Calendar Year: | |
| Per share distribution: | |
| From net investment income | \$1.10 |
| From short-term capital gains | -- |

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| | |
|--|--------|
| From long-term capital gains | -- |
| From return of capital | \$0.01 |
| | ----- |
| Total per share distribution | \$1.11 |
| | ----- |
| Distribution rate on NAV | 7.81% |
| One-year total return on NAV | 7.49% |
| Annualized since inception total return on NAV | 8.36% |

As of December 31, 2006, the Funds' shares were trading at premiums to their NAVs as shown in the accompanying table:

| | 12/31/06 PREMIUM | 12-MONTH AVERAGE DISCOUNT |
|-----|---------------------|------------------------------|
| JTP | 5.25% | -2.34% |
| JPS | 3.14% | -2.87% |
| JHP | 4.92% | -1.09% |

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Nuveen Quality Preferred Income Fund
JTP

PERFORMANCE

OVERVIEW As of December 31, 2006

(PORTFOLIO ALLOCATION PIE CHART)
(as a % of total investments)

| | |
|--|-------|
| \$25 Par (or similar) Preferred Securities | 56.5% |
| Capital Preferred Securities | 39.0% |
| Investment Companies | 2.1% |
| Short-Term Investments | 1.5% |
| Corporate Bonds | 0.8% |
| Convertible Preferred Securities | 0.1% |

(2006 MONTHLY DISTRIBUTIONS PER SHARE BAR CHART)

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| | |
|------|------|
| Jan | 0.09 |
| Feb | 0.09 |
| Mar | 0.09 |
| Apr | 0.09 |
| May | 0.09 |
| Jun | 0.09 |
| Jul | 0.09 |
| Aug | 0.09 |
| Sept | 0.09 |
| Oct | 0.09 |
| Nov | 0.09 |
| Dec | 0.09 |

(SHARE PRICE PERFORMANCE CHART)

Past performance is not predictive of future results.

| | |
|---------|-------|
| 1/01/06 | 12.53 |
| | 12.71 |
| | 12.95 |
| | 13.07 |
| | 12.92 |
| | 13.15 |
| | 13.33 |
| | 13.35 |
| | 13.53 |
| | 13.55 |
| | 13.30 |
| | 13.45 |
| | 13.66 |
| | 13.29 |
| | 13.15 |
| | 12.68 |
| | 12.75 |
| | 12.89 |
| | 13.04 |
| | 12.93 |
| | 12.81 |
| | 12.95 |
| | 13.28 |
| | 12.95 |
| | 12.87 |
| | 12.87 |
| | 12.94 |
| | 13.05 |
| | 13.06 |
| | 13.02 |
| | 13.62 |
| | 13.76 |
| | 13.95 |
| | 14.03 |
| | 13.99 |
| | 14.11 |
| | 14.05 |
| | 13.89 |
| | 13.93 |
| | 14.08 |
| | 14.33 |

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| | |
|----------|-------|
| | 14.32 |
| | 14.30 |
| | 14.34 |
| | 14.62 |
| | 14.08 |
| | 14.47 |
| | 14.41 |
| | 14.36 |
| | 14.47 |
| | 14.53 |
| | 14.76 |
| | 14.71 |
| | 14.74 |
| | 14.84 |
| 12/31/06 | 14.84 |

FUND SNAPSHOT

| | |
|---|-----------|
| Common Share Price | \$14.84 |
| Common Share Net Asset Value | \$14.10 |
| Premium/(Discount) to NAV | 5.25% |
| Current Distribution Rate(1) | 7.28% |
| Net Assets Applicable to Common Shares (\$000) | \$909,608 |

AVERAGE ANNUAL TOTAL RETURN
(Inception 6/25/02)

| | ON SHARE PRICE | ON NAV |
|--------------------|----------------|--------|
| 1-Year | 29.51% | 7.26% |
| Since Inception | 8.24% | 7.95% |

INDUSTRIES
(as a % of total investments)

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| | |
|--------------------------------|-------|
| Commercial Banks | 27.2% |
| ----- | |
| Insurance | 17.3% |
| ----- | |
| Real Estate | 17.0% |
| ----- | |
| Diversified Financial Services | 10.0% |
| ----- | |
| Capital Markets | 9.9% |
| ----- | |
| Thrifts and Mortgage | 3.6% |
| ----- | |
| Short-Term Investments | 1.5% |
| ----- | |
| Other | 13.5% |
| ----- | |

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

| | |
|---|------|
| ING Group NV | 3.0% |
| ----- | |
| Banco Santander Central Hispano S.A. | 2.7% |
| ----- | |
| JPMorgan Chase & Company | 2.6% |
| ----- | |
| HSBC Holdings Public Limited Company | 2.5% |
| ----- | |
| Washington Mutual Incorporated | 2.3% |
| ----- | |

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 tax return of capital.

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Nuveen Quality Preferred Income Fund 2
JPS

PERFORMANCE
OVERVIEW As of December 31, 2006

(PORTFOLIO ALLOCATION PIE CHART)
(as of % of total investments)

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| | |
|--|-------|
| \$25 Par (or similar) Preferred Securities | 57.5% |
| Capital Preferred Securities | 39.4% |
| Investment Companies | 1.9% |
| Corporate Bonds | 0.6% |
| Short-Term Investments | 0.5% |
| Convertible Preferred Securities | 0.1% |

(2006 MONTHLY DISTRIBUTIONS PER SHARE BAR CHART)

| | |
|------|-------|
| Jan | 0.093 |
| Feb | 0.093 |
| Mar | 0.093 |
| Apr | 0.093 |
| May | 0.093 |
| Jun | 0.093 |
| Jul | 0.093 |
| Aug | 0.093 |
| Sept | 0.093 |
| Oct | 0.093 |
| Nov | 0.093 |
| Dec | 0.093 |

(SHARE PRICE PERFORMANCE CHART)

Past performance is not predictive of future results.

| | |
|---------|-------|
| 1/01/06 | 13.02 |
| | 13.39 |
| | 13.68 |
| | 13.89 |
| | 13.87 |
| | 14.09 |
| | 14.12 |
| | 13.90 |
| | 13.98 |
| | 13.93 |
| | 13.55 |
| | 13.74 |
| | 13.96 |
| | 13.65 |
| | 13.70 |
| | 13.24 |
| | 13.40 |
| | 13.64 |
| | 13.47 |

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| | |
|----------|-------|
| | 13.48 |
| | 13.25 |
| | 13.34 |
| | 13.64 |
| | 13.40 |
| | 13.44 |
| | 13.59 |
| | 13.64 |
| | 13.80 |
| | 13.82 |
| | 13.85 |
| | 14.09 |
| | 14.24 |
| | 14.19 |
| | 13.91 |
| | 14.22 |
| | 14.29 |
| | 14.45 |
| | 14.43 |
| | 14.43 |
| | 14.56 |
| | 14.65 |
| | 14.53 |
| | 14.42 |
| | 14.70 |
| | 14.88 |
| | 14.43 |
| | 14.90 |
| | 14.78 |
| | 14.81 |
| | 14.92 |
| | 14.90 |
| | 15.05 |
| | 15.04 |
| | 15.08 |
| | 15.12 |
| 12/31/06 | 15.12 |

FUND SNAPSHOT

| | |
|--|-------------|
| ----- Common Share Price | \$15.12 |
| ----- Common Share Net Asset Value | \$14.66 |
| ----- Premium/(Discount) to NAV | 3.14% |
| ----- Current Distribution Rate(1) | 7.38% |
| ----- Net Assets Applicable to Common Shares (\$000) | \$1,753,392 |
| ----- | |

AVERAGE ANNUAL TOTAL RETURN
(Inception 9/24/02)

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| | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year | 27.75% | 7.09% |
| Since Inception | 9.35% | 9.34% |

INDUSTRIES
(as a % of total investments)

| | |
|--------------------------------|-------|
| Commercial Banks | 26.4% |
| Insurance | 20.0% |
| Real Estate | 15.4% |
| Capital Markets | 9.9% |
| Diversified Financial Services | 9.5% |
| Thrifts and Mortgage | 3.9% |
| Short-Term Investments | 0.5% |
| Other | 14.4% |

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

| | |
|--------------------------------------|------|
| Wachovia Corporation | 3.7% |
| ING Group NV | 3.0% |
| Washington Mutual Incorporated | 2.5% |
| Aegon NV | 2.5% |
| Banco Santander Central Hispano S.A. | 2.2% |

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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 tax return of capital.

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Nuveen Quality Preferred Income Fund 3
JHP

PERFORMANCE

OVERVIEW As of December 31, 2006

(PORTFOLIO ALLOCATION PIE CHART)
(as a % of total investments)

| | |
|--|-------|
| ----- | ----- |
| \$25 Par (or similar) Preferred Securities | 61.8% |
| ----- | ----- |
| Capital Preferred Securities | 34.7% |
| ----- | ----- |
| Investment Companies | 2.0% |
| ----- | ----- |
| Short-Term Investments | 0.8% |
| ----- | ----- |
| Corporate Bonds | 0.7% |
| ----- | ----- |

(2006 MONTHLY DISTRIBUTIONS PER SHARE BAR CHART)

| | |
|------|--------|
| Jan | 0.0945 |
| Feb | 0.0945 |
| Mar | 0.091 |
| Apr | 0.091 |
| May | 0.091 |
| Jun | 0.091 |
| Jul | 0.091 |
| Aug | 0.091 |
| Sept | 0.091 |
| Oct | 0.091 |
| Nov | 0.091 |
| Dec | 0.091 |

(SHARE PRICE PERFORMANCE CHART)
(Past performance is not predictive of future results.)

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1/01/06

13.17
13.41
13.71
13.73
13.65
13.77
14.14
14.02
14.08
13.98
13.51
13.39
13.49
13.16
13.29
12.88
13.11
13.24
13.19
13.10
12.98
12.82
13.15
13.08
13.01
13.02
12.99
13.03
13.10
13.11
13.45
14.00
14.14
14.33
14.27
14.38
14.78
14.44
14.66
14.78
14.76
14.55
14.25
14.34
14.60
14.44
14.82
14.92
14.81
14.76
14.84
14.92
14.87
14.85
14.92
14.92

12/31/06

FUND SNAPSHOT

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| | |
|---|-----------|
| Common Share Price | \$14.92 |
| Common Share Net Asset Value | \$14.22 |
| Premium/(Discount) to NAV | 4.92% |
| Current Distribution Rate(1) | 7.32% |
| Net Assets Applicable to Common Shares (\$000) | \$336,540 |

AVERAGE ANNUAL TOTAL RETURN
(Inception 12/18/02)

| | ON SHARE PRICE | ON NAV |
|--------------------|----------------|--------|
| 1-Year | 25.00% | 7.49% |
| Since Inception | 8.63% | 8.36% |

INDUSTRIES
(as a % of total investments)

| | |
|--------------------------------|-------|
| Commercial Banks | 25.0% |
| Insurance | 22.3% |
| Real Estate | 16.0% |
| Capital Markets | 12.1% |
| Diversified Financial Services | 8.3% |
| Thrifts and Mortgage | 3.3% |
| Short-Term Investments | 0.8% |
| Other | 12.2% |

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

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| | |
|-----------------------------|------|
| Wachovia Corporation | 3.6% |
| ING Group NV | 3.3% |
| Union Planters Corporation | 2.5% |
| Public Storage Incorporated | 2.4% |
| Bank of America Corporation | 2.3% |

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 tax return of capital.

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Report of
INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

THE BOARD OF TRUSTEES AND SHAREHOLDERS
NUVEEN QUALITY PREFERRED INCOME FUND
NUVEEN QUALITY PREFERRED INCOME FUND 2
NUVEEN QUALITY PREFERRED INCOME FUND 3

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Quality Preferred Income Fund, Nuveen Quality Preferred Income Fund 2 and Nuveen Quality Preferred Income Fund 3 (the "Funds") as of December 31, 2006, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall

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financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2006, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of Nuveen Quality Preferred Income Fund, Nuveen Quality Preferred Income Fund 2 and Nuveen Quality Preferred Income Fund 3 at December 31, 2006, the results of their operations for the year then ended, changes in their net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated therein in conformity with U.S. generally accepted accounting principles.

(ERNST & YOUNG LLP LOGO)

Chicago, Illinois
February 20, 2007

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Nuveen Quality Preferred Income Fund (JTP)

Portfolio of
INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|---|--------|----|
| ----- | | | |
| | CONVERTIBLE PREFERRED SECURITIES - 0.1% (0.1% OF TOTAL INVESTMENTS) | | |
| | INSURANCE - 0.1% | | |
| 37,500 | XL Capital Ltd | 6.500% | |
| ----- | | | |
| | TOTAL CONVERTIBLE PREFERRED SECURITIES (COST \$924,651) | | |
| ===== | | | |
| SHARES | DESCRIPTION (1) | COUPON | RA |
| ----- | | | |
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 82.9% (56.5% OF TOTAL INVESTMENTS) | | |
| | AUTOMOBILES - 0.0% | | |
| 5,300 | DaimlerChrysler, Series DCX (CORTS) | 7.250% | |
| ----- | | | |
| | CAPITAL MARKETS - 7.4% | | |
| 40,358 | Bear Stearns Capital Trust III | 7.800% | |
| 296,187 | BNY Capital Trust V, Series F | 5.950% | |
| 244,295 | Compass Capital Trust III | 7.350% | |
| 2,700 | CSFB USA, Series 2002-10 (SATURNS) | 7.000% | |
| 5,200 | Goldman Sachs Capital I (CORTS) | 6.000% | |
| 15,000 | Goldman Sachs Capital I, Series A (CORTS) | 6.000% | |
| 100 | Goldman Sachs Group Inc., Series 2003-06 (SATURNS) | 6.000% | |
| 13,200 | Goldman Sachs Group Inc., Series 2004-04 (SATURNS) | 6.000% | |
| 18,300 | Goldman Sachs Group Inc., Series 2004-06 (SATURNS) | 6.000% | |
| 25,000 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% | |
| 5,700 | Goldman Sachs Group Inc., Series GSG-1 (PPLUS) | 6.000% | |
| 7,000 | Goldman Sachs Group Inc. (SATURNS) | 5.750% | |
| 108,549 | Lehman Brothers Holdings Capital Trust III, Series | 6.375% | |
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| | | |
|---------|---|--------|
| 75,000 | Lehman Brothers Holdings Capital Trust IV, Series L | 6.375% |
| 25,700 | Lehman Brothers Holdings Capital Trust V, Series M | 6.000% |
| 105,920 | Lehman Brothers Holdings Capital Trust VI, Series N | 6.240% |
| 46,700 | Merrill Lynch Capital Trust II | 8.000% |
| 135,800 | Merrill Lynch Preferred Capital Trust III | 7.000% |
| 94,200 | Merrill Lynch Preferred Capital Trust IV | 7.120% |
| 173,400 | Merrill Lynch Preferred Capital Trust V | 7.280% |
| 6,400 | Morgan Stanley (PPLUS) | 7.050% |
| 194,600 | Morgan Stanley Capital Trust II | 7.250% |
| 213,256 | Morgan Stanley Capital Trust III | 6.250% |
| 218,201 | Morgan Stanley Capital Trust IV | 6.250% |
| 515,305 | Morgan Stanley Capital Trust VI | 6.600% |
| 63,494 | Morgan Stanley Capital Trust VII | 6.600% |

Total Capital Markets

| | | |
|---------|----------------------------------|---------|
| | COMMERCIAL BANKS - 9.9% | |
| 1,200 | Abbey National PLC, Series C | 7.375% |
| 134,500 | ABN AMRO Capital Fund Trust V | 5.900% |
| 39,500 | ABN AMRO Capital Fund Trust VII | 6.080% |
| 104,900 | ASBC Capital I | 7.625% |
| 8,100 | BAC Capital Trust V | 6.000% |
| 8,400 | BAC Capital Trust X | 6.250% |
| 41,879 | Banco Santander, 144A | 6.800% |
| 289,115 | Banco Santander, (3) | 6.410% |
| 7,100 | BancorpSouth Capital Trust I | 8.150% |
| 84,500 | Banesto Holdings, Series A, 144A | 10.500% |
| 64,300 | Bank One Capital Trust VI | 7.200% |
| 16,500 | BankNorth Capital Trust II | 8.000% |
| 17,717 | Barclays Bank PLC, (3) | 6.625% |
| 202,200 | Chittenden Capital Trust I | 8.000% |
| 190,000 | Citizens Funding Trust I | 7.500% |
| 116,800 | Cobank ABC, 144A, (3) | 7.000% |
| 142,700 | Comerica Capital Trust I | 7.600% |
| 9,200 | Fleet Capital Trust IX | 6.000% |

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

| | | |
|---------|--|--------|
| | COMMERCIAL BANKS (continued) | |
| 12,000 | Fleet Capital Trust VIII | 7.200% |
| 4,400 | HSBC Finance Corporation | 6.875% |
| 55,433 | KeyCorp Capital Trust V | 5.875% |
| 597,900 | National City Capital Trust II | 6.625% |
| 200,000 | PFGI Capital Corporation | 7.750% |
| 6,350 | PNC Capital Trust | 6.125% |
| 27,918 | Royal Bank of Scotland Group PLC, Series L | 5.750% |
| 26,300 | Royal Bank of Scotland Group PLC, Series M | 6.400% |
| 224,762 | Royal Bank of Scotland Group PLC, Series N | 6.350% |
| 23,600 | USB Capital Trust XI | 6.600% |
| 37,200 | VNB Capital Trust I | 7.750% |
| 25,500 | Wells Fargo Capital Trust IV | 7.000% |
| 7,236 | Wells Fargo Capital Trust IX | 5.625% |

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| | | |
|-----------|--|--------|
| 238,800 | Wells Fargo Capital Trust V | 7.000% |
| 55,500 | Wells Fargo Capital Trust VI | 6.950% |
| 21,900 | Wells Fargo Capital Trust VII | 5.850% |
| 382,250 | Zions Capital Trust B | 8.000% |
| ----- | | |
| | Total Commercial Banks | |
| ----- | | |
| | COMPUTERS & PERIPHERALS - 0.0% | |
| 3,100 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% |
| 1,500 | IBM Trust IV (CORTS) | 7.000% |
| ----- | | |
| | Total Computers & Peripherals | |
| ----- | | |
| | CONSUMER FINANCE - 0.0% | |
| 14,000 | SLM Corporation | 6.000% |
| ----- | | |
| | DIVERSIFIED FINANCIAL SERVICES - 9.7% | |
| 599,640 | BAC Capital Trust XII | 6.875% |
| 43,976 | CIT Group Incorporated (CORTS) | 7.750% |
| 350,130 | Citigroup Capital Trust VIII | 6.950% |
| 15,900 | Citigroup Capital XIV | 6.875% |
| 417,950 | Citigroup Capital XV | 6.500% |
| 314,900 | Deutsche Bank Capital Funding Trust VIII | 6.375% |
| 8,300 | General Electric Capital Corporation (CORTS) | 6.000% |
| 10,800 | General Electric Capital Corporation | 6.450% |
| 6,200 | General Electric Capital Corporation | 4.500% |
| 1,015,058 | ING Group N.V. | 7.200% |
| 569,000 | ING Group N.V. | 7.050% |
| 7,200 | JPMorgan Chase & Company (PCARS) | 7.125% |
| 20,400 | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% |
| 59,200 | Royal Bank of Scotland Public Limited Company, Series 2006Q | 6.750% |
| ----- | | |
| | Total Diversified Financial Services | |
| ----- | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.8% | |
| 95,900 | AT&T Inc. | 7.000% |
| 13,300 | BellSouth Capital Funding (CORTS) | 7.100% |
| 74,035 | BellSouth Corporation (CORTS) | 7.000% |
| 29,900 | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% |
| 4,500 | BellSouth Corporation | 7.125% |
| 7,400 | BellSouth Inc. (CORTS) | 7.000% |
| 2,700 | BellSouth Telecommunications (PPLUS) | 7.300% |
| 2,200 | Verizon Communications (CORTS) | 7.625% |
| 9,700 | Verizon Communications, Series 2004-1 (SATURNS) | 6.125% |
| 2,300 | Verizon Global Funding Corporation Trust III, Series III (CORTS) | 6.250% |
| 23,900 | Verizon New England Inc., Series B | 7.000% |
| 19,900 | Verizon South Inc., Series F | 7.000% |
| ----- | | |
| | Total Diversified Telecommunication Services | |
| ----- | | |
| | ELECTRIC UTILITIES - 3.2% | |
| 77,740 | DTE Energy Trust I | 7.800% |
| 109,205 | Entergy Louisiana LLC | 7.600% |
| 2,000 | Entergy Mississippi Inc. | 7.250% |
| 78,400 | FPL Group Capital Inc. | 6.600% |
| 59,000 | Georgia Power Capital Trust V | 7.125% |
| 3,600 | Georgia Power Company | 6.000% |
| 119,151 | Georgia Power Company | 5.900% |
| 2,000 | Georgia Power Company | 5.750% |

