

NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2
Form N-Q
May 27, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21333

Nuveen Preferred and Convertible Income Fund 2

(Exact name of registrant as specified in charter)

333 West Wacker Drive, Chicago, Illinois 60606

(Address of principal executive offices) (Zip code)

Jessica R. Droeger Vice President and Secretary

333 West Wacker Drive, Chicago, Illinois 60606

(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 03/31/05

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

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

Item 1. Schedule of Investments

Portfolio of Investments (Unaudited)
Nuveen Preferred and Convertible Income Fund 2 (JQC)
March 31, 2005

Shares Description⁽¹⁾

Market
Value

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMP

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Market

| | | |
|---|---|--------------|
| COMMON STOCKS - 1.3% (0.9% of Total Investments) | | |
| Communications Equipment - 0.1% | | |
| 182,325 | Corning Incorporated # | \$ 2,029,277 |
| Diversified Financial Services - 0.4% | | |
| 163,728 | Gabelli Asset Management Inc. | 7,310,473 |
| Office Electronics - 0.1% | | |
| 110,126 | Xerox Corporation # | 1,668,409 |
| Oil & Gas - 0.5% | | |
| 140,807 | Kerr-McGee Corporation | 11,029,412 |
| Software - 0.2% | | |
| 172,555 | Computer Associates International, Inc. | 4,676,254 |
| Total Common Stock (cost \$25,160,085) | | 26,713,825 |

| Shares | Description ⁽¹⁾ | Coupon | Maturity | Ratings* | | Market Value |
|--|--|--------|----------|----------|-----|--------------|
| | | | | Moody's | S&P | |
| \$25 PAR (or similar) SECURITIES - 47.0% (31.9% of Total Investments) | | | | | | |
| Auto Components - 0.1% | | | | | | |
| 84,278 | Delphi Trust I | 8.250% | Ba3 | B+ | | 1,567,571 |
| Automobiles - 0.0% | | | | | | |
| 3,000 | DaimlerChrysler AG (CORTS) | 7.875% | A3 | BBB | | 75,420 |
| 2,000 | DaimlerChrysler Corp (PPLUS) | 7.250% | A3 | BBB | | 50,600 |
| Capital Markets - 4.5% | | | | | | |
| 112,800 | Bear Stearns Capital Trust III | 7.800% | A2 | BBB | | 2,930,544 |
| 107,600 | Bear Stearns Companies, Series G (a) | 5.490% | A3 | BBB | | 5,439,180 |
| 27,000 | BNY Capital Trust IV, Series E | 6.875% | A1 | A- | | 680,130 |
| 306,984 | BNY Capital Trust V, Series F | 5.950% | A1 | A- | | 7,521,108 |
| 204,700 | Compass Capital Trust III | 7.350% | A3 | BBB- | | 5,287,401 |
| 31,000 | CSFB USA, Series 2002-10 (SATURNS) | 7.000% | Aa3 | A+ | | 809,100 |
| 49,000 | First Union Capital II, Series II (CORTS) | 7.500% | A1 | BBB+ | | 1,264,200 |
| 22,600 | First Union Institutional Capital II (CORTS) | 8.200% | A1 | BBB+ | | 636,077 |
| 18,800 | First Union Institutional Capital II, Series III (CORTS) | 7.500% | A1 | BBB+ | | 477,708 |
| 12,300 | Goldman Sachs Group Inc., Series 2003-06 (SATURNS) | 6.000% | Aa3 | A+ | | 290,526 |
| 22,000 | JPMorgan Chase Capital Trust IX, Series I | 7.500% | A1 | A- | | 572,220 |
| 198,350 | Lehman Brothers Holdings Inc., Series C (a) | 5.940% | NR | BBB+ | | 10,314,200 |
| 96,800 | Lehman Brothers Holdings Inc., Series D (a) | 5.670% | A3 | BBB+ | | 4,840,000 |
| 425,000 | Lehman Brothers Holdings Inc., Series F (a) | 6.500% | A3 | BBB+ | | 11,177,500 |
| 239,000 | Merrill Lynch Capital Trust | 7.000% | A1 | A- | | 6,142,300 |
| 47,800 | Merrill Lynch Preferred Capital Trust | 7.750% | A1 | A- | | 1,249,014 |
| 186,200 | Merrill Lynch Preferred Capital Trust IV | 7.120% | A1 | A- | | 4,813,270 |
| 283,400 | Merrill Lynch Preferred Capital Trust V | 7.280% | A1 | A- | | 7,439,250 |
| 117,580 | Morgan Stanley (PPLUS) | 7.050% | Aa3 | A+ | | 2,974,774 |
| 211,850 | Morgan Stanley Capital Trust II | 7.250% | A1 | A- | | 5,467,849 |
| 203,200 | Morgan Stanley Capital Trust III | 6.250% | A1 | A- | | 4,996,688 |
| 137,900 | Morgan Stanley Capital Trust IV | 6.250% | A1 | A- | | 3,396,477 |
| 20,900 | Safeco Capital Trust I (CORTS) | 8.750% | Baa2 | BBB- | | 616,655 |