Nuveen Quality Preferred Income Fund (JTP) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON | RA |
|-----------|--|--------|----|
| | ELECTRIC UTILITIES (continued) | | |
| 251,073 | Interstate Power and Light Company, Series B, (3) | 8.375% | |
| 24,000 | National Rural Utilities Cooperative Finance Corporation | 7.400% | |
| 36,500 | National Rural Utilities Cooperative Finance Corporation | 6.100% | |
| 15,025 | National Rural Utilities Cooperative Finance Corporation | 5.950% | |
| 110,300 | PPL Energy Supply LLC | 7.000% | |
| 11,000 | Southern Company Capital Trust VI | 7.125% | |
| 191,400 | Virginia Power Capital Trust | 7.375% | |
| | Total Electric Utilities | | |
| | FOOD PRODUCTS - 0.4% | | |
| 46,200 | Dairy Farmers of America Inc., 144A, (3) | 7.875% | |
| | HOUSEHOLD DURABLES - 1.1% | | |
| 372,482 | Pulte Homes Inc. | 7.375% | |
| | INDUSTRIAL CONGLOMERATES - 0.1% | | |
| 21,700 | General Electric Company, Series GE (CORTS) | 6.800% | |
| | INSURANCE - 17.0% | | |
| 641,900 | Ace Ltd., Series C | 7.800% | |
| 17,540 | Aegon N.V. | 6.875% | |
| 1,161,650 | Aegon N.V., (3) | 6.375% | |
| 21,500 | AMBAC Financial Group Inc. | 5.950% | |
| 2,800 | AMBAC Financial Group Inc. | 5.875% | |
| 4,700 | Arch Capital Group Limited, Series B | 7.785% | |
| 523,512 | Arch Capital Group Limited | 8.000% | |
| 216,000 | Delphi Financial Group, Inc. | 8.000% | |
| 466,600 | EverestRe Capital Trust II | 6.200% | |
| 89,800 | EverestRe Group Limited | 7.850% | |
| 6,600 | Financial Security Assurance Holdings | 6.875% | |
| 4,600 | Financial Security Assurance Holdings | 6.250% | |
| 34,500 | Lincoln National Capital Trust VI | 6.750% | |
| 265,320 | Markel Corporation | 7.500% | |
| 296,700 | PartnerRe Limited, Series C | 6.750% | |
| 77,700 | PartnerRe Limited, Series D | 6.500% | |
| 80,600 | PLC Capital Trust III | 7.500% | |
| 413,100 | PLC Capital Trust IV | 7.250% | |
| 5,300 | PLC Capital Trust V | 6.125% | |
| 3,000 | Protective Life Corporation | 7.250% | |
| 7,500 | Prudential Financial Inc. (CORTS) | 6.000% | |
| 264,265 | Prudential PLC | 6.750% | |
| 252,902 | RenaissanceRe Holdings Limited | 6.600% | |

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| | | |
|---------|---|--------|
| 112,942 | RenaissanceRe Holdings Limited, Series A | 8.100% |
| 61,100 | RenaissanceRe Holdings Limited, Series B | 7.300% |
| 9,268 | RenaissanceRe Holdings Limited, Series C | 6.080% |
| 9,100 | Safeco Capital Trust III (CORTS) | 8.072% |
| 11,200 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% |
| 3,300 | Safeco Corporation, Series 2002-5 (SATURNS) | 8.250% |
| 382,300 | W.R. Berkley Corporation | 6.750% |
| 445,854 | XL Capital Ltd, Series A | 8.000% |
| 156,900 | XL Capital Ltd, Series B | 7.625% |
| ----- | | |
| | Total Insurance | |
| ----- | | |
| | IT SERVICES - 0.1% | |
| 31,500 | Vertex Industries Inc. (PPLUS) | 7.625% |
| ----- | | |
| | MEDIA - 4.5% | |
| 127,800 | CBS Corporation | 7.250% |
| 138,300 | Comcast Corporation | 7.000% |
| 735,519 | Comcast Corporation | 7.000% |
| 596,232 | Viacom Inc. | 6.850% |
| ----- | | |
| | Total Media | |
| ----- | | |
| | MULTI-UTILITIES - 0.2% | |
| 98,100 | Dominion CNG Capital Trust I | 7.800% |
| ----- | | |

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| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|---|--------|----|
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.8% | | |
| 532,332 | Nexen Inc. | 7.350% | |
| 108,500 | TransCanada Pipeline | 8.250% | |
| ----- | | | |
| | Total Oil, Gas & Consumable Fuels | | |
| ----- | | | |
| | PHARMACEUTICALS - 0.1% | | |
| 21,000 | Bristol-Myers Squibb Company (CORTS) | 6.250% | |
| 13,800 | Bristol-Myers Squibb Company Trust (CORTS) | 6.800% | |
| ----- | | | |
| | Total Pharmaceuticals | | |
| ----- | | | |
| | REAL ESTATE - 22.3% | | |
| 50,458 | AMB Property Corporation, Series M | 6.750% | |
| 196,300 | AMB Property Corporation, Series P | 6.850% | |
| 13,400 | AvalonBay Communities, Inc., Series H | 8.700% | |
| 128,788 | BRE Properties, Series B | 8.080% | |
| 56,900 | Developers Diversified Realty Corporation, Series F | 8.600% | |
| 47,300 | Developers Diversified Realty Corporation, Series G | 8.000% | |
| 406,400 | Developers Diversified Realty Corporation, Series H | 7.375% | |
| 29,600 | Developers Diversified Realty Corporation | 7.500% | |
| 156,300 | Duke Realty Corporation, Series L | 6.600% | |

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| | | |
|-----------|---|--------|
| 50,600 | Duke Realty Corporation, Series N | 7.250% |
| 157,779 | Duke-Weeks Realty Corporation, Series B | 7.990% |
| 1,112,100 | Equity Office Properties Trust, Series G | 7.750% |
| 25,800 | Equity Residential Properties Trust, Series D | 8.600% |
| 12,000 | First Industrial Realty Trust, Inc., Series C | 8.625% |
| 279,400 | First Industrial Realty Trust, Inc., Series J | 7.250% |
| 989,210 | HRPT Properties Trust, Series B | 8.750% |
| 82,000 | New Plan Excel Realty Trust, Series D | 7.800% |
| 419,000 | New Plan Excel Realty Trust, Series E | 7.625% |
| 10,000 | Prologis Trust, Series F | 6.750% |
| 107,400 | Prologis Trust, Series G | 6.750% |
| 56,700 | PS Business Parks, Inc., Series I | 6.875% |
| 240,000 | PS Business Parks, Inc., Series L | 7.600% |
| 328,400 | PS Business Parks, Inc. | 7.000% |
| 64,800 | Public Storage, Inc., Series C | 6.600% |
| 91,300 | Public Storage, Inc., Series D | 6.180% |
| 2,900 | Public Storage, Inc., Series E | 6.750% |
| 59,400 | Public Storage, Inc., Series F | 6.450% |
| 366,596 | Public Storage, Inc., Series K | 7.250% |
| 17,100 | Public Storage, Inc., Series T | 7.625% |
| 40,780 | Public Storage, Inc., Series U | 7.625% |
| 347,600 | Public Storage, Inc., Series V | 7.500% |
| 7,871 | Public Storage, Inc., Series X | 6.450% |
| 107,100 | Public Storage, Inc., Series Y | 6.850% |
| 4,100 | Public Storage, Inc. | 7.125% |
| 17,100 | Public Storage, Inc. | 6.750% |
| 90,300 | Realty Income Corporation, Series E | 6.750% |
| 94,000 | Realty Income Corporation | 7.375% |
| 47,500 | Regency Centers Corporation | 7.450% |
| 22,600 | Regency Centers Corporation | 7.250% |
| 176,600 | Simon Property Group, Inc., Series G | 7.890% |
| 13,900 | United Dominion Realty Trust | 8.600% |
| 323,633 | Vornado Realty Trust, Series G | 6.625% |
| 40,200 | Vornado Realty Trust, Series H | 6.750% |
| 90,600 | Vornado Realty Trust, Series I | 6.625% |
| 505,200 | Wachovia Preferred Funding Corporation | 7.250% |
| 2,300 | Weingarten Realty Trust, Series E | 6.950% |

 Total Real Estate

THRIFTS & MORTGAGE FINANCE - 3.2%

| | | |
|---------|--|--------|
| 12,900 | Countrywide Capital Trust III (PPLUS) | 8.050% |
| 799,020 | Countrywide Capital Trust IV | 6.750% |
| 295,700 | Countrywide Capital Trust V | 7.000% |
| 60,800 | Harris Preferred Capital Corporation, Series A | 7.375% |

 Total Thrifts & Mortgage Finance

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Nuveen Quality Preferred Income Fund (JTP) (continued)

Portfolio of INVESTMENTS December 31, 2006

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

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| | | |
|---------|--|--------|
| | WIRELESS TELECOMMUNICATION SERVICES - 1.1% | |
| 159,700 | United States Cellular Corporation | 8.750% |
| 212,610 | United States Cellular Corporation | 7.500% |

 Total Wireless Telecommunication Services

TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES
 (COST \$740,397,508)
 =====

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| | CORPORATE BONDS - 1.3% (0.8% OF TOTAL INVESTMENTS) | | |
| | COMMERCIAL BANKS - 1.3% | | |
| \$ 2,600 | Standard Chartered PLC, 144A | 6.409% | 1/30/57 |
| 8,600 | Swedbank ForeningsSparbanken AB, 144A | 7.500% | 9/27/49 |
| 11,200 | Total Commercial Banks | | |
| \$ 11,200 | TOTAL CORPORATE BONDS (COST \$11,985,799) | | |

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATUR |
|--------------------------------------|---|--------|-------|
| | CAPITAL PREFERRED SECURITIES - 57.3% (39.0% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 7.2% | | |
| 4,950 | ABN AMRO North America Holding Capital, 144A | 6.523% | 12/31 |
| 2,500 | Bank of New York Capital I, Series B | 7.970% | 12/31 |
| 4,500 | BankBoston Capital Trust III | 6.103% | 6/15 |
| 2,000 | BT Capital Trust, Series B1 | 7.900% | 1/15 |
| 7,900 | BT Preferred Capital Trust II | 7.875% | 2/25 |
| 2,250 | C.A. Preferred Fund Trust II | 7.000% | 10/30 |
| 11,250 | C.A. Preferred Funding Trust | 7.000% | 1/30 |
| 7,900 | Dresdner Funding Trust I, 144A | 8.151% | 6/30 |
| 1,900 | MUFG Capital Finance 2 | 4.850% | 7/25 |
| 5,500 | UBS Preferred Funding Trust I | 8.622% | 10/29 |
| 10,250 | Washington Mutual Capital Trust I | 8.375% | 6/01 |
| | Total Capital Markets | | |
| | COMMERCIAL BANKS - 28.7% | | |
| 9,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27 |
| 20,750 | Abbey National Capital Trust I | 8.963% | 6/30 |
| 3,000 | AgFirst Farm Credit Bank | 7.300% | 12/15 |
| 2,500 | Bank One Capital III | 8.750% | 9/01 |
| 1,500 | BanPonce Trust I, Series A | 8.327% | 2/01 |
| 7,200 | Barclays Bank PLC, 144A | 8.550% | 6/15 |
| 1,200 | BOI Capital Funding 3, 144A | 6.107% | 8/04 |
| 3,000 | Centura Capital Trust I, 144A | 8.845% | 6/01 |
| 2,000 | Corestates Capital Trust I, 144A | 8.000% | 12/15 |

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| | | | |
|--------|--|---------|-------|
| 1,700 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15 |
| 600 | Den Norske Bank, 144A | 7.729% | 6/29 |
| 1,000 | First Chicago NBD Institutional Capital, 144A | 7.950% | 12/01 |
| 1,500 | First Midwest Bancorp Inc. | 6.950% | 12/01 |
| 20,100 | HBOS Capital Funding LP, Notes | 6.850% | 3/23 |
| 1,800 | HBOS PLC, 144A | 6.413% | 9/29 |
| 5,750 | HSEC Capital Funding LP, 144A | 9.547% | 12/31 |
| 17,150 | HSEC Capital Funding LP, Debt | 10.176% | 6/30 |
| 12,000 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02 |
| 2,000 | KeyCorp Capital III | 7.750% | 7/15 |
| 8,850 | Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22 |
| 7,655 | Nordbanken AB, 144A | 8.950% | 11/29 |
| 1,000 | North Fork Capital Trust I, Capital Securities | 8.700% | 12/15 |
| 8,000 | Peoples Heritage Capital Trust I, Series B | 9.060% | 2/01 |
| 2,000 | Popular North American Capital Trust I | 6.564% | 9/15 |
| 16,000 | RBS Capital Trust B | 6.800% | 12/31 |
| 17,500 | Reliance Capital Trust I, Series B | 8.170% | 5/01 |
| 1,400 | Republic New York Capital II, Capital Securities | 7.530% | 12/04 |
| 5,000 | Sparebanken Rogaland, Notes, 144A | 6.443% | 5/01 |
| 23,000 | Summit Capital Trust I, Capital Securities | 8.400% | 3/15 |
| 6,100 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17 |
| 4,700 | Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05 |

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| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATUR |
|--------------------------------------|---|--------|-------|
| ----- | | | |
| | COMMERCIAL BANKS (continued) | | |
| 2,000 | Union Planters Capital Trust A | 8.200% | 12/15 |
| 4,000 | Wachovia Capital Trust I, Capital Securities, 144A | 7.640% | 1/15 |
| 14,900 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15 |
| ----- | | | |
| | Total Commercial Banks | | |
| ----- | | | |
| | DIVERSIFIED FINANCIAL SERVICES - 5.1% | | |
| 1,500 | BNP Paribas Capital Trust, 144A | 9.003% | 12/29 |
| 4,250 | BNP Paribas Capital Trust | 7.200% | 12/31 |
| 3,500 | Fulton Capital Trust I | 6.290% | 2/01 |
| 19,500 | JPM Capital Trust II | 7.950% | 2/01 |
| 7,400 | JPMorgan Chase Capital Trust XVIII | 6.950% | 8/17 |
| 8,100 | Old Mutual Capital Funding, Notes | 8.000% | 6/22 |
| ----- | | | |
| | Total Diversified Financial Services | | |
| ----- | | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 1.4% | | |
| 11,250 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21 |
| ----- | | | |
| | INSURANCE - 8.4% | | |
| 7,570 | Ace Capital Trust II | 9.700% | 4/01 |
| 2,000 | American General Capital II | 8.500% | 7/01 |
| 5,800 | Great West Life and Annuity Insurance Company | 7.153% | 5/16 |
| 1,100 | Lincoln National Corporation, Capital Securities | 7.000% | 5/17 |

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| | | | |
|---------|--|--------|-------|
| 2,500 | Mangrove Bay, Class 3, 144A | 6.102% | 7/15 |
| 6,200 | MetLife Inc. | 6.400% | 12/15 |
| 4,000 | MIC Financing Trust I | 8.375% | 2/01 |
| 1,400 | Nationwide Financial Services Capital Trust | 7.899% | 3/01 |
| 6,000 | Oil Insurance Limited, 144A | 7.550% | 12/30 |
| 3,000 | Prudential PLC | 6.500% | 6/29 |
| 8,000 | Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06 |
| 22,750 | Zurich Capital Trust I, 144A | 8.376% | 6/01 |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.0% | | |
| 4,000 | KN Capital Trust I, Preferred Securities | 8.560% | 4/15 |
| 5,860 | KN Capital Trust III | 7.630% | 4/15 |
| ----- | | | |
| | Total Oil, Gas & Consumable Fuels | | |
| ----- | | | |
| | REAL ESTATE - 2.7% | | |
| 19,000 | Firststar Realty LLC, 144A | 8.875% | 12/31 |
| ----- | | | |
| | ROAD & RAIL - 0.8% | | |
| 7,600 | Burlington Northern Santa Fe Funding Trust I | 6.613% | 12/15 |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 2.0% | | |
| 4,000 | Caisse Nationale Des Caisses d'Epargne et de Prevoyance | 6.750% | 1/27 |
| 8,500 | Dime Capital Trust I, Series A | 9.330% | 5/06 |
| 5,000 | Great Western Financial Trust II, Series A | 8.206% | 2/01 |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |
| ----- | | | |
| | TOTAL CAPITAL PREFERRED SECURITIES (COST \$514,154,040) | | |
| ===== | | | |
| SHARES | DESCRIPTION (1) | | |
| ----- | | | |
| | INVESTMENT COMPANIES - 3.1% (2.1% OF TOTAL INVESTMENTS) | | |
| 102,970 | Blackrock Preferred and Corporate Income Strategies Fund | | |
| 403,940 | Blackrock Preferred Income Strategies Fund | | |
| 308,754 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. | | |
| 173,121 | Flaherty and Crumrine/Claymore Total Return Fund Inc. | | |
| 314,258 | John Hancock Preferred Income Fund III | | |
| ----- | | | |
| | TOTAL INVESTMENT COMPANIES (COST \$25,727,887) | | |
| ===== | | | |

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Nuveen Quality Preferred Income Fund (JTP) (continued)

Portfolio of INVESTMENTS December 31, 2006

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| \$ 20,327 | SHORT-TERM INVESTMENTS - 2.2% (1.5% OF TOTAL INVESTMENTS) Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/29/06, repurchase price \$20,337,183, collateralized by \$17,700,000 U.S. Treasury Bonds, 6.250%, due 8/15/23, value \$20,733,408 | 4.580% | 1/02/23 |
| ===== | | | |
| | TOTAL SHORT-TERM INVESTMENTS (COST \$20,326,839) | | |
| ===== | | | |
| | TOTAL INVESTMENTS (COST \$1,313,516,724) - 146.9% | | |
| ===== | | | |
| | OTHER ASSETS LESS LIABILITIES - 1.5% | | |
| ===== | | | |
| | PREFERRED SHARES, AT LIQUIDATION VALUE - (48.4)% | | |
| ===== | | | |
| | NET ASSETS APPLICABLE TO COMMON SHARES - 100% | | |
| ===== | | | |

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2006:

| COUNTERPARTY | NOTIONAL AMOUNT | FUND PAY/RECEIVE FLOATING RATE | FLOATING RATE INDEX | FIXED RATE (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY | TERMINAL DATE |
|----------------|--------------------|--------------------------------------|------------------------|----------------------------|------------------------------------|------------------|
| Citigroup Inc. | \$110,000,000 | Receive | 1-Month USD-LIBOR | 3.860% | Monthly | 8/15/23 |
| Citigroup Inc. | 110,000,000 | Receive | 1-Month USD-LIBOR | 4.350% | Monthly | 8/15/23 |

USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Ratings (not covered by the report of independent registered public accounting firm) are based on the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (3) Investment is eligible for the Dividends Received Deduction.
- N/R Not rated.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration which are normally those transactions with qualified institutional buyers.
- CORTS Corporate Backed Trust Securities.
- PCARS Public Credit and Repackaged Securities.
- PPLUS PreferredPlus Trust.
- SATURNS Structured Asset Trust Unit Repackaging.

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Nuveen Quality Preferred Income Fund 2 (JPS)

Portfolio of
INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON |
|---------|---|--------|
| ----- | | |
| | CONVERTIBLE PREFERRED SECURITIES - 0.2% (0.1% OF TOTAL INVESTMENTS) INSURANCE - 0.2% | |
| 88,500 | XL Capital Ltd | 6.500% |
| ----- | | |
| | TOTAL CONVERTIBLE PREFERRED SECURITIES (COST \$2,094,613) | |
| ===== | | |
| SHARES | DESCRIPTION (1) | COUPON |
| ----- | | |
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 82.7% (57.5% OF TOTAL INVESTMENTS) AUTOMOBILES - 0.0% | |
| 3,400 | DaimlerChrysler AG (CORTS) | 7.875% |
| 21,000 | DaimlerChrysler Corp. (PPLUS) | 7.250% |
| 1,400 | DaimlerChrysler, Series DCX (CORTS) | 8.250% |
| 4,300 | DaimlerChrysler, Series DCX (CORTS) | 7.500% |
| ----- | | |
| | Total Automobiles | |
| ----- | | |
| | CAPITAL MARKETS - 4.8% | |
| 68,324 | Bear Stearns Capital Trust III | 7.800% |
| 19,200 | BNY Capital Trust IV, Series E | 6.875% |
| 45,288 | BNY Capital Trust V, Series F | 5.950% |
| 399,525 | Compass Capital Trust III | 7.350% |
| 28,800 | CSFB USA, Series 2002-10 (SATURNS) | 7.000% |
| 8,300 | Goldman Sachs Capital I (CORTS) | 6.000% |
| 6,500 | Goldman Sachs Capital I, Series A (CORTS) | 6.000% |
| 3,500 | Goldman Sachs Group Inc., Series 2003-11 (SATURNS) | 5.625% |
| 15,700 | Goldman Sachs Group Inc., Series 2004-04 (SATURNS) | 6.000% |
| 4,600 | Goldman Sachs Group Inc., Series 2004-06 (SATURNS) | 6.000% |
| 16,500 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% |
| 7,900 | Goldman Sachs Group Inc., Series GSC-4 Class A (PPLUS) | 6.000% |
| 7,100 | Goldman Sachs Group Inc., Series GSG-2 (PPLUS) | 5.750% |
| 4,300 | Goldman Sachs Group Inc. (SATURNS) | 5.750% |
| 224,900 | Lehman Brothers Holdings Capital Trust III, Series K | 6.375% |
| 103,500 | Lehman Brothers Holdings Capital Trust IV, Series L | 6.375% |
| 60,300 | Lehman Brothers Holdings Capital Trust V, Series M | 6.000% |
| 121,700 | Merrill Lynch Capital Trust II | 8.000% |
| 219,500 | Merrill Lynch Preferred Capital Trust III | 7.000% |
| 142,300 | Merrill Lynch Preferred Capital Trust IV | 7.120% |

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| | | |
|---------|---|--------|
| 241,000 | Merrill Lynch Preferred Capital Trust V | 7.280% |
| 53,600 | Morgan Stanley (PPLUS) | 7.050% |
| 168,008 | Morgan Stanley Capital Trust II | 7.250% |
| 430,350 | Morgan Stanley Capital Trust III | 6.250% |
| 332,589 | Morgan Stanley Capital Trust IV | 6.250% |
| 495,300 | Morgan Stanley Capital Trust VI | 6.600% |
| 99,411 | Morgan Stanley Capital Trust VII | 6.600% |
| 3,200 | Washington Mutual Capital Trust I, Series 2001-22, Class A-1 (CORTS) | 7.650% |

Total Capital Markets

| | | |
|---------|----------------------------------|---------|
| | COMMERCIAL BANKS - 11.5% | |
| 119,000 | ABN AMRO Capital Fund Trust V | 5.900% |
| 7,000 | ABN AMRO Capital Fund Trust VII | 6.080% |
| 159,760 | ASBC Capital I | 7.625% |
| 144,900 | BAC Capital Trust X | 6.250% |
| 21,695 | Banco Santander, 144A | 6.800% |
| 245,856 | Banco Santander, (3) | 6.410% |
| 17,900 | BancorpSouth Capital Trust I | 8.150% |
| 731,000 | Banesto Holdings, Series A, 144A | 10.500% |
| 204,700 | Bank One Capital Trust VI | 7.200% |
| 67,200 | BankNorth Capital Trust II | 8.000% |
| 27,412 | Barclays Bank PLC, (3) | 6.625% |

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Nuveen Quality Preferred Income Fund 2 (JPS) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON |
|-----------|--|--------|
| | COMMERCIAL BANKS (continued) | |
| 605,600 | Capital One Capital II Corporation | 7.500% |
| 122,800 | Chittenden Capital Trust I | 8.000% |
| 476,000 | Citizens Funding Trust I | 7.500% |
| 225,500 | Cobank ABC, 144A, (3) | 7.000% |
| 268,700 | Comerica Capital Trust I | 7.600% |
| 374,795 | HSBC Finance Corporation | 6.875% |
| 8,667 | KeyCorp Capital Trust V | 5.875% |
| 55,862 | Keycorp Capital VIII | 7.000% |
| 1,053,500 | National City Capital Trust II | 6.625% |
| 5,000 | National Westminster Bank PLC | 7.760% |
| 289,600 | PFGI Capital Corporation | 7.750% |
| 4,100 | PNC Capital Trust | 6.125% |
| 1,200 | Royal Bank of Scotland Group PLC, Series L | 5.750% |
| 596,876 | Royal Bank of Scotland Group PLC, Series N | 6.350% |
| 63,900 | USB Capital Trust VI | 5.750% |
| 522,050 | USB Capital Trust XI | 6.600% |
| 92,300 | VNB Capital Trust I | 7.750% |
| 38,900 | Wells Fargo Capital Trust IV | 7.000% |
| 55,900 | Wells Fargo Capital Trust IX | 5.625% |
| 308,100 | Wells Fargo Capital Trust V | 7.000% |
| 41,100 | Wells Fargo Capital Trust VI | 6.950% |
| 45,975 | Wells Fargo Capital Trust VII | 5.850% |

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| | | |
|-----------|--|--------|
| 578,650 | Zions Capital Trust B | 8.000% |
| ----- | | |
| | Total Commercial Banks | |
| ----- | | |
| | COMPUTERS & PERIPHERALS - 0.0% | |
| 4,200 | IBM Corporation, Class A (CORTS) | 5.625% |
| 11,700 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% |
| ----- | | |
| | Total Computers & Peripherals | |
| ----- | | |
| | CONSUMER FINANCE - 0.7% | |
| 480,800 | HSBC Finance Corporation, (3) | 6.360% |
| 24,350 | SLM Corporation | 6.000% |
| ----- | | |
| | Total Consumer Finance | |
| ----- | | |
| | DIVERSIFIED FINANCIAL SERVICES - 9.7% | |
| 486,460 | BAC Capital Trust XII | 6.875% |
| 40,900 | CIT Group Incorporated (CORTS) | 7.750% |
| 586,725 | Citigroup Capital Trust VIII | 6.950% |
| 177,275 | Citigroup Capital XIV | 6.875% |
| 846,688 | Citigroup Capital XV | 6.500% |
| 29,000 | Citigroup Capital XVI | 6.450% |
| 12,000 | Citigroup, Series CIT (CORTS) | 6.750% |
| 1,264,700 | Deutsche Bank Capital Funding Trust VIII | 6.375% |
| 4,900 | General Electric Capital Corporation (CORTS) | 6.000% |
| 145,762 | General Electric Capital Corporation | 6.450% |
| 1,523,600 | ING Group N.V. | 7.200% |
| 1,445,555 | ING Group N.V. | 7.050% |
| 2,700 | ING Group N.V. | 6.200% |
| 12,400 | ING Group N.V. | 6.125% |
| 11,600 | JPMorgan Chase & Company (PCARS) | 7.125% |
| 52,900 | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% |
| ----- | | |
| | Total Diversified Financial Services | |
| ----- | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.7% | |
| 116,999 | AT&T Inc. | 7.000% |
| 17,500 | BellSouth Capital Funding (CORTS) | 7.100% |
| 43,200 | BellSouth Corporation (CORTS) | 7.000% |
| 18,200 | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% |
| 16,200 | BellSouth Corporation, Series BLS (CORTS) | 7.000% |
| 42,800 | BellSouth Corporation | 7.125% |
| 38,100 | BellSouth Inc. (CORTS) | 7.000% |
| 31,300 | BellSouth Telecommunications (PPLUS) | 7.300% |
| 28,800 | Verizon Communications (CORTS) | 7.625% |
| 7,600 | Verizon Communications (CORTS) | 7.375% |
| 70,100 | Verizon Global Funding Corporation (SATURNS) | 7.500% |

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| SHARES | DESCRIPTION (1) | COUPON |
|--------|--|--------|
| ----- | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES (continued) | |

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| | | |
|-----------|--|--------|
| 22,100 | Verizon New England Inc., Series B | 7.000% |
| 13,000 | Verizon South Inc., Series F | 7.000% |
| ----- | | |
| | Total Diversified Telecommunication Services | |
| ----- | | |
| | ELECTRIC UTILITIES - 5.0% | |
| 2,800 | Consolidated Edison, Inc. | 7.250% |
| 27,400 | DTE Energy Trust I | 7.800% |
| 4,200 | Entergy Arkansas Inc. | 6.700% |
| 57,650 | Entergy Louisiana LLC | 7.600% |
| 1,299,100 | Entergy Mississippi Inc. | 7.250% |
| 108,392 | FPL Group Capital Inc. | 6.600% |
| 12,700 | Georgia Power Capital Trust V | 7.125% |
| 1,700 | Georgia Power Capital Trust VII | 5.875% |
| 59,500 | Georgia Power Company | 5.900% |
| 940,400 | Interstate Power and Light Company, Series B, (3) | 8.375% |
| 30,200 | National Rural Utilities Cooperative Finance Corporation | 7.400% |
| 7,700 | National Rural Utilities Cooperative Finance Corporation | 6.100% |
| 22,600 | National Rural Utilities Cooperative Finance Corporation | 5.950% |
| 336,800 | PPL Energy Supply LLC | 7.000% |
| 2,600 | Southern Company Capital Trust I (CORTS) | 8.190% |
| 3,900 | Southern Company Capital Trust I (CORTS) | 7.375% |
| 265,500 | Virginia Power Capital Trust | 7.375% |
| ----- | | |
| | Total Electric Utilities | |
| ----- | | |
| | FOOD PRODUCTS - 0.5% | |
| 88,000 | Dairy Farmers of America Inc., 144A, (3) | 7.875% |
| ----- | | |
| | HOUSEHOLD DURABLES - 0.7% | |
| 489,240 | Pulte Homes Inc. | 7.375% |
| ----- | | |
| | INDUSTRIAL CONGLOMERATES - 0.0% | |
| 9,200 | General Electric Company, Series GE (CORTS) | 6.800% |
| ----- | | |
| | INSURANCE - 17.9% | |
| 1,214,900 | Ace Ltd., Series C | 7.800% |
| 73,618 | Aegon N.V. | 6.875% |
| 2,334,600 | Aegon N.V., (3) | 6.375% |
| 62,800 | AMBAC Financial Group Inc. | 5.950% |
| 9,100 | AMBAC Financial Group Inc. | 5.875% |
| 8,400 | Arch Capital Group Limited, Series B | 7.785% |
| 989,383 | Arch Capital Group Limited | 8.000% |
| 479,357 | Delphi Financial Group, Inc. | 8.000% |
| 1,702,521 | EverestRe Group Limited | 7.850% |
| 64,400 | Financial Security Assurance Holdings | 6.875% |
| 709,500 | Financial Security Assurance Holdings | 6.250% |
| 54,300 | Lincoln National Capital Trust VI | 6.750% |
| 12,500 | Lincoln National Corporation | 6.750% |
| 531,300 | Markel Corporation | 7.500% |
| 646,620 | PartnerRe Limited, Series C | 6.750% |
| 27,400 | PartnerRe Limited, Series D | 6.500% |
| 108,700 | PLC Capital Trust III | 7.500% |
| 453,940 | PLC Capital Trust IV | 7.250% |
| 21,500 | PLC Capital Trust V | 6.125% |
| 122,600 | Protective Life Corporation | 7.250% |
| 6,900 | Prudential Financial Inc. (CORTS) | 6.000% |
| 223,000 | Prudential PLC | 6.750% |

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| | | |
|---------|---|--------|
| 900 | Prudential PLC | 6.500% |
| 291,285 | RenaissanceRe Holdings Limited, Series A | 8.100% |
| 145,800 | RenaissanceRe Holdings Limited, Series B | 7.300% |
| 13,468 | RenaissanceRe Holdings Limited, Series C | 6.080% |
| 24,000 | Safeco Capital Trust I (CORTS) | 8.750% |
| 6,600 | Safeco Capital Trust III (CORTS) | 8.072% |
| 2,600 | Safeco Capital Trust IV (CORTS) | 8.375% |
| 2,600 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% |
| 8,500 | Safeco Corporation, Series 2002-5 (SATURNS) | 8.250% |
| 711,146 | W.R. Berkley Corporation | 6.750% |

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Nuveen Quality Preferred Income Fund 2 (JPS) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON |
|-----------|--|--------|
| | INSURANCE (continued) | |
| 572,200 | XL Capital Ltd, Series A | 8.000% |
| 607,617 | XL Capital Ltd, Series B | 7.625% |
| | Total Insurance | |
| | IT SERVICES - 0.0% | |
| 16,400 | Vertex Industries Inc. (PPLUS) | 7.625% |
| | MEDIA - 3.5% | |
| 178,000 | CBS Corporation | 7.250% |
| 4,100 | Comcast Corporation | 7.000% |
| 1,364,614 | Comcast Corporation | 7.000% |
| 841,900 | Viacom Inc. | 6.850% |
| 1,800 | Walt Disney Company (CORTS) | 6.875% |
| | Total Media | |
| | MULTI-UTILITIES - 0.2% | |
| 119,400 | Dominion CNG Capital Trust I | 7.800% |
| | OIL, GAS & CONSUMABLE FUELS - 1.6% | |
| 908,811 | Nexen Inc. | 7.350% |
| 147,400 | TransCanada Pipeline | 8.250% |
| | Total Oil, Gas & Consumable Fuels | |
| | PHARMACEUTICALS - 0.0% | |
| 8,500 | Bristol-Myers Squibb Company (CORTS) | 6.250% |
| 7,500 | Bristol-Myers Squibb Company Trust (CORTS) | 6.800% |
| | Total Pharmaceuticals | |
| | REAL ESTATE - 22.2% | |
| 201,379 | AMB Property Corporation, Series P | 6.850% |
| 95,400 | AvalonBay Communities, Inc., Series H | 8.700% |
| 16,400 | BRE Properties, Series B | 8.080% |

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| | | |
|-----------|--|--------|
| 105,805 | BRE Properties, Series C | 6.750% |
| 30,335 | BRE Properties, Series D | 6.750% |
| 135,925 | Developers Diversified Realty Corporation, Series F | 8.600% |
| 639,813 | Developers Diversified Realty Corporation, Series G | 8.000% |
| 187,823 | Developers Diversified Realty Corporation, Series H | 7.375% |
| 40,467 | Developers Diversified Realty Corporation | 7.500% |
| 298,900 | Duke Realty Corporation, Series L | 6.600% |
| 1,400 | Duke Realty Corporation, Series N | 7.250% |
| 220,650 | Duke-Weeks Realty Corporation, Series B | 7.990% |
| 151,846 | Duke-Weeks Realty Corporation | 6.950% |
| 5,600 | Duke-Weeks Realty Corporation | 6.625% |
| 537,700 | Equity Office Properties Trust, Series G | 7.750% |
| 66,850 | Equity Residential Properties Trust, Series D | 8.600% |
| 446,000 | First Industrial Realty Trust, Inc., Series C | 8.625% |
| 279,000 | First Industrial Realty Trust, Inc., Series J | 7.250% |
| 1,808,525 | HRPT Properties Trust, Series B | 8.750% |
| 71,980 | HRPT Properties Trust, Series C | 7.125% |
| 199,550 | New Plan Excel Realty Trust, Series D | 7.800% |
| 771,600 | New Plan Excel Realty Trust, Series E | 7.625% |
| 1,700 | Prologis Trust, Series F | 6.750% |
| 97,728 | Prologis Trust, Series G | 6.750% |
| 108,300 | PS Business Parks, Inc., Series I | 6.875% |
| 110,700 | PS Business Parks, Inc., Series K | 7.950% |
| 401,000 | PS Business Parks, Inc., Series L | 7.600% |
| 5,500 | PS Business Parks, Inc., Series O | 7.375% |
| 736,270 | PS Business Parks, Inc. | 7.000% |
| 234,300 | Public Storage, Inc., Series C | 6.600% |
| 36,000 | Public Storage, Inc., Series D | 6.180% |
| 38,600 | Public Storage, Inc., Series E | 6.750% |
| 72,566 | Public Storage, Inc., Series F | 6.450% |
| 128,300 | Public Storage, Inc., Series H | 6.950% |
| 401,300 | Public Storage, Inc., Series I | 7.250% |
| 381,020 | Public Storage, Inc., Series K | 7.250% |
| 137,065 | Public Storage, Inc., Series T | 7.625% |
| 114,900 | Public Storage, Inc., Series U | 7.625% |

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| SHARES | DESCRIPTION (1) | COUPON |
|---------|-------------------------------------|--------|
| ----- | | |
| | REAL ESTATE (continued) | |
| 148,000 | Public Storage, Inc., Series V | 7.500% |
| 2,129 | Public Storage, Inc., Series X | 6.450% |
| 67,600 | Public Storage, Inc., Series Y | 6.850% |
| 41,400 | Public Storage, Inc. | 6.750% |
| 7,500 | Public Storage, Inc. | 7.125% |
| 204,997 | Realty Income Corporation, Series E | 6.750% |
| 165,900 | Realty Income Corporation | 7.375% |
| 325,223 | Regency Centers Corporation | 7.450% |
| 245,800 | Regency Centers Corporation | 7.250% |