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| | | | | | Market |
|---|--|---------|------|------|------------|
| 16,800 | Safeco Capital Trust IV (CORTS) | 8.375% | Baa2 | BBB- | 445,368 |
| 16,400 | UBS Preferred Funding Trust III | 7.250% | A1 | AA- | 421,480 |
| Commercial Banks - 10.9% | | | | | |
| 301,600 | Abbey National plc | 7.375% | A2 | A- | 7,901,920 |
| 53,700 | Abbey National plc, Series B | 7.250% | A1 | A- | 1,380,627 |
| 34,200 | Abbey National plc, Series B | 7.375% | A2 | A | 913,140 |
| 863,770 | ABN AMRO Capital Fund Trust V | 5.900% | A2 | A | 20,454,074 |
| 80,779 | ABN AMRO Capital Fund Trust VI | 6.250% | A2 | A | 1,999,280 |
| 17,021 | ABN AMRO Capital Trust Fund VII | 6.080% | A2 | A | 415,823 |
| 113,300 | ASBC Capital I | 7.625% | Baa1 | BBB- | 2,968,460 |
| 203,410 | BAC Capital Trust I | 7.000% | Aa3 | A | 5,227,637 |
| 560,200 | BAC Capital Trust II | 7.000% | Aa3 | A | 14,469,966 |
| 163,900 | BAC Capital Trust III | 7.000% | Aa3 | A | 4,259,761 |
| 1,010,000 | Banco Santander | 6.410% | A2 | BBB+ | 25,805,500 |
| 71,750 | Banco Totta & Acores Finance, Series A | 8.875% | A3 | NR | 1,926,043 |
| 20,400 | BancWest Capital I | 9.500% | A3 | A- | 532,440 |
| 13,400 | Banesto Holdings, Series A, 144A | 10.500% | A2 | NR | 408,700 |
| 167,700 | Bank One Capital Trust VI | 7.200% | A1 | A- | 4,343,430 |
| 32,200 | Bank One Capital V | 8.000% | A1 | A- | 837,200 |
| 51,900 | BankNorth Capital Trust II | 8.000% | A3 | BB+ | 1,347,843 |
| 145,800 | Chittenden Capital Trust I | 8.000% | Baa1 | BB+ | 3,787,884 |
| 146,500 | Cobank ABC, 144A | 7.000% | NR | NR | 7,829,107 |
| 110,200 | Comerica Capital Trust I | 7.600% | A3 | BBB+ | 2,826,630 |
| 18,900 | Fleet Capital Trust II (CORTS) | 8.000% | Aa3 | A | 497,070 |
| 512,200 | Fleet Capital Trust VII | 7.200% | Aa3 | A | 13,163,540 |
| 430,300 | Fleet Capital Trust VIII | 7.200% | Aa3 | A | 11,106,043 |
| 35,000 | KeyCorp (PCARS) | 7.500% | A3 | NR | 924,350 |
| 104,400 | KeyCorp Capital Trust V | 5.875% | A3 | BBB | 2,536,920 |
| 29,600 | KeyCorp, Series 2001-7 (CORTS) | 7.750% | A3 | BBB | 761,016 |
| 34,300 | KeyCorp, Series B (CORTS) | 8.250% | A3 | BBB | 895,916 |
| 85,500 | National Commerce Capital Trust II | 7.700% | A1 | A- | 2,223,855 |
| 63,900 | National Westminster Bank plc, Series A | 7.875% | Aa2 | A+ | 1,640,952 |
| 21,700 | ONB Capital Trust II | 8.000% | Baa2 | BB+ | 563,115 |
| 54,200 | PNC Capital Trust | 6.125% | A3 | BBB | 1,308,388 |
| 26,000 | Regions Finance Trust I | 8.000% | A2 | BBB+ | 668,460 |
| 300,700 | Royal Bank of Scotland Group plc, Series L | 5.750% | A1 | A | 7,162,674 |
| 155,300 | SunTrust Capital Trust IV | 7.125% | A1 | A- | 3,953,938 |
| 108,900 | SunTrust Capital Trust V | 7.050% | A1 | A- | 2,784,573 |
| 664,800 | USB Capital Trust III | 7.750% | Aa3 | A- | 17,318,040 |
| 332,900 | USB Capital Trust IV | 7.350% | Aa3 | A- | 8,672,045 |
| 297,800 | USB Capital Trust V | 7.250% | Aa3 | A- | 7,623,680 |
| 39,100 | VNB Capital Trust I | 7.750% | Baa1 | BBB | 1,011,908 |
| 47,000 | Washington Mutual Capital Trust I, Series 2001-22, Class A-1 (CORTS) | 7.650% | Baa1 | BBB | 1,213,070 |
| 40,000 | Wells Fargo Capital Trust IV | 7.000% | Aa2 | A | 1,030,000 |
| 480,300 | Wells Fargo Capital Trust V | 7.000% | Aa2 | A | 12,295,680 |
| 112,800 | Wells Fargo Capital Trust VI | 6.950% | Aa2 | A- | 2,878,656 |
| 236,550 | Wells Fargo Capital Trust VII | 5.850% | Aa2 | A | 5,719,779 |
| 117,300 | Zions Capital Trust B | 8.000% | Baa1 | BB+ | 3,097,893 |
| Computers & Peripherals - 0.1% | | | | | |
| 16,400 | IBM Inc. (CORTS) | 7.125% | A1 | A+ | 426,892 |
| 28,200 | IBM Inc., Series 2001-1 (SATURNS) | 7.125% | A1 | A+ | 727,560 |
| 11,000 | IBM Trust II (CORTS) | 7.125% | A1 | A+ | 283,800 |
| 18,300 | IBM Trust IV (CORTS) | 7.000% | A1 | A+ | 483,120 |
| Consumer Finance - 0.8% | | | | | |
| 40,900 | Household Capital Trust VI | 8.250% | A2 | BBB+ | 1,068,717 |
| 98,100 | Household Capital Trust VII | 7.500% | A2 | BBB+ | 2,550,600 |
| 62,200 | HSBC Finance Corporation | 6.875% | A1 | A | 1,624,664 |
| 18,300 | SLM Corporation | 6.000% | A2 | A | 452,376 |
| 174,000 | SLM Corporation, Series A (a) | 6.970% | Baa1 | BBB+ | 9,570,000 |