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| | | |
|-----------|--|--------|
| 326,041 | Simon Property Group, Inc., Series G | 7.890% |
| 82,000 | United Dominion Realty Trust | 8.600% |
| 25,600 | Vornado Realty Trust, Series F | 6.750% |
| 213,940 | Vornado Realty Trust, Series G | 6.625% |
| 122,800 | Vornado Realty Trust, Series H | 6.750% |
| 220,250 | Vornado Realty Trust, Series I | 6.625% |
| 2,489,300 | Wachovia Preferred Funding Corporation | 7.250% |
| 158,600 | Weingarten Realty Trust, Series E | 6.950% |

Total Real Estate

| | | |
|-----------------------------------|--|--------|
| THRIFTS & MORTGAGE FINANCE - 2.3% | | |
| 1,051,100 | Countrywide Capital Trust IV | 6.750% |
| 534,500 | Countrywide Capital Trust V | 7.000% |
| 17,700 | Harris Preferred Capital Corporation, Series A | 7.375% |

Total Thrifts & Mortgage Finance

| | | |
|--|------------------------------------|--------|
| WIRELESS TELECOMMUNICATION SERVICES - 1.4% | | |
| 939,840 | United States Cellular Corporation | 8.750% |

TOTAL \$25 PAR (OR SIMILAR) PREFERRED
SECURITIES (COST \$1,413,112,611)
=====

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|--|---|--------|----------|
| CORPORATE BONDS - 0.9% (0.6% OF TOTAL INVESTMENTS) | | | |
| CAPITAL MARKETS - 0.6% | | | |
| \$ 10,000 | Mizuho JGB Investment | 9.870% | 6/30/48 |
| ----- | | | |
| COMMERCIAL BANKS - 0.3% | | | |
| 4,400 | Swedbank ForeningsSparbanken AB, 144A | 7.500% | 9/27/49 |
| ----- | | | |
| \$ 14,400 | TOTAL CORPORATE BONDS (COST \$15,480,334) | | |
| ===== | | | |

| PRINCIPAL AMOUNT (000) / SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|---|--|--------|----------|
| CAPITAL PREFERRED SECURITIES - 56.8% (39.4% OF TOTAL INVESTMENTS) | | | |
| CAPITAL MARKETS - 8.9% | | | |
| 9,100 | ABN AMRO North America Holding Capital, 144A | 6.523% | 12/31/49 |
| 1,465 | Bank of New York Capital I, Series B | 7.970% | 12/31/26 |
| 8,100 | BankBoston Capital Trust III | 6.103% | 6/15/27 |
| 1,200 | BankBoston Capital Trust IV | 5.950% | 6/08/28 |
| 4,000 | BT Capital Trust, Series B1 | 7.900% | 1/15/27 |
| 500 | BT Preferred Capital Trust II | 7.875% | 2/25/27 |
| 5,000 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 |
| 18,600 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 |
| 19,990 | Dresdner Funding Trust I, 144A | 8.151% | 6/30/31 |
| 5,050 | First Hawaiian Capital Trust I, Series B | 8.343% | 7/01/27 |
| 17,095 | First Union Capital Trust II, Series A | 7.950% | 11/15/29 |
| 20,000 | Mellon Capital Trust I, Series A | 7.720% | 12/01/26 |

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| | | | |
|--------|---|--------|----------|
| 3,600 | MUFG Capital Finance 2 | 4.850% | 7/25/56 |
| 3,240 | State Street Institutional Capital Trust, 144A | 7.940% | 12/30/26 |
| 19,800 | UBS Preferred Funding Trust I | 8.622% | 10/29/49 |
| 5,000 | Washington Mutual Capital Trust I | 8.375% | 6/01/27 |

Total Capital Markets

| | | | |
|--------|--------------------------------|--------|----------|
| | COMMERCIAL BANKS - 26.2% | | |
| 19,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 |
| 37,250 | Abbey National Capital Trust I | 8.963% | 6/30/50 |

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Nuveen Quality Preferred Income Fund 2 (JPS) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|--------------------------------------|---|---------|----------|
| | COMMERCIAL BANKS (continued) | | |
| 7,100 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 |
| 6,500 | Bank One Capital III | 8.750% | 9/01/30 |
| 5,000 | BanPonce Trust I, Series A | 8.327% | 2/01/27 |
| 36,000 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 |
| 2,000 | Corestates Capital Trust I, 144A | 8.000% | 12/15/26 |
| 3,700 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 |
| 1,700 | Den Norske Bank, 144A | 7.729% | 6/29/49 |
| 1,500 | First Empire Capital Trust I | 8.234% | 2/01/27 |
| 1,500 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 |
| 32,010 | HBOS Capital Funding LP, Notes | 6.850% | 3/23/49 |
| 6,500 | HBOS PLC, 144A | 6.413% | 9/29/49 |
| 2,400 | HSBC Capital Funding LP, 144A | 9.547% | 12/31/49 |
| 6,250 | HSBC Capital Funding LP, Debt | 10.176% | 6/30/50 |
| 32,000 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 |
| 8,000 | KeyCorp Capital III | 7.750% | 7/15/29 |
| 4,000 | KeyCorp Capital VII | 5.700% | 6/15/35 |
| 13,500 | Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22/49 |
| 25,000 | M&I Capital Trust A | 7.650% | 12/01/26 |
| 14,000 | Nordbanken AB, 144A | 8.950% | 11/29/49 |
| 2,000 | North Fork Capital Trust I, Capital Securities | 8.700% | 12/15/26 |
| 8,000 | North Fork Capital Trust II | 8.000% | 12/15/27 |
| 2,000 | Peoples Heritage Capital Trust I, Series B | 9.060% | 2/01/27 |
| 7,000 | PNC Preferred Funding Trust | 6.517% | 3/15/49 |
| 2,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 |
| 12,100 | RBS Capital Trust B | 6.800% | 12/31/49 |
| 8,000 | Reliance Capital Trust I, Series B | 8.170% | 5/01/28 |
| 500 | Republic New York Capital II, Capital Securities | 7.530% | 12/04/26 |
| 17,500 | Royal Bank of Scotland Group PLC | 9.118% | 3/31/49 |
| 5,000 | Sparebanken Rogaland, Notes, 144A | 6.443% | 5/01/49 |
| 9,000 | St. George Funding Company LLC, 144A | 8.485% | 12/31/47 |
| 13,600 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 |

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| | | | |
|--------|--|--------|----------|
| 9,000 | Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05/51 |
| 7,500 | Union Planters Capital Trust A | 8.200% | 12/15/26 |
| 240 | Union Planters Preferred Fund, 144A | 7.750% | 7/15/53 |
| 28,300 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 |
| ----- | | | |
| | Total Commercial Banks | | |
| ----- | | | |
| | DIVERSIFIED FINANCIAL SERVICES - 4.0% | | |
| 1,000 | BNP Paribas Capital Trust, 144A | 9.003% | 12/29/49 |
| 2,750 | BNP Paribas Capital Trust | 7.200% | 12/31/49 |
| 6,800 | Fulton Capital Trust I | 6.290% | 2/01/36 |
| 22,085 | JPM Capital Trust II | 7.950% | 2/01/27 |
| 15,300 | JPMorgan Chase Capital Trust XVIII | 6.950% | 8/17/36 |
| 19,300 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 |
| ----- | | | |
| | Total Diversified Financial Services | | |
| ----- | | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 2.0% | | |
| 30,250 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 |
| ----- | | | |
| | INSURANCE - 10.8% | | |
| 14,280 | Ace Capital Trust II | 9.700% | 4/01/30 |
| 28,000 | American General Institutional Capital, 144A | 8.125% | 3/15/46 |
| 9,600 | Great West Life and Annuity Insurance Company | 7.153% | 5/16/46 |
| 1,400 | Lincoln National Corporation, Capital Securities | 7.000% | 5/17/66 |
| 2,000 | Mangrove Bay, Class 3, 144A | 6.102% | 7/15/33 |
| 8,100 | MetLife Inc. | 6.400% | 12/15/66 |
| 6,000 | MIC Financing Trust I | 8.375% | 2/01/27 |
| 1,200 | Nationwide Financial Services Capital Trust | 7.899% | 3/01/37 |
| 12,000 | Oil Insurance Limited, 144A | 7.550% | 12/30/49 |
| 10,250 | Prudential PLC | 6.500% | 6/29/49 |
| 37,000 | Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06/47 |
| 40,500 | Zurich Capital Trust I, 144A | 8.376% | 6/01/37 |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |

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| PRINCIPAL AMOUNT (000) / SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------------------|--|--------|----------|
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.8% | | |
| 3,680 | KN Capital Trust I, Preferred Securities | 8.560% | 4/15/27 |
| 10,750 | KN Capital Trust III | 7.630% | 4/15/28 |
| ----- | | | |
| | Total Oil, Gas & Consumable Fuels | | |
| ----- | | | |
| | ROAD & RAIL - 0.8% | | |
| 14,400 | Burlington Northern Santa Fe Funding Trust I | 6.613% | 12/15/55 |
| ----- | | | |

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| | THIRIFTS & MORTGAGE FINANCE - 3.3% | | |
|--------|---|--------|---------|
| 1,000 | Caisse Nationale Des Caisses d'Epargne et de Prevoyance | 6.750% | 1/27/49 |
| 12,811 | Countrywide Capital Trust III, Series B | 8.050% | 6/15/27 |
| 11,825 | Dime Capital Trust I, Series A | 9.330% | 5/06/27 |
| 13,000 | Great Western Financial Trust II, Series A | 8.206% | 2/01/27 |
| 15,600 | Washington Mutual Preferred Funding Trust II | 6.665% | 3/15/57 |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |
| ----- | | | |
| | TOTAL CAPITAL PREFERRED SECURITIES (COST \$980,461,892) | | |
| ===== | | | |

| SHARES | DESCRIPTION (1) | | |
|---------|--|--|--|
| ----- | | | |
| | INVESTMENT COMPANIES - 2.7% (1.9% OF TOTAL INVESTMENTS) | | |
| 195,849 | Blackrock Preferred and Corporate Income Strategies Fund | | |
| 671,322 | Blackrock Preferred Income Strategies Fund | | |
| 553,060 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. | | |
| 293,280 | Flaherty and Crumrine/Claymore Total Return Fund Inc. | | |
| 542,319 | John Hancock Preferred Income Fund III | | |
| ----- | | | |
| | TOTAL INVESTMENT COMPANIES (COST \$44,565,307) | | |
| ===== | | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|------------------------|---|--------|----------|
| ----- | | | |
| | SHORT-TERM INVESTMENTS - 0.7% (0.5% OF TOTAL INVESTMENTS) | | |
| \$ 13,051 | Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/29/06, repurchase price \$13,057,181, collateralized by \$11,365,000 U.S. Treasury Bonds, 6.250%, due 8/15/23, value \$13,312,722 | 4.580% | 1/02/07 |
| ===== | | | |
| | TOTAL SHORT-TERM INVESTMENTS (COST \$13,050,540) | | |
| ----- | | | |
| | TOTAL INVESTMENTS (COST \$2,468,765,297) - 144.0% | | |
| ===== | | | |
| | OTHER ASSETS LESS LIABILITIES - 1.6% | | |
| ===== | | | |
| | PREFERRED SHARES, AT LIQUIDATION VALUE - (45.6)% | | |
| ===== | | | |
| | NET ASSETS APPLICABLE TO COMMON SHARES - 100% | | |
| ===== | | | |

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2006:

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| COUNTERPARTY | NOTIONAL AMOUNT | FUND PAY/RECEIVE FLOATING RATE | FLOATING RATE INDEX | FIXED RATE (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY |
|----------------|-----------------|--------------------------------|---------------------|-------------------------|------------------------------|
| Citigroup Inc. | \$200,000,000 | Receive | 1-Month USD-LIBOR | 3.375% | Monthly |
| Citigroup Inc. | 200,000,000 | Receive | 1-Month USD-LIBOR | 3.910 | Monthly |

=====
USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

- (1) All percentages shown in the Portfolio of Investments are based on net assets applied to Common shares unless otherwise noted.
- (2) Ratings (not covered by the report of independent registered public accounting firm) are based on the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (3) Investment is eligible for the Dividends Received Deduction.
- N/R Not rated.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration which are normally those transactions with qualified institutional buyers.
- CORTS Corporate Backed Trust Securities.
- PCARS Public Credit and Repackaged Securities.
- PPLUS PreferredPlus Trust.
- SATURNS Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

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Nuveen Quality Preferred Income Fund 3 (JHP)

Portfolio of
INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON | RA |
|--------|---|--------|----|
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 91.2% (61.8% OF TOTAL INVESTMENTS) | | |
| | AUTOMOBILES - 0.1% | | |
| 8,000 | DaimlerChrysler AG (CORTS) | 7.875% | |
| | CAPITAL MARKETS - 8.2% | | |
| 21,206 | Bear Stearns Capital Trust III | 7.800% | |
| 8,500 | BNY Capital Trust V, Series F | 5.950% | |
| 59,900 | Compass Capital Trust III | 7.350% | |
| 39,900 | CSFB USA, Series 2002-10 (SATURNS) | 7.000% | |
| 5,700 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% | |
| 7,100 | Goldman Sachs Group Inc., Series GSC-4 Class A (PPLUS) | 6.000% | |

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| | | |
|---------|--|---------|
| 5,300 | Goldman Sachs Group Inc. (SATURNS) | 5.750% |
| | Lehman Brothers Holdings Capital Trust III, Series | |
| 357,800 | K | 6.375% |
| 200 | Lehman Brothers Holdings Capital Trust V, Series M | 6.000% |
| 11,700 | Merrill Lynch Capital Trust II | 8.000% |
| 70,800 | Merrill Lynch Preferred Capital Trust III | 7.000% |
| 20,400 | Merrill Lynch Preferred Capital Trust IV | 7.120% |
| 84,400 | Merrill Lynch Preferred Capital Trust V | 7.280% |
| 41,900 | Morgan Stanley (PPLUS) | 7.050% |
| 80,100 | Morgan Stanley Capital Trust II | 7.250% |
| 187,741 | Morgan Stanley Capital Trust III | 6.250% |
| 75,700 | Morgan Stanley Capital Trust VI | 6.600% |
| 18,600 | Morgan Stanley Capital Trust VII | 6.600% |
| <hr/> | | |
| | Total Capital Markets | |
| <hr/> | | |
| | COMMERCIAL BANKS - 15.1% | |
| 108,898 | ABN AMRO Capital Fund Trust VII | 6.080% |
| 38,300 | ASBC Capital I | 7.625% |
| 55,900 | BAC Capital Trust V | 6.000% |
| 10,200 | BAC Capital Trust VIII | 6.000% |
| 3,800 | BAC Capital Trust X | 6.250% |
| 188,983 | Banco Santander, 144A | 6.800% |
| 28,135 | Banco Santander, (3) | 6.410% |
| 3,800 | BancorpSouth Capital Trust I | 8.150% |
| 244,100 | Banesto Holdings, Series A, 144A | 10.500% |
| 33,200 | Bank One Capital Trust VI | 7.200% |
| 6,300 | BankNorth Capital Trust II | 8.000% |
| 32,400 | Capital One Capital II Corporation | 7.500% |
| 24,800 | Chittenden Capital Trust I | 8.000% |
| 40,500 | Citizens Funding Trust I | 7.500% |
| 44,500 | Cobank ABC, 144A, (3) | 7.000% |
| 57,500 | Comerica Capital Trust I | 7.600% |
| 35,816 | Fleet Capital Trust VIII | 7.200% |
| 141,700 | HSBC Finance Corporation | 6.875% |
| 160,500 | Keycorp Capital Trust IX | 6.750% |
| 5,733 | KeyCorp Capital Trust V | 5.875% |
| 245,100 | National City Capital Trust II | 6.625% |
| 16,500 | National Westminster Bank PLC, Series B | 7.875% |
| 12,200 | PNC Capital Trust | 6.125% |
| 22,200 | Royal Bank of Scotland Group PLC, Series M | 6.400% |
| 104,465 | Royal Bank of Scotland Group PLC, Series N | 6.350% |
| 16,100 | USB Capital Trust XI | 6.600% |
| 19,700 | VNB Capital Trust I | 7.750% |
| 16,000 | Wells Fargo Capital Trust IX | 5.625% |
| 51,000 | Wells Fargo Capital Trust V | 7.000% |
| 6,800 | Wells Fargo Capital Trust VI | 6.950% |
| 65,925 | Wells Fargo Capital Trust VII | 5.850% |
| 80,800 | Zions Capital Trust B | 8.000% |
| <hr/> | | |
| | Total Commercial Banks | |
| <hr/> | | |
| | COMPUTERS & PERIPHERALS - 0.0% | |
| 3,900 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% |
| <hr/> | | |

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| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|--|--------|----|
| | CONSUMER FINANCE - 0.6% | | |
| 77,100 | HSBC Finance Corporation, (3) | 6.360% | |
| | DIVERSIFIED FINANCIAL SERVICES - 9.1% | | |
| 377,415 | BAC Capital Trust XII | 6.875% | |
| 45,900 | CIT Group Incorporated (CORTS) | 7.750% | |
| 13,800 | Citigroup Capital XIV | 6.875% | |
| 55,729 | Citigroup Capital XV | 6.500% | |
| 2,300 | Citigroup, Series CIT (CORTS) | 6.750% | |
| 4,300 | General Electric Capital Corporation (CORTS) | 6.000% | |
| 12,550 | General Electric Capital Corporation | 6.450% | |
| 504,300 | ING Group N.V. | 7.200% | |
| 142,900 | ING Group N.V. | 7.050% | |
| 25,800 | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% | |
| 6,300 | Royal Bank of Scotland Public Limited Company, Series 2006Q | 6.750% | |
| | Total Diversified Financial Services | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.8% | | |
| 32,500 | AT&T Inc. | 7.000% | |
| 3,200 | BellSouth Capital Funding (CORTS) | 7.100% | |
| 4,600 | BellSouth Corporation (CORTS) | 7.000% | |
| 6,900 | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% | |
| 9,000 | BellSouth Corporation, Series BLS (CORTS) | 7.000% | |
| 15,700 | BellSouth Inc. (CORTS) | 7.000% | |
| 9,400 | BellSouth Telecommunications (PPLUS) | 7.300% | |
| 25,600 | Verizon Communications (CORTS) | 7.625% | |
| | Total Diversified Telecommunication Services | | |
| | ELECTRIC UTILITIES - 2.5% | | |
| 55,200 | Entergy Louisiana LLC | 7.600% | |
| 203,447 | Entergy Mississippi Inc. | 7.250% | |
| 23,800 | FPL Group Capital Inc. | 6.600% | |
| 5,200 | National Rural Utilities Cooperative Finance Corporation | 7.400% | |
| 2,300 | National Rural Utilities Cooperative Finance Corporation | 6.100% | |
| 33,018 | National Rural Utilities Cooperative Finance Corporation | 5.950% | |
| 8,900 | Virginia Power Capital Trust | 7.375% | |
| | Total Electric Utilities | | |
| | FOOD PRODUCTS - 0.5% | | |
| 17,000 | Dairy Farmers of America Inc., 144A, (3) | 7.875% | |
| | INDUSTRIAL CONGLOMERATES - 0.0% | | |
| 1,400 | General Electric Company, Series GE (CORTS) | 6.800% | |
| | INSURANCE - 20.9% | | |
| 194,400 | Ace Ltd., Series C | 7.800% | |
| 15,686 | Aegon N.V. | 6.875% | |
| 406,738 | Aegon N.V., (3) | 6.375% | |
| 32,400 | AMBAC Financial Group Inc. | 5.950% | |
| 94,800 | AMBAC Financial Group Inc. | 5.875% | |

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| | | |
|---------|---|--------|
| 195,649 | Arch Capital Group Limited | 8.000% |
| 138,700 | Delphi Financial Group, Inc. | 8.000% |
| 45,867 | EverestRe Capital Trust II | 6.200% |
| 294,716 | EverestRe Group Limited | 7.850% |
| 151,100 | Financial Security Assurance Holdings | 6.250% |
| 174,900 | PartnerRe Limited, Series C | 6.750% |
| 3,000 | PartnerRe Limited, Series D | 6.500% |
| 57,100 | PLC Capital Trust III | 7.500% |
| 46,400 | PLC Capital Trust IV | 7.250% |
| 4,500 | PLC Capital Trust V | 6.125% |
| 324,300 | Protective Life Corporation | 7.250% |
| 53,244 | Prudential PLC | 6.750% |
| 37,303 | RenaissanceRe Holdings Limited, Series A | 8.100% |
| 60,401 | RenaissanceRe Holdings Limited, Series B | 7.300% |
| 6,500 | Safeco Capital Trust IV (CORTS) | 8.375% |
| 33,000 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% |
| 7,000 | W.R. Berkley Corporation | 6.750% |
| 65,100 | XL Capital Ltd, Series A | 8.000% |
| 294,200 | XL Capital Ltd, Series B | 7.625% |

 Total Insurance

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Nuveen Quality Preferred Income Fund 3 (JHP) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|--|--------|----|
| | MEDIA - 3.8% | | |
| 1,700 | CBS Corporation | 7.250% | |
| 323,000 | Comcast Corporation | 7.000% | |
| 15,400 | Comcast Corporation | 7.000% | |
| 156,400 | Viacom Inc. | 6.850% | |
| | Total Media | | |
| | MULTI-UTILITIES - 0.1% | | |
| 17,900 | Dominion CNG Capital Trust I | 7.800% | |
| | OIL, GAS & CONSUMABLE FUELS - 1.8% | | |
| 195,200 | Nexen Inc. | 7.350% | |
| 34,700 | TransCanada Pipeline | 8.250% | |
| | Total Oil, Gas & Consumable Fuels | | |
| | PHARMACEUTICALS - 0.1% | | |
| 8,600 | Bristol-Myers Squibb Company (CORTS) | 6.250% | |
| 4,300 | Bristol-Myers Squibb Company Trust (CORTS) | 6.800% | |
| | Total Pharmaceuticals | | |
| | REAL ESTATE - 23.7% | | |
| 10,700 | AvalonBay Communities, Inc., Series H | 8.700% | |

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| | | |
|---------|---|--------|
| 29,200 | BRE Properties, Series C | 6.750% |
| 8,029 | BRE Properties, Series D | 6.750% |
| 26,700 | Developers Diversified Realty Corporation, Series F | 8.600% |
| 171,200 | Developers Diversified Realty Corporation, Series G | 8.000% |
| 32,000 | Developers Diversified Realty Corporation, Series H | 7.375% |
| 112,900 | Duke Realty Corporation, Series L | 6.600% |
| 136,700 | Duke Realty Corporation, Series N | 7.250% |
| 149,000 | Duke-Weeks Realty Corporation | 6.950% |
| 61,444 | Equity Office Properties Trust, Series G | 7.750% |
| 20,800 | Equity Residential Properties Trust, Series D | 8.600% |
| 223,471 | First Industrial Realty Trust, Inc., Series C | 8.625% |
| 145,900 | First Industrial Realty Trust, Inc., Series J | 7.250% |
| 247,207 | HRPT Properties Trust, Series B | 8.750% |
| 129,611 | HRPT Properties Trust, Series C | 7.125% |
| 21,000 | New Plan Excel Realty Trust, Series D | 7.800% |
| 36,300 | New Plan Excel Realty Trust, Series E | 7.625% |
| 20,000 | Prologis Trust, Series G | 6.750% |
| 8,300 | PS Business Parks, Inc., Series F | 8.750% |
| 120,000 | PS Business Parks, Inc., Series L | 7.600% |
| 136,000 | PS Business Parks, Inc. | 7.000% |
| 16,500 | Public Storage, Inc., Series F | 6.450% |
| 2,100 | Public Storage, Inc., Series H | 6.950% |
| 194,262 | Public Storage, Inc., Series K | 7.250% |
| 31,100 | Public Storage, Inc., Series T | 7.625% |
| 15,200 | Public Storage, Inc., Series U | 7.625% |
| 17,000 | Public Storage, Inc., Series V | 7.500% |
| 3,700 | Public Storage, Inc., Series X | 6.450% |
| 77,300 | Public Storage, Inc., Series Y | 6.850% |
| 3,000 | Public Storage, Inc. | 7.125% |
| 115,500 | Public Storage, Inc. | 6.750% |
| 53,800 | Realty Income Corporation, Series E | 6.750% |
| 5,900 | Realty Income Corporation | 7.375% |
| 30,972 | Regency Centers Corporation | 7.450% |
| 84,500 | Regency Centers Corporation | 7.250% |
| 68,600 | Simon Property Group, Inc., Series G | 7.890% |
| 37,900 | United Dominion Realty Trust | 8.600% |
| 61,800 | Vornado Realty Trust, Series G | 6.625% |
| 7,500 | Vornado Realty Trust, Series I | 6.625% |
| 262,800 | Wachovia Preferred Funding Corporation | 7.250% |
| 39,900 | Weingarten Realty Trust, Series E | 6.950% |

Total Real Estate

THRIFTS & MORTGAGE FINANCE - 2.7%

| | | |
|---------|--|--------|
| 241,430 | Countrywide Capital Trust IV | 6.750% |
| 117,700 | Countrywide Capital Trust V | 7.000% |
| 3,300 | Harris Preferred Capital Corporation, Series A | 7.375% |

Total Thrifts & Mortgage Finance

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SHARES DESCRIPTION (1) COUPON

RA

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157,500 WIRELESS TELECOMMUNICATION SERVICES - 1.2%
United States Cellular Corporation 8.750%

TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES
(COST \$302,534,553)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY | RATIN |
|---------------------------|--|--------|----------|-------|
| | CORPORATE BONDS - 1.0% (0.7% OF TOTAL INVESTMENTS) | | | |
| | CAPITAL MARKETS - 1.0% | | | |
| \$ 3,000 | Mizuho JGB Investment | 9.870% | 6/30/48 | |
| \$ 3,000 | TOTAL CORPORATE BONDS (COST \$3,191,356) | | | |

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY | RATIN (|
|---|---|--------|----------|------------|
| | CAPITAL PREFERRED SECURITIES - 51.3% (34.7% OF TOTAL INVESTMENTS) | | | |
| | CAPITAL MARKETS - 8.7% | | | |
| 1,800 | ABN AMRO North America Holding Capital, 144A | 6.523% | 12/31/49 | |
| 1,000 | Bank of New York Capital I, Series B | 7.970% | 12/31/26 | |
| 1,700 | BankBoston Capital Trust III | 6.103% | 6/15/27 | A |
| 1,000 | BT Capital Trust, Series B1 | 7.900% | 1/15/27 | |
| 500 | BT Preferred Capital Trust II | 7.875% | 2/25/27 | |
| 250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 | |
| 3,750 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 | |
| 2,900 | Dresdner Funding Trust I, 144A | 8.151% | 6/30/31 | |
| 2,000 | First Hawaiian Capital Trust I, Series B | 8.343% | 7/01/27 | |
| 8,485 | First Union Capital Trust II, Series A | 7.950% | 11/15/29 | |
| 700 | MUFG Capital Finance 2 | 4.850% | 7/25/56 | B |
| 2,000 | Washington Mutual Capital Trust I | 8.375% | 6/01/27 | Ba |
| | Total Capital Markets | | | |
| | COMMERCIAL BANKS - 21.7% | | | |
| 2,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 | A |
| 1,500 | Abbey National Capital Trust I | 8.963% | 6/30/50 | |
| 1,900 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 | N |
| 1,500 | BankBoston Capital Trust II, Series B | 7.750% | 12/15/26 | A |
| 500 | BanPonce Trust I, Series A | 8.327% | 2/01/27 | Ba |
| 6,200 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 | A |
| 900 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 | |
| 400 | Den Norske Bank, 144A | 7.729% | 6/29/49 | |
| 1,000 | First Empire Capital Trust I | 8.234% | 2/01/27 | Ba |
| 500 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 | Ba |
| 6,200 | HBOS Capital Funding LP, Notes | 6.850% | 3/23/49 | |
| 300 | HBOS PLC, 144A | 6.413% | 9/29/49 | |
| 1,430 | HSBC USA Capital Trust II, 144A | 8.380% | 5/15/27 | |

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| | | | | |
|---------------------------------------|--|--------|----------|----|
| 2,500 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 | |
| 2,500 | Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22/49 | A |
| 4,000 | North Fork Capital Trust I, Capital Securities | 8.700% | 12/15/26 | Ba |
| 3,150 | Peoples Heritage Capital Trust I, Series B | 9.060% | 2/01/27 | |
| 5,000 | PNC Institutional Capital Trust B, 144A | 8.315% | 5/15/27 | |
| 1,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 | Ba |
| 4,500 | RBS Capital Trust B | 6.800% | 12/31/49 | |
| 2,500 | St. George Funding Company LLC, 144A | 8.485% | 12/31/47 | |
| 2,660 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 | |
| 4,600 | Union Planters Capital Trust A | 8.200% | 12/15/26 | |
| 70 | Union Planters Preferred Fund, 144A | 7.750% | 7/15/53 | |
| 5,600 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 | B |
| ----- | | | | |
| Total Commercial Banks | | | | |
| ----- | | | | |
| DIVERSIFIED FINANCIAL SERVICES - 3.2% | | | | |
| 1,000 | BNP Paribas Capital Trust | 7.200% | 12/31/49 | |
| 1,300 | Fulton Capital Trust I | 6.290% | 2/01/36 | |
| 6,000 | JPMorgan Chase Capital Trust XVIII | 6.950% | 8/17/36 | |
| 1,800 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 | Ba |
| ----- | | | | |
| Total Diversified Financial Services | | | | |
| ----- | | | | |

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Nuveen Quality Preferred Income Fund 3 (JHP) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY | RATI |
|---|---|--------|----------|------|
| ----- | | | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES - 1.8% | | | | |
| 5,260 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 | |
| ----- | | | | |
| INSURANCE - 12.1% | | | | |
| 3,450 | Ace Capital Trust II | 9.700% | 4/01/30 | |
| 2,600 | Great West Life and Annuity Insurance Company | 7.153% | 5/16/46 | |
| 1,500 | Lincoln National Corporation, Capital Securities | 7.000% | 5/17/66 | |
| 750 | Mangrove Bay, Class 3, 144A | 6.102% | 7/15/33 | |
| 1,200 | MetLife Inc. | 6.400% | 12/15/66 | |
| 10,000 | MIC Financing Trust I | 8.375% | 2/01/27 | |
| 400 | Nationwide Financial Services Capital Trust | 7.899% | 3/01/37 | |
| 2,000 | Oil Insurance Limited, 144A | 7.550% | 12/30/49 | |
| 1,500 | Prudential PLC | 6.500% | 6/29/49 | |
| 7,000 | Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06/47 | |
| 8,000 | Zurich Capital Trust I, 144A | 8.376% | 6/01/37 | |
| ----- | | | | |
| Total Insurance | | | | |
| ----- | | | | |

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OIL, GAS & CONSUMABLE FUELS - 0.9%

| | | | |
|-------|----------------------|--------|---------|
| 3,000 | KN Capital Trust III | 7.630% | 4/15/28 |
|-------|----------------------|--------|---------|

ROAD & RAIL - 0.8%

| | | | |
|-------|--|--------|----------|
| 2,785 | Burlington Northern Santa Fe Funding Trust I | 6.613% | 12/15/55 |
|-------|--|--------|----------|

THRIFTS & MORTGAGE FINANCE - 2.1%

| | | | |
|-------|--|--------|---------|
| 4,225 | Dime Capital Trust I, Series A | 9.330% | 5/06/27 |
| 2,600 | Washington Mutual Preferred Funding Trust II | 6.665% | 3/15/57 |

Total Thrifts & Mortgage Finance

TOTAL CAPITAL PREFERRED SECURITIES (COST
\$173,064,729)

SHARES DESCRIPTION (1)

INVESTMENT COMPANIES - 2.9% (2.0% OF TOTAL INVESTMENTS)

| | | | |
|---------|--|--|--|
| | Blackrock Preferred and Corporate Income Strategies Fund | | |
| 40,981 | | | |
| 141,978 | Blackrock Preferred Income Strategies Fund | | |
| | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. | | |
| 110,083 | | | |
| | Flaherty and Crumrine/Claymore Total Return Fund Inc. | | |
| 63,742 | | | |
| 107,629 | John Hancock Preferred Income Fund III | | |

TOTAL INVESTMENT COMPANIES (COST \$9,196,819)

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

| | | | |
|----------|--|--------|-------|
| | SHORT-TERM INVESTMENTS - 1.2% (0.8% OF TOTAL INVESTMENTS) | | |
| \$ 4,053 | Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/29/06, repurchase price \$4,054,696, collateralized by \$3,530,000 U.S. Treasury Bonds, 6.250%, due 8/15/23, value \$4,134,968 | 4.580% | 1/02/ |

TOTAL SHORT-TERM INVESTMENTS (COST \$4,052,634)

TOTAL INVESTMENTS (COST \$492,040,091) - 147.6%

OTHER ASSETS LESS LIABILITIES - 1.7%

PREFERRED SHARES, AT LIQUIDATION VALUE - (49.3)%

NET ASSETS APPLICABLE TO COMMON SHARES - 100%

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INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2006:

| COUNTERPARTY | NOTIONAL AMOUNT | FUND PAY/RECEIVE FLOATING RATE | INDEX | FIXED RATE (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY | TERMINATION DATE |
|----------------|-----------------|--------------------------------|-------------------|-------------------------|------------------------------|------------------|
| Citigroup Inc. | \$42,000,000 | Receive | 1-Month USD-LIBOR | 3.255% | Monthly | 2/06/ |
| Citigroup Inc. | 42,000,000 | Receive | 1-Month USD-LIBOR | 3.815 | Monthly | 2/06/ |
| JPMorgan | 21,000,000 | Receive | 1-Month USD-LIBOR | 5.318 | Monthly | 5/06/ |

USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

- (1) All percentages shown in the Portfolio of Investments are based on net assets applied to Common shares unless otherwise noted.
- (2) Ratings (not covered by the report of independent registered public accounting firm) are based on the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (3) Investment is eligible for the Dividends Received Deduction.
- N/R Not rated.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration which are normally those transactions with qualified institutional buyers.
- CORTS Corporate Backed Trust Securities.
- PPLUS PreferredPlus Trust.
- SATURNS Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

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Statement of
ASSETS AND LIABILITIES December 31, 2006

| | |
|---|---|
| QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|---|---|

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ASSETS

| | | |
|---|-----------------|-----------------|
| Investments, at value (cost \$1,313,516,724, \$2,468,765,297 and \$492,040,091, respectively) | \$1,336,660,653 | \$2,524,368,388 |
| Cash | 272,000 | 493,500 |
| Unrealized appreciation on interest rate swaps | 2,795,289 | 9,324,026 |
| Receivables: | | |
| Dividends | 2,213,476 | 3,448,271 |
| Interest | 8,845,489 | 14,971,036 |
| Investments sold | 5,115 | 2,827,893 |
| Reclaims | -- | 41,338 |
| Other assets | 93,420 | 171,670 |
| ----- | | |
| Total assets | 1,350,885,442 | 2,555,646,122 |
| ----- | | |

LIABILITIES

| | | |
|---------------------------------------|-----------|-----------|
| Accrued expenses: | | |
| Management fees | 622,490 | 1,115,733 |
| Other | 354,112 | 606,817 |
| FundPreferred share dividends payable | 300,477 | 531,267 |
| ----- | | |
| Total liabilities | 1,277,079 | 2,253,817 |
| ----- | | |

| | | |
|---|----------------|-----------------|
| FundPreferred shares, at liquidation value | 440,000,000 | 800,000,000 |
| ----- | | |
| Net assets applicable to Common shares | \$ 909,608,363 | \$1,753,392,305 |
| ----- | | |
| Common shares outstanding | 64,505,441 | 119,643,469 |
| ----- | | |
| Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding) | \$ 14.10 | \$ 14.66 |
| ----- | | |

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

| | | |
|---|----------------|-----------------|
| Common shares, \$.01 par value per share | \$ 645,054 | \$ 1,196,435 |
| Paid-in surplus | 903,151,933 | 1,687,575,110 |
| Undistributed (Over-distribution of) net investment income | (1,329,743) | (3,968,873) |
| Accumulated net realized gain (loss) from investments and derivative transactions | (18,799,499) | 3,659,864 |
| Net unrealized appreciation (depreciation) of investments and derivative transactions | 25,940,618 | 64,929,769 |
| ----- | | |
| Net assets applicable to Common shares | \$ 909,608,363 | \$1,753,392,305 |
| ----- | | |
| Authorized shares: | | |
| Common | Unlimited | Unlimited |
| FundPreferred | Unlimited | Unlimited |
| ----- | | |

See accompanying notes to financial statements.

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Statement of
OPERATIONS Year Ended December 31, 2006

QUALITY

QUALITY

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| | PREFERRED INCOME (JTP) | PREFERRED INCOME 2 (JPS) |
|--|------------------------------|--------------------------------|
| INVESTMENT INCOME | | |
| Dividends (net of foreign tax withheld of \$0, \$712 and \$0, respectively) | \$ 52,851,992 | \$103,603,604 |
| Interest | 38,848,142 | 72,155,803 |
| Total investment income | 91,700,134 | 175,759,407 |
| EXPENSES | | |
| Management fees | 11,584,235 | 21,193,520 |
| FundPreferred shares - auction fees | 1,100,000 | 2,000,000 |
| FundPreferred shares - dividend disbursing agent fees | 28,500 | 39,977 |
| Shareholders' servicing agent fees and expenses | 11,644 | 15,728 |
| Custodian's fees and expenses | 285,735 | 491,198 |
| Trustees' fees and expenses | 28,737 | 53,370 |
| Professional fees | 59,625 | 100,089 |
| Shareholders' reports - printing and mailing expenses | 190,198 | 347,825 |
| Stock exchange listing fees | 23,557 | 43,686 |
| Investor relations expense | 143,086 | 264,356 |
| Other expenses | 44,073 | 54,420 |
| Total expenses before custodian fee credit and expense reimbursement | 13,499,390 | 24,604,169 |
| Custodian fee credit | (17,272) | (7,934) |
| Expense reimbursement | (4,283,386) | (8,104,950) |
| Net expenses | 9,198,732 | 16,491,285 |
| Net investment income | 82,501,402 | 159,268,122 |
| REALIZED AND UNREALIZED GAIN (LOSS) | | |
| Net realized gain (loss) from: | | |
| Investments | 132,407 | (990,466) |
| Foreign currencies | 563 | 1,066 |
| Interest rate swaps | 2,298,167 | 5,781,508 |
| Change in net unrealized appreciation (depreciation) of: | | |
| Investments | (940,681) | (5,130,313) |
| Foreign currencies | 1,400 | 2,652 |
| Interest rate swaps | (215,813) | (1,630,640) |
| Net realized and unrealized gain (loss) | 1,276,043 | (1,966,193) |
| DISTRIBUTIONS TO FUNDPREFERRED SHAREHOLDERS | | |
| From net investment income | (20,743,697) | (37,501,376) |
| From accumulated net realized gains | -- | -- |
| Decrease in net assets applicable to Common shares from distributions to FundPreferred shareholders | (20,743,697) | (37,501,376) |
| Net increase (decrease) in net assets applicable to Common shares from operations | \$ 63,033,748 | \$119,800,553 |

See accompanying notes to financial statements.

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Statement of
CHANGES IN NET ASSETS

| | QUALITY PREFERRED INCOME (JTP) | | Q |
|---|--------------------------------|------------------------|----|
| | YEAR ENDED 12/31/06 | YEAR ENDED 12/31/05 | |
| ----- | | | |
| OPERATIONS | | | |
| Net investment income | \$ 82,501,402 | \$ 83,656,560 | \$ |
| Net realized gain (loss) from: | | | |
| Investments | 132,407 | 10,256,942 | |
| Foreign currencies | 563 | -- | |
| Futures | -- | -- | |
| Interest rate swaps | 2,298,167 | (1,997,325) | |
| Change in net unrealized appreciation (depreciation) of: | | | |
| Investments | (940,681) | (58,087,700) | |
| Foreign currencies | 1,400 | -- | |
| Futures | -- | -- | |
| Interest rate swaps | (215,813) | 6,484,892 | |
| Distributions to FundPreferred shareholders: | | | |
| From net investment income | (20,743,697) | (13,746,475) | |
| From accumulated net realized gains | -- | -- | |
| ----- | | | |
| Net increase (decrease) in net assets applicable to Common shares from operations | 63,033,748 | 26,566,894 | |
| ----- | | | |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | | |
| From net investment income | (69,630,812) | (72,552,099) | |
| From accumulated net realized gains | -- | -- | |
| Tax return of capital | -- | -- | |
| ----- | | | |
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (69,630,812) | (72,552,099) | |
| ----- | | | |
| CAPITAL SHARE TRANSACTIONS | | | |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | 607,703 | -- | |
| ----- | | | |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | 607,703 | -- | |
| ----- | | | |
| Net increase (decrease) in net assets applicable to Common shares | (5,989,361) | (45,985,205) | |
| ----- | | | |
| Net assets applicable to Common shares at the beginning of year | 915,597,724 | 961,582,929 | |
| ----- | | | |
| Net assets applicable to Common shares at the end of year | \$909,608,363 | \$915,597,724 | \$ |
| ----- | | | |
| Undistributed (Over-distribution of) net investment income at the end of year | \$ (1,329,743) | \$ 8,725,182 | \$ |
| ----- | | | |

See accompanying notes to financial statements.

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| | QUALITY PREFERRED INCOME 3 (JHP) | |
|---|----------------------------------|------------------------|
| | YEAR ENDED 12/31/06 | YEAR ENDED 12/31/05 |
| ----- | | |
| OPERATIONS | | |
| Net investment income | \$ 30,871,981 | \$ 31,177,398 |
| Net realized gain (loss) from: | | |
| Investments | (2,688,895) | 2,801,561 |
| Foreign currencies | 208 | -- |
| Futures | -- | -- |
| Interest rate swaps | 1,379,809 | (22,484) |
| Change in net unrealized appreciation (depreciation) of: | | |
| Investments | 3,328,270 | (21,236,219) |
| Foreign currencies | 516 | -- |
| Futures | -- | -- |
| Interest rate swaps | (567,278) | 2,007,568 |
| Distributions to FundPreferred shareholders: | | |
| From net investment income | (7,912,599) | (4,959,898) |
| From accumulated net realized gains | -- | (324,959) |
| ----- | | |
| Net increase (decrease) in net assets applicable to Common shares from operations | 24,412,012 | 9,442,967 |
| ----- | | |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | |
| From net investment income | (25,661,097) | (27,602,875) |
| From accumulated net realized gains | -- | (2,179,859) |
| Tax return of capital | (327,326) | -- |
| ----- | | |
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (25,988,423) | (29,782,734) |
| ----- | | |
| CAPITAL SHARE TRANSACTIONS | | |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | 259,052 | -- |
| ----- | | |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | 259,052 | -- |
| ----- | | |
| Net increase (decrease) in net assets applicable to Common shares | (1,317,359) | (20,339,767) |
| ----- | | |
| Net assets applicable to Common shares at the beginning of year | 337,857,664 | 358,197,431 |
| ----- | | |
| Net assets applicable to Common shares at the end of year | \$336,540,305 | \$337,857,664 |
| ----- | | |
| Undistributed (Over-distribution of) net investment income at the end of year | \$ (881,169) | \$ 1,949,002 |
| ----- | | |

Notes to
FINANCIAL STATEMENTS

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 Quality Preferred Income Fund (JTP), Nuveen Quality Preferred Income Fund 2 (JPS) and Nuveen Quality Preferred Income Fund 3 (JHP). The Funds are registered under the Investment Company Act of 1940, as amended, as non-diversified, closed-end management investment companies.

Each Fund seeks to provide high current income consistent with capital preservation by investing primarily in a portfolio of preferred securities, debt securities including convertible debt securities and convertible preferred securities.

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 the other derivative instruments and fixed-income securities are generally provided by an independent pricing service approved by the Funds' Board of Trustees. When price quotes are not readily available, the pricing service or, in the absence of a pricing service for a particular investment, 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 investments 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. If the pricing service is unable to supply a price for a derivative investment the Fund may use a market quote provided by a major broker/dealer in such investments. If it is determined that the market price for an investment is unavailable or inappropriate, the Board of Trustees of the Funds, or its designee, may establish fair value in accordance with procedures established in good faith by the Board of Trustees. 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/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 December 31, 2006,

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there were no such outstanding purchase commitments in any of the Funds.

Investment Income

Dividend income is 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.

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Dividends and Distributions to Common Shareholders

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

Distributions to Common shareholders are declared monthly. 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, 2006, the character of distributions to the Funds from the REITs was as follows:

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|--|---|---|
| ----- | | |
| Ordinary income | 79.98% | 79.26% |
| Long-term and short-term capital gains | 19.92 | 20.62 |
| Return of REIT capital | 0.10 | 0.12 |
| ----- | | |

For the fiscal year ended December 31, 2005, the character of distributions to the Funds from the REITs was as follows:

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|--|---|---|
| ----- | | |
| Ordinary income | 77.28% | 74.67% |
| Long-term and short-term capital gains | 22.72 | 25.33 |
| Return of REIT capital | -- | -- |

For the fiscal years ended December 31, 2006 and 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 Fund treated the distributions as ordinary income.

The actual character of distributions made by the Funds during the fiscal years ended December 31, 2006 and December 31, 2005, are reflected in the accompanying financial statements.

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Notes to
FINANCIAL STATEMENTS (continued)

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:

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|-------------------|---|---|
| ----- | | |
| Number of shares: | | |
| Series M | 3,520 | 4,800 |
| Series T | 3,520 | 4,800 |
| Series T2 | -- | 4,000 |
| Series W | 3,520 | 4,800 |
| Series TH | 3,520 | 4,800 |
| Series TH2 | -- | 4,000 |
| Series F | 3,520 | 4,800 |
| ----- | | |
| Total | 17,600 | 32,000 |
| ----- | | |

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 or receive a fixed rate payment in exchange for the counterparty paying or receiving a variable rate payment that is intended to approximate each Fund's variable rate payment obligation on FundPreferred 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

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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

The Funds are authorized to invest in futures contracts. Upon entering into a futures contract, a Fund is required to deposit with the broker an amount of cash or liquid securities equal to a specified percentage of the contract amount. This is known as the "initial margin." Subsequent payments ("variation margin") are made or received by a Fund each day, depending on the daily fluctuation of the value of the contract.

During the period the futures contract is open, changes in the value of the contract are recognized as an unrealized gain or loss by "marking-to-market" on a daily basis to reflect the changes in market value of the contract. When the contract is closed or expired, a Fund records a realized gain or loss equal to the difference between the value of the contract on the closing date and the value of the contract when originally entered into. Cash held by the broker to cover initial margin requirements on open futures contracts is noted in the Statement of Assets and Liabilities. Additionally, the Statement of Assets and Liabilities reflects a receivable or payable for the variation margin when applicable. As of December 31, 2006, there were no outstanding futures contracts in any of the funds.

Risks of investments in futures contracts include the possible adverse movement of the securities or indices underlying the contracts, the possibility that there may not be a liquid secondary market for the contracts and/or that a change in the value of the contract may not correlate with a change in the value of the underlying securities or indices.

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Foreign Currency Translation

To the extent that a Fund invests in securities that are denominated in a currency other than U.S. dollars, the Fund will be subject to currency risk, which is the risk that an increase in the U.S. dollar relative to the foreign currency will reduce returns or portfolio value. Generally, when the U.S. dollar rises in value against a foreign currency, the Fund's investments in securities denominated in that currency will lose value because its currency is worth fewer U.S. dollars; the opposite effect occurs if the U.S. dollar falls in relative value. Investments and other assets and liabilities denominated in foreign currencies are converted into U.S. dollars on a spot (i.e. cash) basis at the spot rate prevailing in the foreign currency exchange market at the time of valuation. Purchases and sales of investments and dividend income denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions. The gains or losses resulting from changes in foreign exchange rates on investments and derivative transactions, if any, are included with Net realized gain (loss) from foreign currencies and Change in net unrealized appreciation (depreciation) of foreign currencies in the Statement of Operations.

Foreign Currency Transactions

The Funds are authorized to engage in foreign currency exchange transactions. The Funds may engage in foreign currency forward, options and futures contracts.

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To the extent that the Funds invest in contracts that are denominated in a currency other than U.S. dollars, the Funds will be subject to currency risk, which is the risk that an increase in the U.S. dollar relative to the foreign currency will reduce returns or portfolio value. Generally, when the U.S. dollar rises in value against a foreign currency, the Funds' investments denominated in that currency will lose value because its currency is worth fewer U.S. dollars; the opposite effect occurs if the U.S. dollar falls in relative value.

Investments and other assets and liabilities denominated in foreign currencies are converted into U.S. dollars on a spot (i.e. cash) basis at the spot rate prevailing in the foreign currency exchange market at the time of valuation. Purchases and sales of investments and dividend income denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions.

The books and records of the Funds are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at 4:00 p.m. Eastern time. Investments and income and expenses are translated on the respective dates of such transactions. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of the transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of a Fund and the amounts actually received.

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.

Custodian Fee Credit

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

Indemnifications

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

Use of Estimates

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

2. FUND SHARES

Transactions in Common shares were as follows:

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| | INCOME (JTP) | | INCOME 2 (JPS) | |
|--|--------------|------------|----------------|------------|
| | YEAR ENDED | YEAR ENDED | YEAR ENDED | YEAR ENDED |
| | 12/31/06 | 12/31/05 | 12/31/06 | 12/31/05 |
| Shares issued to shareholders due to reinvestment of distributions | 43,337 | -- | 101,627 | -- |

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Notes to
FINANCIAL STATEMENTS (continued)

3. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities but excluding short-term investments and derivative transactions) during the fiscal year ended December 31, 2006, were as follows:

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|----------------------|--------------------------------|----------------------------------|
| Purchases | \$461,711,543 | \$871,839,318 |
| Sales and maturities | 450,972,246 | 831,402,132 |

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 recognition of premium amortization, timing differences in the recognition of income and timing differences in recognizing certain gains and losses on investment transactions. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their Federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset values of the Funds.

At December 31, 2006, the cost of investments was as follows:

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|---------------------|--------------------------------|----------------------------------|
| Cost of investments | \$1,315,110,584 | \$2,474,342,201 |

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

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|--|---|---|
| Gross unrealized: | | |
| Appreciation | \$ 36,415,452 | \$ 84,993,974 |
| Depreciation | (14,865,383) | (34,967,787) |
| Net unrealized appreciation (depreciation) of investments | \$ 21,550,069 | \$ 50,026,187 |

The tax components of undistributed net ordinary income and net long-term capital gains at July 31, 2006, the Funds' last tax year end, were as follows:

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|---|---|---|
| Undistributed net ordinary income * | -- | 2,296,771 |
| Undistributed net long-term capital gains | -- | 6,399,647 |

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

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The tax character of distributions paid during the tax years ended July 31, 2006 and July 31, 2005, was designated for purposes of the dividends paid deduction as follows:

| JULY 31, 2006 | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|---|---|---|
| Distributions from net ordinary income * | \$88,059,972 | \$166,262,070 |
| Distributions from net long-term capital gains ** | -- | 22,350,529 |
| Tax return of capital | -- | -- |

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| JULY 31, 2005 | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|--|---|---|
| Distributions from net ordinary income * | \$86,458,729 | \$168,985,896 |
| Distributions from net long-term capital gains | -- | 19,485,262 |

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

** The Funds designated as a long-term capital gain dividend, pursuant to the Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Funds related to net capital gain to zero for the tax year ended December 31, 2006.

At July 31, 2006, the Funds' last tax year end, Quality Preferred Income 3 (JHP) had unused capital loss carryforwards of \$16,197,047 available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire in the year 2012.

Quality Preferred Income 3 (JHP) elected to defer net realized losses from investments incurred from November 1, 2005 through July 31, 2006 ("post-October losses") in accordance with Federal income tax regulations. Post-October losses of \$931,735 were treated as having arisen on the first day of the current fiscal year.

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.

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

AVERAGE DAILY MANAGED ASSETS

FUND-LEVEL FEE RATE

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| | |
|-------------------------------------|--------|
| 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 |

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Notes to
FINANCIAL STATEMENTS (continued)

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 December 31, 2006, the complex-level fee rate was .1845%.

| 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 preferred stock issued by or borrowings 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 has entered into Sub-Advisory Agreements with Spectrum Asset Management, Inc. ("Spectrum"), under which Spectrum manages the investment portfolios of the Funds. Spectrum is compensated for its 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.

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

For the first eight years of Quality Preferred Income's (JTP) 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, | |
|-------------------------|------|-------------------------|------|
| 2002 * | .32% | 2007 | .32% |
| 2003 | .32 | 2008 | .24 |
| 2004 | .32 | 2009 | .16 |
| 2005 | .32 | 2010 | .08 |
| 2006 | .32 | | |

* From the commencement of operations.

The Adviser has not agreed to reimburse Quality Preferred Income (JTP) for any portion of its fees and expenses beyond June 30, 2010.

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For the first eight years of Quality Preferred Income 2's (JPS) 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 SEPTEMBER 30, | | YEAR ENDING SEPTEMBER 30, | |
|------------------------------|------|------------------------------|------|
| 2002 * | .32% | 2007 | .32% |
| 2003 | .32 | 2008 | .24 |
| 2004 | .32 | 2009 | .16 |
| 2005 | .32 | 2010 | .08 |
| 2006 | .32 | | |

* From the commencement of operations.

The Adviser has not agreed to reimburse Quality Preferred Income 2 (JPS) for any portion of its fees and expenses beyond September 30, 2010.

For the first eight years of Quality Preferred Income 3's (JHP) operations, the

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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 DECEMBER 31, | | YEAR ENDING DECEMBER 31, | |
|-----------------------------|------|-----------------------------|------|
| 2002 * | .32% | 2007 | .32% |
| 2003 | .32 | 2008 | .24 |
| 2004 | .32 | 2009 | .16 |
| 2005 | .32 | 2010 | .08 |
| 2006 | .32 | | |

* From the commencement of operations.

The Adviser has not agreed to reimburse Quality Preferred Income 3 (JHP) for any portion of its fees and expenses beyond December 31, 2010.

6. NEW ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board Interpretation No. 48

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. Recent SEC guidance allows funds to delay implementing FIN 48 into NAV calculations until the fund's last NAV calculation in the first required financial statement reporting period. As a result, the Funds must begin to incorporate FIN 48 into their NAV calculations on June 29, 2007. At this time, management is continuing to evaluate 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.

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this standard relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of December 31, 2006, the Funds do not believe the adoption of SFAS No. 157 will impact the financial statement amounts; however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements included within the Statement of Operations for the period.

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7. SUBSEQUENT EVENT

Distributions to Common Shareholders

The Funds declared Common share distributions which were paid on February 1, 2007, to shareholders of record on January 15, 2007, as follows:

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) | QUALITY PREFERRED INCOME 3 (JHP) |
|-------------------------|---|---|---|
| Distributions per share | \$.0900 | \$.0930 | \$.0910 |

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Financial

HIGHLIGHTS

Selected data for a Common share outstanding throughout each period:

| | Beginning Common Share Net Asset Value | Investment Operations | | | |
|----------------------------------|--|---------------------------------|---|---|--|
| | | Net Investment Income (a) | Net Realized/ Unrealized Gain (Loss) | Distributions from Net Investment Income to FundPreferred Share- holders+ | Distributions from Capital Gains to FundPreferred Share- holders+ |
| QUALITY PREFERRED INCOME (JTP) | | | | | |
| Year ended 12/31: | | | | | |
| 2006 | \$ 14.20 | \$ 1.28 | \$.02 | \$ (.32) | \$ -- |
| 2005 | 14.92 | 1.30 | (.68) | (.21) | -- |
| 8/1/04-12/31/04 | 14.40 | .60 | .47 | (.05) | -- |
| Year Ended 7/31: | | | | | |
| 2004 (b) | 14.10 | 1.37 | .26 | (.08) | -- |
| 2003 | 14.12 | 1.31 | .16 | (.09) | -- |
| 2002 (c) | 14.33 | .06 | (.25) | -- | -- |
| QUALITY PREFERRED INCOME 2 (JPS) | | | | | |
| Year ended 12/31: | | | | | |
| 2006 | 14.77 | 1.33 | (.01) | (.31) | -- |
| 2005 | 15.66 | 1.34 | (.69) | (.18) | (.02) |
| 8/1/04-12/31/04 | 15.32 | .60 | .50 | (.04) | (.01) |
| Year Ended 7/31: | | | | | |
| 2004 (b) | 14.97 | 1.42 | .37 | (.08) | -- |
| 2003 (d) | 14.33 | 1.02 | .79 | (.07) | -- |
| QUALITY PREFERRED INCOME 3 (JHP) | | | | | |
| Year ended 12/31: | | | | | |
| 2006 | 14.29 | 1.31 | .05 | (.33) | -- |
| 2005 | 15.15 | 1.32 | (.70) | (.21) | (.01) |

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| | | | | | |
|------------------|-------|------|-----|-------|-------|
| 8/1/04-12/31/04 | 14.71 | .60 | .46 | (.05) | -- |
| Year Ended 7/31: | | | | | |
| 2004 (b) | 14.38 | 1.38 | .40 | (.08) | (.01) |
| 2003 (e) | 14.33 | .67 | .22 | (.04) | -- |

Less Distributions

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

QUALITY PREFERRED INCOME (JTP)

| | | | | | | |
|-------------------|-----------|-------|-------|-----------|-------|----------|
| Year ended 12/31: | | | | | | |
| 2006 | \$ (1.08) | \$ -- | \$ -- | \$ (1.08) | \$ -- | \$ 14.10 |
| 2005 | (1.13) | -- | -- | (1.13) | -- | 14.20 |
| 8/1/04-12/31/04 | (.50) | -- | -- | (.50) | -- | 14.92 |
| Year Ended 7/31: | | | | | | |
| 2004 (b) | (1.25) | -- | -- | (1.25) | -- | 14.40 |
| 2003 | (1.25) | -- | -- | (1.25) | (.15) | 14.10 |
| 2002 (c) | -- | -- | -- | -- | (.02) | 14.12 |

QUALITY PREFERRED INCOME 2 (JPS)

| | | | | | | |
|-------------------|--------|-------|----|--------|-------|-------|
| Year ended 12/31: | | | | | | |
| 2006 | (1.12) | -- | -- | (1.12) | -- | 14.66 |
| 2005 | (1.16) | (.18) | -- | (1.34) | -- | 14.77 |
| 8/1/04-12/31/04 | (.53) | (.18) | -- | (.71) | -- | 15.66 |
| Year Ended 7/31: | | | | | | |
| 2004 (b) | (1.32) | (.04) | -- | (1.36) | -- | 15.32 |
| 2003 (d) | (.95) | -- | -- | (.95) | (.15) | 14.97 |

QUALITY PREFERRED INCOME 3 (JHP)

| | | | | | | |
|-------------------|--------|-------|-------|--------|-------|-------|
| Year ended 12/31: | | | | | | |
| 2006 | (1.09) | -- | (.01) | (1.10) | -- | 14.22 |
| 2005 | (1.17) | (.09) | -- | (1.26) | -- | 14.29 |
| 8/1/04-12/31/04 | (.51) | (.06) | -- | (.57) | -- | 15.15 |
| Year Ended 7/31: | | | | | | |
| 2004 (b) | (1.24) | (.12) | -- | (1.36) | -- | 14.71 |
| 2003 (e) | (.62) | -- | -- | (.62) | (.18) | 14.38 |

* 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.

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- Income ratios reflect income earned on assets attributable to FundPreferred shares.
- For the periods presented below each ratio includes the effect of the interest expense paid on interest rate swap transactions as follows:

Ratio of Net Interest Expense to Average
Net Assets Applicable to Common Shares

| | |
|----------------------------------|------|
| QUALITY PREFERRED INCOME (JTP) | |
| Year Ended 7/31: | |
| 2003 | .80% |
| 2002(c) | -- |
| QUALITY PREFERRED INCOME 2 (JPS) | |
| Year Ended 7/31: | |
| 2003(d) | .58* |
| QUALITY PREFERRED INCOME 3 (JHP) | |
| Year Ended 7/31: | |
| 2003(e) | .51* |

- (a) Per share Net Investment Income is calculated using the average daily shares method.
- (b) The Funds changed their method of presentation for net interest expense on interest rate swap transactions. The effect of this reclassification for the fiscal year ended July 31, 2004, was as follows:

| | QUALITY PREFERRED INCOME (JTP) ----- |
|---|--|
| Increase of Net Investment Income per share with a corresponding decrease in Net Realized/Unrealized Investment Gain (Loss) | \$.14 |
| Decrease in each of the Ratios of Expenses to Average Net Assets Applicable to Common Shares with a corresponding increase in each of the Ratios of Net Investment Income to Average Net Assets Applicable to Common Shares | .94% |

- (c) For the period June 25, 2002 (commencement of operations) through July 31, 2002.
- (d) For the period September 24, 2002 (commencement of operations) through July 31, 2003.
- (e) For the period December 18, 2002 (commencement of operations) through July 31, 2003.

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| Total Returns | | | Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement | | Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement | |
|----------------------------|---|---|--|-------------------------------|---|-------------------------------|
| Based on Market Value** | Based on Common Share Net Asset Value** | Ending Net Assets Applicable to Common Shares (000) | Expenses** | Net Investment Income** | Expenses** | Net Investment Income** |
| 29.51% | 7.26% | \$ 909,608 | 1.50% | 8.70% | 1.02% | 9.15% |
| (3.69) | 2.89 | 915,598 | 1.49 | 8.47 | 1.02 | 8.47 |
| 3.79 | 7.10 | 961,583 | 1.49* | 9.15* | 1.02* | 9.15* |
| 4.20 | 11.17 | 927,892 | 1.51 | 8.87 | 1.04 | 9.15 |
| 4.95 | 9.15 | 907,746 | 2.38 | 8.84 | 1.91 | 9.15 |
| 1.00 | (1.47) | 880,006 | .96* | 4.51* | .64* | 4.51* |
| 27.75 | 7.09 | 1,753,392 | 1.42 | 8.72 | .95 | 9.15 |
| (2.06) | 3.01 | 1,765,543 | 1.40 | 8.32 | .94 | 8.47 |
| 3.34 | 6.94 | 1,872,283 | 1.40* | 8.69* | .94* | 9.15 |
| 8.98 | 11.60 | 1,830,878 | 1.41 | 8.64 | .95 | 9.15 |
| 4.02 | 11.22 | 1,789,809 | 1.99* | 7.59* | 1.54* | 8.47 |
| 25.00 | 7.49 | 336,540 | 1.56 | 8.81 | 1.08 | 9.15 |
| (2.16) | 2.88 | 337,858 | 1.54 | 8.48 | 1.07 | 8.47 |
| 4.64 | 6.81 | 358,197 | 1.54* | 9.03* | 1.07* | 9.15 |
| 9.36 | 11.93 | 347,900 | 1.55 | 8.75 | 1.08 | 9.15 |
| (.19) | 4.62 | 339,499 | 1.97* | 7.14* | 1.53* | 7.14* |

Fund Preferred Shares at End of Period

| Aggregate Amount Outstanding (000) | Liquidation and Market Value Per Share | Asset Coverage Per Share |
|---|---|--------------------------------|
| \$ 440,000 | \$ 25,000 | \$ 76,682 |
| 440,000 | 25,000 | 77,023 |
| 440,000 | 25,000 | 79,635 |
| 440,000 | 25,000 | 77,721 |
| 440,000 | 25,000 | 76,577 |
| -- | -- | -- |
| 800,000 | 25,000 | 79,794 |
| 800,000 | 25,000 | 80,173 |
| 800,000 | 25,000 | 83,509 |
| 800,000 | 25,000 | 82,215 |
| 800,000 | 25,000 | 80,932 |
| 166,000 | 25,000 | 75,684 |
| 166,000 | 25,000 | 75,882 |

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| | | |
|---------|--------|--------|
| 166,000 | 25,000 | 78,945 |
| 166,000 | 25,000 | 77,395 |
| 166,000 | 25,000 | 76,129 |

See accompanying notes to financial statements.

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Board Members
AND OFFICERS

The management of the Funds, including general supervision of the duties performed for the Funds by the Adviser, is the responsibility of the Board Members of the Funds. The number of board members of the Fund is currently set at ten. None of the board members who are not "interested" persons of the Funds has ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the board members and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED(2) | PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIP DURING PAST 5 YEARS |
|--------------------------------|------------------------------------|---------------------------------------|--|
|--------------------------------|------------------------------------|---------------------------------------|--|

BOARD MEMBER WHO IS AN INTERESTED PERSON OF THE FUNDS:

| | | | |
|--|--|------|--|
| Timothy R. Schwertfeger(1) 3/28/49 333 W. Wacker Drive Chicago, IL 60606 | Chairman of the Board and Board Member | 1994 | Chairman (since 1996) and Director of Nuveen Investments, Inc., Investments, LLC; Chairman and Director (since 1997) of Nuveen Asset Management; Chairman and Director of Rittenhouse Asset Management, Inc. (since 1999); Chairman of Nuveen Investments Advisers Inc. (since 2002); formerly, Chairman and Director (1996-2004) Nuveen Advisory and Nuveen Institutional Advisory Corp.(3); formerly, Director (1996-2006) of Institutional Capital Corporation. |
|--|--|------|--|

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

| | | | |
|--|----------------------------------|------|---|
| Robert P. Bremner 8/22/40 333 W. Wacker Drive Chicago, IL 60606 | Lead Independent Board member | 1997 | Private Investor and Management Consultant. |
| Lawrence H. Brown 7/29/34 333 W. Wacker Drive Chicago, IL 60606 | Board member | 1993 | Retired (since 1989) as Senior President of The Northern Trust Company; Director (since 2000) Community Advisory Board for Highland Park and Highland, IL |

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| | | | |
|--|--------------|------|---|
| | | | Way of the North Shore; Director (since 2006) of the Michael Pancreatic Cancer Foundation |
| Jack B. Evans 10/22/48 333 W. Wacker Drive Chicago, IL 60606 | Board member | 1999 | President, The Hall-Perrine Foundation, a private philanthropic corporation (since 1996); Director and Vice Chairman, United Financial Group, a publicly held company; Adjunct Faculty Member, University of Iowa; Director, Gazette Companies; Life Trustee of College and Iowa College Foundation; formerly, Director, Alliant Energy; formerly, Director, Federal Reserve Bank of Chicago; formerly, President and Chief Operating Officer, SCI Financial Group, Inc., a regional financial services firm. |
| William C. Hunter 3/6/48 333 W. Wacker Drive Chicago, IL 60606 | Board member | 2004 | Dean, Tippie College of Business, University of Iowa (since June 2006); formerly, Dean and Distinguished Professor of Finance, School of Business at the University of Connecticut (2003-2006); previously, Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago (1995-2003); Director (since 1997), Credit Research Center at Georgetown University; Director (since 1995) of Xerox Corporation; Director, SS&C Technologies, Inc. (May 2005 to October 2005). |
| David J. Kundert 10/28/42 333 W. Wacker Drive Chicago, IL 60606 | Board member | 2005 | Director, Northwestern Mutual Wealth Management Company; Director (since 2004) as Chairman, JP Fleming Asset Management, President and CEO, Banc One Investment Advisors Corporation, and President, One Group Mutual prior thereto, Executive Vice President, Banc One Corporation, Chairman and CEO, Banc One Investment Management Group; member of Regents, Luther College; member of the Wisconsin Bar Association; member of Board of Directors, Friends of Boerner Botanical Gardens; member of Board of Directors, Milwaukee Repertory Theater. |

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| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED(2) | PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIP DURING PAST 5 YEARS |
|--------------------------------|------------------------------------|---------------------------------------|--|
|--------------------------------|------------------------------------|---------------------------------------|--|

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS (CONTINUED):

| | | | |
|---|--------------|------|---|
| William J. Schneider 9/24/44 333 W. Wacker Drive Chicago, IL 60606 | Board member | 1997 | Chairman of Miller-Valentine Partners Ltd., a real estate investment company; formerly Senior Partner and Chief Operating Officer (retired, 2004) of Miller-Valentine Group; former Vice President, Miller-Valentine Realty; Board Member, Chairman Finance Committee and member Audit Committee of Premier Hotels Partners, the not-for-profit company of Miami Valley Hospital; Vice President, Dayton Philharmonic Orchestra Association; Board Member, Regional Leaders Forum which promotes cooperation on economic development issues; Director, Dayton Development Coalition; formerly, Member, Community Advisory Board, National City Bank, Dayton, Ohio and Business Advisory Council, Cleveland Federal Reserve Bank |
| Judith M. Stockdale 12/29/47 333 W. Wacker Drive Chicago, IL 60606 | Board member | 1997 | Executive Director, Gaylord Dorothy Donnelley Foundation (1994); prior thereto, Executive Director, Great Lakes Protection Fund (from 1990 to 1994). |
| Carole E. Stone 6/28/47 333 West Wacker Drive Chicago, IL 60606 | Board Member | 2007 | Director, Chicago Board Options Exchange (since 2006); Chairman, New York Racing Association Overboard (since 2005); Commissioner, New York State Commission on Authority Reform (since 2005); formerly Director, New York Division of the Budget (2000-2004); Chair, Public Authorities Control Board (2000-2004) and Director, Local Government Assistance Corporation (2000-2004). |
| Eugene S. Sunshine 1/22/50 333 W. Wacker Drive Chicago, IL 60606 | Board member | 2005 | Senior Vice President for Business and Finance, Northwestern University (since 1997); Director (since 2003), Chicago Board Options Exchange; Chairman (since 1997), Board of Directors, Rubicon, a captive insurance company owned by Northwestern University; Director (since 1997), Evanston Chamber of Commerce |

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Commerce and Evanston Invent
 business development organiz
 Director (since 2006), Pathw
 provider of therapy and rela
 information for physically d
 infants and young children;
 formerly, Director (2003-200
 National Mentor Holdings, a
 privately-held, national pro
 of home and community-based
 services.

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Board Members
 AND OFFICERS (CONTINUED)

| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED (4) | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|--------------------------------|------------------------------------|--|--|
|--------------------------------|------------------------------------|--|--|

 OFFICERS OF THE FUND:

| | | | |
|--|------------------------------------|------|--|
| Gifford R. Zimmerman 9/9/56 333 W. Wacker Drive Chicago, IL 60606 | Chief Administrative Officer | 1988 | Managing Director (since 200 Assistant Secretary and Asso General Counsel, formerly, V President and Assistant Gene Counsel, of Nuveen Investmen LLC; Managing Director (2002 General Counsel (1998-2004) Assistant Secretary, formerl President of Nuveen Advisory and Nuveen Institutional Adv Corp. (3); Managing Director 2002) and Assistant Secretar Associate General Counsel, formerly, Vice President (si 1997), of Nuveen Asset Manag Managing Director (since 200 Assistant Secretary (since 1 Nuveen Investments, Inc.; As Secretary of NWQ Investment Management Company, LLC. (si 2002); Vice President and As Secretary of Nuveen Investme Advisers Inc. (since 2002); Managing Director, Associate General Counsel and Assistan Secretary of Rittenhouse Ass Management, Inc.; Assistant Secretary of Symphony Asset Management LLC (since 2003), Tradewinds NWQ Global Invest LLC and Santa Barbara Asset Management, LLC; (since 2006 Chartered Financial Analyst. |
|--|------------------------------------|------|--|

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| | | | |
|--|---|-------------|--|
| <p>Julia L. Antonatos 9/22/63 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Vice President</p> | <p>2004</p> | <p>Managing Director (since 2002) formerly, Vice President (since 2002); formerly, Assistant Vice President (since 2000) of Nuveen Investments, LLC; Chartered Financial Analyst.</p> |
| <p>Michael T. Atkinson 2/3/66 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Vice President and Assistant Secretary</p> | <p>2000</p> | <p>Vice President (since 2002), formerly, Assistant Vice President (since 2000) of Nuveen Investments, LLC.</p> |
| <p>Peter H. D'Arrigo 11/28/67 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Vice President</p> | <p>1999</p> | <p>Vice President and Treasurer of Nuveen Investments, LLC and Nuveen Investments, Inc. (since 1999); Vice President and Treasurer of Nuveen Asset Management (since 2002) and of Nuveen Investment Advisers Inc. (since 2002); Assistant Treasurer of Nuveen Investment Management Company (since 2002); Vice President and Treasurer of Nuveen Rittenhoff Asset Management, Inc. (since 2003); Treasurer of Symphony Management LLC (since 2003); Treasurer of Santa Barbara Asset Management (since 2006); Assistant Treasurer of Tradewinds NWQ Global Investments, LLC (since 2006); formerly, President and Treasurer (1999-2003) of Nuveen Advisory Corp. and Institutional Advisory Corp. Chartered Financial Analyst.</p> |
| <p>John N. Desmond 8/24/61 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Vice President</p> | <p>2005</p> | <p>Vice President, Director of Investment Operations, Nuveen Investments, LLC (since January 2005); formerly, Director, Business Development, Deutsche Asset Management (2003- 2004), Director, Business Development and Transformation, Deutsche Trust Bank Japan (2002-2003); previously, Senior Vice President, Head of Investment Operations and Systems, Scudder Investments Japan, (2000-2000); Senior Vice President, Head of Administration and Participations Services, Scudder Investment Services (1995-2002).</p> |

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NAME, BIRTHDATE POSITION(S) HELD YEAR FIRST ELECTED PRINCIPAL OCCUPATION(S)

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| AND ADDRESS | WITH THE FUNDS | OR APPOINTED (4) | DURING PAST 5 YEARS |
|---|---|------------------|---|
| <hr/> | | | |
| OFFICERS OF THE FUNDS (CONTINUED) | | | |
| <hr/> | | | |
| Jessica R. Droeger 9/24/64 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Secretary | 1998 | Vice President (since 2002), Assistant Secretary and Assi General Counsel (since 1998) formerly, Assistant Vice Pre (since 1998) of Nuveen Inves LLC; Vice President (2002-20 Assistant Secretary (1998-20 formerly, Assistant Vice Pre of Nuveen Advisory Corp. and Institutional Advisory Corp. Vice President and Assistant Secretary (since 2005) of Nu Asset Management. |
| <hr/> | | | |
| Lorna C. Ferguson 10/24/45 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 1998 | Managing Director (since 200 formerly, Vice President of Investments, LLC, Managing D (2004) formerly, Vice Presid (1998-2004) of Nuveen Adviso Corp. and Nuveen Institution Advisory Corp.(3); Managing Director (since 2005) of Nuv Asset Management. |
| <hr/> | | | |
| William M. Fitzgerald 3/2/64 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 1995 | Managing Director (since 200 formerly, Vice President of Investments, LLC; Managing D (1997-2004) of Nuveen Adviso Corp. and Nuveen Institution Advisory Corp.(3); Managing Director (since 2001) of Nuv Asset Management; Vice Presi (since 2002) of Nuveen Inves Advisers Inc.; Chartered Fin Analyst. |
| <hr/> | | | |
| Stephen D. Foy 5/31/54 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Controller | 1998 | Vice President (since 1993) Funds Controller (since 1998) Nuveen Investments, LLC; for Vice President and Funds Con (1998-2004) of Nuveen Invest Inc.; Certified Public Accou |
| <hr/> | | | |
| Walter M. Kelly 2/24/70 333 West Wacker Drive Chicago, IL 60606 | Chief Compliance Officer and Vice President | 2003 | Vice President and Assistant Secretary (since 2006) forme Assistant Vice President and Assistant General Counsel (s 2003) of Nuveen Investments, Vice President (since 2006) Assistant Secretary (since 2 formerly, Assistant Vice Pre of Nuveen Asset Management; previously, Associate (2001- at the law firm of Vedder, P Kaufman & Kammholz. |
| <hr/> | | | |
| David J. Lamb | Vice President | 2000 | Vice President (since 2000) |

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3/22/63
333 W. Wacker Drive
Chicago, IL 60606

Nuveen Investments, LLC; Cer
Public Accountant.

Tina M. Lazar
8/27/61
333 W. Wacker Drive
Chicago, IL 60606

Vice President 2002

Vice President of Nuveen
Investments, LLC (since 1999)

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Board Members
AND OFFICERS (CONTINUED)

| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED (4) | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|--------------------------------|------------------------------------|--|--|
|--------------------------------|------------------------------------|--|--|

OFFICERS OF THE FUNDS (CONTINUED)

Larry W. Martin
7/27/51
333 W. Wacker Drive
Chicago, IL 60606

Vice President
and Assistant
Secretary 1988

Vice President, Assistant Se
and Assistant General Counse
Nuveen Investments, LLC; for
Vice President and Assistant
Secretary of Nuveen Advisory
and Nuveen Institutional Adv
Corp.(3); Vice President (si
2005) and Assistant Secretar
Nuveen Investments, Inc.; Vi
President (since 2005) and
Assistant Secretary (since 1
Nuveen Asset Management; Vic
President (since 2000), Assi
Secretary and Assistant Gene
Counsel (since 1998) of Ritt
Asset Management, Inc.; Vice
President and Assistant Secr
of Nuveen Investments Advise
(since 2002); Assistant Secr
of NWQ Investment Management
Company, LLC (since 2002), S
Asset Management LLC (since
and Tradewinds NWQ Global
Investors, LLC and Santa Bar
Asset Management, LLC (since

- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, because he is an officer and board member of the Adviser.
- (2) Board members serve a three year term until his/her successor is elected. The year first elected or appointed represents the year in which the board member was first elected or appointed to any fund in the Nuveen Complex.
- (3) Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. were

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reorganized into Nuveen Asset Management, effective January 1, 2005.

- (4) Officers serve one year terms through July of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed to any fund in the Nuveen Complex.

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Reinvest Automatically
EASILY AND CONVENIENTLY

NUVEEN CLOSED-END FUNDS
DIVIDEND REINVESTMENT PLAN

Your Nuveen 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.

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

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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.

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AUTOMATIC DIVIDEND REINVESTMENT PLAN

NOTICE OF AMENDMENT TO THE TERMS AND CONDITIONS

Each of the Funds amended the terms and conditions of its Automatic Dividend Reinvestment Plan (the "Plan") as further described below effective 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 WAS POSSIBLE UNDER THE TERMS OF THE PLAN PRIOR TO AMENDMENT. Shareholders who do not wish to continue as participants under the amended Plan may withdraw from the Plan by notifying the Plan Agent. 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 of capital automatically reinvested in additional Fund shares. Under the Plan's terms prior to amendment, the Plan Agent purchased Fund shares in the open market if the Fund's shares were trading at a discount to their net asset value on the payable date for the distribution. If the Fund's shares were trading at or above their net asset value on the payable date for the distribution, the Plan Agent purchased 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 permits Plan participants under these circumstances to reinvest Fund distributions at a lower aggregate cost than was possible under the terms of the Plan prior to amendment.

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Notes

Notes

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OTHER USEFUL
INFORMATION

QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

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

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

CEO CERTIFICATION DISCLOSURE

Each Fund's Chief Executive Officer has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Each Fund has filed with the Securities and Exchange Commission the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

DISTRIBUTION INFORMATION

Nuveen Quality Preferred Income Fund (JTP), Nuveen Quality Preferred Income Fund 2 (JPS) and Nuveen Quality Preferred Income Fund 3 (JHP) designate 29.94%, 29.61% and 25.31%, respectively, of dividends declared from net investment income as dividends qualifying for the 70% dividends received deduction for corporations and 39.52%, 38.59% and 35.69%, respectively, as qualified dividend income for individuals under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

GLOSSARY OF TERMS USED IN THIS REPORT

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

MARKET YIELD: Market yield is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly

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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 Preferred 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
Carole E. Stone
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

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(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

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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 \$162 billion in assets, as of December 31, 2006, 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.

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

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

EAN-E-1206D

NUVEEN LOGO

ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. [There were no amendments to or waivers from the Code during the period covered by this report.] The registrant has posted the code of ethics on its website at www.nuveen.com/etf. (To view the code, click on the Investor Resources drop down menu box, click on Fund Governance and then click on Code of Conduct.)

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ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's Board of Directors or Trustees determined that the registrant has at least one "audit committee financial expert" (as defined in Item 3 of Form N-CSR) serving on its Audit Committee. The registrant's audit committee financial expert is Jack B. Evans, Chairman of the Audit Committee, who is "independent" for purposes of Item 3 of Form N-CSR.

Mr. Evans was formerly President and Chief Operating Officer of SCI Financial Group, Inc., a full service registered broker-dealer and registered investment adviser ("SCI"). As part of his role as President and Chief Operating Officer, Mr. Evans actively supervised the Chief Financial Officer (the "CFO") and actively supervised the CFO's preparation of financial statements and other filings with various regulatory authorities. In such capacity, Mr. Evans was actively involved in the preparation of SCI's financial statements and the resolution of issues raised in connection therewith. Mr. Evans has also served on the audit committee of various reporting companies. At such companies, Mr. Evans was involved in the oversight of audits, audit plans, and the preparation of financial statements. Mr. Evans also formerly chaired the audit committee of the Federal Reserve Bank of Chicago.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Nuveen Quality Preferred Income Fund 2

The following tables show the amount of fees that Ernst & Young LLP, the Fund's auditor, billed to the Fund during the Fund's last two full fiscal years. For engagements with Ernst & Young LLP the Audit Committee approved in advance all audit services and non-audit services that Ernst & Young LLP provided to the Fund, except for those non-audit services that were subject to the pre-approval exception under Rule 2-01 of Regulation S-X (the "pre-approval exception"). The pre-approval exception for services provided directly to the Fund waives the pre-approval requirement for services other than audit, review or attest services if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid by the Fund to its accountant during the fiscal year in which the services are provided; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the audit is completed.

The Audit Committee has delegated certain pre-approval responsibilities to its Chairman (or, in his absence, any other member of the Audit Committee).

SERVICES THAT THE FUND'S AUDITOR BILLED TO THE FUND

| FISCAL YEAR ENDED | AUDIT FEES BILLED TO FUND (1) | AUDIT-RELATED FEES BILLED TO FUND (2) | TAX FEES BILLED TO FUND (3) |
|---|----------------------------------|--|--------------------------------|
| December 31, 2006 | \$ 30,313 | \$ 0 | \$ 800 |
| Percentage approved pursuant to pre-approval exception | 0% | 0% | 0% |
| December 31, 2005 | \$ 28,211 | \$ 0 | \$ 3,823 |

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| | | | |
|--|----|----|----|
| Percentage approved pursuant to pre-approval exception | 0% | 0% | 0% |
|--|----|----|----|

(1) "Audit Fees" are the aggregate fees billed for professional services for the audit of the Fund's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

(2) "Audit Related Fees" are the aggregate fees billed for assurance and related services reasonably related to the performance of the audit or review of financial statements and are not reported under "Audit Fees".

(3) "Tax Fees" are the aggregate fees billed for professional services for tax advice, tax compliance, and tax planning.

(4) "All Other Fees" are the aggregate fees billed for products and services other than "Audit Fees", "Audit Related Fees", and "Tax Fees".

SERVICES THAT THE FUND'S AUDITOR BILLED TO THE ADVISER AND AFFILIATED FUND SERVICE PROVIDERS

The following tables show the amount of fees billed by Ernst & Young LLP to Nuveen Asset Management ("NAM" or the "Adviser"), and any entity controlling, controlled by or under common control with NAM ("Control Affiliate") that provides ongoing services to the Fund ("Affiliated Fund Service Provider"), for engagements directly related to the Fund's operations and financial reporting, during the Fund's last two full fiscal years.

The tables also show the percentage of fees subject to the pre-approval exception. The pre-approval exception for services provided to the Adviser and any Affiliated Fund Service Provider (other than audit, review or attest services) waives the pre-approval requirement if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid to Ernst & Young LLP by the Fund, the Adviser and Affiliated Fund Service Providers during the fiscal year in which the services are provided that would have to be pre-approved by the Audit Committee; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the Fund's audit is completed.

| FISCAL YEAR ENDED | AUDIT-RELATED FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS | TAX FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (1) | ALL BILLE AND AF SERVI |
|--|---|---|---------------------------------|
| December 31, 2006 | \$ 0 | \$ 5,400 | |
| Percentage approved pursuant to pre-approval exception | 0% | 0% | |
| December 31, 2005 | \$ 0 | \$ 4,950 | |

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| | | |
|--|----|----|
| Percentage approved pursuant to pre-approval exception | 0% | 0% |
|--|----|----|

(1) The amounts reported for the Fund under the column heading "Tax Fees" represents amounts billed to the Adviser exclusively for the preparation for the Fund's tax return, the cost of which is borne by the Adviser. In the aggregate, for all Nuveen funds for which Ernst & Young LLP serves as independent registered public accounting firm, these fees amounted to \$288,000 in 2006 and \$282,575 in 2005.

NON-AUDIT SERVICES

The following table shows the amount of fees that Ernst & Young LLP billed during the Fund's last two full fiscal years for non-audit services. For engagements entered into on or after May 6, 2003, the Audit Committee is required to pre-approve non-audit services that Ernst & Young LLP provides to the Adviser and any Affiliated Fund Services Provider, if the engagement related directly to the Fund's operations and financial reporting (except for those subject to the de minimis exception described above). The Audit Committee requested and received information from Ernst & Young LLP about any non-audit services that Ernst & Young LLP rendered during the Fund's last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating Ernst & Young LLP's independence.

| FISCAL YEAR ENDED | TOTAL NON-AUDIT FEES BILLED TO FUND | TOTAL NON-AUDIT FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (ENGAGEMENTS RELATED DIRECTLY TO THE OPERATIONS AND FINANCIAL REPORTING OF THE FUND) | TOTAL NON-AUDIT FEES BILLED TO AFFILIATED FUND SERVICE PROVIDERS (ENGAGEMENTS RELATED DIRECTLY TO THE OPERATIONS AND FINANCIAL REPORTING OF THE FUND) |
|-------------------|-------------------------------------|---|---|
| December 31, 2006 | \$ 4,750 | \$ 5,400 | \$ 0 |
| December 31, 2005 | \$ 7,573 | \$ 4,950 | \$ 0 |

"Non-Audit Fees billed to Adviser" for both fiscal year ends represent "Tax Fees" billed to Adviser in their respective amounts from the previous table.

Audit Committee Pre-Approval Policies and Procedures. Generally, the Audit Committee must approve (i) all non-audit services to be performed for the Fund by the Fund's independent accountants and (ii) all audit and non-audit services to be performed by the Fund's independent accountants for the Affiliated Fund Service Providers with respect to operations and financial reporting of the Fund. Regarding tax and research projects conducted by the independent

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accountants for the Fund and Affiliated Fund Service Providers (with respect to operations and financial reports of the Fund) such engagements will be (i) pre-approved by the Audit Committee if they are expected to be for amounts greater than \$10,000; (ii) reported to the Audit Committee chairman for his verbal approval prior to engagement if they are expected to be for amounts under \$10,000 but greater than \$5,000; and (iii) reported to the Audit Committee at the next Audit Committee meeting if they are expected to be for an amount under \$5,000.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant's Board of Directors or Trustees has a separately designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Robert P. Bremner, Lawrence H. Brown, Jack B. Evans, William J. Schneider and Eugene S. Sunshine.

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.

The Adviser has engaged Spectrum Asset Management, Inc. ("Spectrum" or "Sub-Adviser") as Sub-Adviser to provide discretionary investment advisory services. As part of these services, the Adviser has also delegated to the Sub-Adviser the full responsibility for proxy voting and related duties in accordance with the Sub-Adviser's policy and procedures. The Adviser periodically will monitor the Sub-Adviser's voting to ensure that they are carrying out their duties. The Sub-Adviser's proxy voting policies and procedures are summarized as follows:

Spectrum has adopted a Policy on Proxy Voting for Investment Advisory Clients (the "Voting Policy"), which provides that Spectrum aims to ensure that, when delegated proxy voting authority by a client, Spectrum act (1) solely in the interest of the client in providing for ultimate long-term stockholder value, and (2) without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Spectrum relies on the custodian bank to deliver proxies to Spectrum for voting.

Spectrum has selected Institutional Shareholder Services, Inc. ("ISS") to assist with Spectrum's proxy voting responsibilities. Spectrum generally follows ISS standard proxy voting guidelines which embody the positions and factors Spectrum considers important in casting proxy votes. In connection with each proxy vote, ISS prepares a written analysis and recommendation based on its guidelines. In order to avoid any conflict of interest for ISS, the CCO will require ISS to deliver additional information or certify that ISS has adopted policies and procedures to detect and mitigate such conflicts of interest in issuing voting recommendations. Spectrum also may obtain voting recommendations from two proxy voting services as an additional check on the independence of ISS' voting recommendations.

Spectrum may, on any particular proxy vote, diverge from ISS' guidelines or recommendations. In such a case, Spectrum's Voting Policy requires that: (i) the requesting party document the reason for the request; (ii) the approval of the Chief Investment Officer; (iii) notification to appropriate compliance personnel; (iv) a determination that the decision is not influenced by any conflict of interest; and (v) a written record of the process.

When Spectrum determines not to follow ISS' guidelines or recommendations, Spectrum classifies proxy voting issues into three broad categories: (1) Routine

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Administrative Items; (2) Special Interest Issues; and (3) Issues having the Potential for Significant Economic Impact, and casts proxy votes in accordance with the philosophy and decision guidelines developed for that category in the Voting Policy.

- Routine Administrative Items. Spectrum is willing to defer to management on matters a routine administrative nature. Examples of issues on which Spectrum will normally defer to management's recommendation include selection of auditors, increasing the authorized number of common shares and the election of unopposed directors.
- Special Interest Issues. In general, Spectrum will abstain from voting on shareholder social, political, environmental proposals because their long-term impact on share value cannot be calculated with any reasonable degree of confidence.
- Issues Having the Potential for Significant Economic Impact. Spectrum is not willing to defer to management on proposals which have the potential for major economic impact on the corporation and value of its shares and believes such issues should be carefully analyzed and decided by shareholders. Examples of such issues are classification of board of directors' cumulative voting and supermajority provisions, defensive strategies (e.g., greenmail prevention), business combinations and restructurings and executive and director compensation.

Conflicts of Interest. There may be a material conflict of interest when Spectrum votes, on behalf of a client, a proxy that is solicited by an affiliated person of Spectrum or another Spectrum client. To avoid such conflicts, Spectrum has established procedures under its Voting Policy to seek to ensure that voting decisions are based on a client's best interests and are not the product of a material conflict. In addition to employee monitoring for potential conflicts, the CCO reviews Spectrum's and its affiliates' material business relationships and personal and financial relationships of senior personnel of Spectrum and its affiliates to monitor for conflicts of interest.

If a conflict of interest is identified, Spectrum considers both financial and non-financial materiality to determine if a conflict of interest is material. If a material conflict of interest is found to exist, the CCO discloses the conflict to affected clients and obtains consent from each client in the manner in which Spectrum proposed to vote.

Spectrum clients can obtain a copy of the Voting Policy or information on how Spectrum voted their proxies by calling Spectrum's Compliance Department at (203) 322-0189.

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

The Adviser has engaged Spectrum Asset Management, Inc. (the "Sub-Adviser") as sub-adviser to provide discretionary investment advisory services. The following section provides information on the portfolio managers at the Sub-Adviser.

A. PORTFOLIO MANAGER BIOGRAPHIES:

MARK A. LIEB - Mr. Lieb is Chief Financial Officer and is responsible for business development. Prior to founding Spectrum in 1987, Mr. Lieb was a Founder, Director and Partner of DBL Preferred Management, Inc., a wholly owned corporate cash management subsidiary of Drexel Burnham Lambert, Inc. Mr. Lieb was instrumental in the formation and development of all aspects of DBL Preferred Management, Inc., including the daily management of preferred stock portfolios for institutional clients, hedging strategies, and marketing strategies. Mr. Lieb's prior employment included the development of the

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preferred stock trading desk at Mosley Hallgarten & Estabrook. BA Economics, Central Connecticut State College; MBA Finance, University of Hartford.

L. PHILLIP JACOBY, IV - Managing Director and Senior Portfolio Manager. Mr. Jacoby joined Spectrum in 1995 as Portfolio Manager. Previously, Mr. Jacoby was a Senior Investment Officer at USL Capital Corporation (a subsidiary of Ford Motor Corporation) and was a co-manager of a the preferred stock portfolio of its US Corporate Financing Division for six years. Mr. Jacoby began his career in 1981 with The Northern Trust Company, Chicago and then moved to Los Angeles to join E.F. Hutton & Co. as a Vice President and Institutional Salesman, Generalist Fixed Income Sales through most of the 1980s. BSBA (Finance), Boston University School of Management.

BERNARD M. SUSSMAN - Mr. Sussman is Chief Investment Officer and Chairman of Spectrum's Investment Committee. Prior to joining Spectrum in 1995, Mr. Sussman was with Goldman Sachs & Co. for nearly 18 years. A General Partner and head of the Preferred Stock Department, he was in charge of sales, trading and underwriting for all preferred products and was instrumental in the development of the hybrid (MIPS) market. He was a Limited Partner at Goldman Sachs from December 1994 through November 1996. BS Industrial Relations and MBA Finance, Cornell University. NASD Series 55 "Equity Trader Limited Representative".

B. OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGERS

| PORTFOLIO MANAGER | TYPE OF ACCOUNT MANAGED | NUMBER OF ACCOUNTS | ASSETS* |
|-------------------|--------------------------------|-----------------------|-----------------|
| Phillip Jacoby | Separately Managed accounts | 32 | \$2,482,964,695 |
| | Pooled Accounts | 16 | \$2,254,008,805 |
| | Registered Investment Vehicles | 10 | \$7,981,784,022 |
| Mark Lieb | Separately Managed accounts | 41 | \$2,491,238,774 |
| | Pooled Accounts | 16 | \$2,254,008,805 |
| | Registered Investment Vehicles | 10 | \$7,981,784,022 |
| Bernard Sussman | Separately Managed accounts | 37 | \$2,488,012,550 |
| | Pooled Accounts | 16 | \$2,254,008,805 |
| | Registered Investment Vehicles | 10 | \$7,981,784,022 |

C. POTENTIAL MATERIAL CONFLICTS OF INTEREST

There are no material conflicts of interest to report.

D. FUND MANAGER COMPENSATION

All employees of Spectrum Asset Management are paid a base salary and discretionary bonus. The bonus is paid quarterly and may represent a significant proportion of an individual's total annual compensation. Discretionary bonuses are determined by management after consideration of several factors including but not necessarily limited to:

- Changes in overall firm assets under management (employees have no direct incentive to increase assets)
- Portfolio performance relative to benchmarks
- Contribution to client servicing

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- Compliance with firm and/or regulatory policies and procedures
 - Work ethic
 - Seniority and length of service
 - Contribution to overall functioning of organization
- E. OWNERSHIP OF JPS SECURITIES AS OF DECEMBER 31, 2006

| NAME OF PORTFOLIO MANAGER | DOLLAR RANGE OF EQUITY SECURITIES BENEFICIALLY OWNED IN FUND |
|---------------------------|--|
| ----- | ----- |
| Phillip Jacoby | \$ 0 |
| Mark Lieb | \$ 100,001-\$500,000 |
| Bernard Sussman | \$\$100,001-\$500,000 |

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

Not applicable.

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

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

ITEM 11. CONTROLS AND PROCEDURES.

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

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the

exhibits in the sequence indicated.

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(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 because the code is posted on registrant's website at www.nuveen.com/etf and there were no amendments during the period covered by this report. (To view the code, click on the Investor Resources drop down menu box, click on Fund Governance and then Code of Conduct.)

(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 Quality Preferred Income Fund 2

By (Signature and Title)* /s/ Jessica R. Droeger

Jessica R. Droeger
Vice President and Secretary

Date: March 9, 2007

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: March 9, 2007

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

Stephen D. Foy

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Vice President and Controller
(principal financial officer)

Date: March 9, 2007

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