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Market

Diversified Financial Services - 5.0%

| | | | | | |
|-----------|--|--------|-----|------|------------|
| 13,800 | BBVA Preferred Capital Ltd., Series B | 7.750% | A1 | A- | 353,280 |
| 26,500 | CIT Group Incorporated (CORTS) | 7.750% | A3 | BBB+ | 722,920 |
| 268,800 | Citigroup Capital Trust IX | 6.000% | Aa2 | A | 6,556,032 |
| 193,100 | Citigroup Capital Trust VII | 7.125% | Aa2 | A | 4,978,118 |
| 1,072,422 | Citigroup Capital Trust VIII | 6.950% | Aa2 | A | 27,454,003 |
| 24,000 | Citigroup Inc., Series H (a) | 6.231% | Aa3 | NR | 1,242,000 |
| 1,600 | Citigroup, Series CIT (CORTS) | 6.750% | A3 | BBB+ | 41,104 |
| 40,100 | General Electric Capital Corporation | 6.625% | Aaa | AAA | 1,034,981 |
| 2,300 | Goldman Sachs Group Inc., Series 2004-04 (SATURNS) | 6.000% | A1 | A- | 53,705 |
| 5,000 | ING Capital Funding Trust II | 9.200% | A2 | A- | 126,750 |
| 722,775 | ING Group NV | 7.050% | NR | A- | 18,546,407 |
| 584,220 | ING Group NV | 7.200% | A2 | A- | 15,096,245 |
| 43,200 | JPM Capital Trust (CORTS) | 7.200% | A2 | A- | 1,104,192 |
| 9,900 | JPM Capital Trust I, Series 2001-1, Class A-1 (CORTS) | 7.850% | A1 | A- | 255,668 |
| 71,965 | JPMorgan Chase & Company (PCARS) | 7.125% | A2 | A- | 1,849,860 |
| 712,420 | JPMorgan Chase Capital Trust X | 7.000% | A1 | NR | 18,380,436 |
| 73,600 | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% | A1 | A- | 1,889,312 |
| 71,500 | Merrill Lynch Capital Trust II | 8.000% | A1 | A- | 1,893,320 |

Diversified Telecommunication Services - 0.6%

| | | | | | |
|--------|--|--------|------|----|-----------|
| 37,400 | BellSouth Capital Funding (CORTS) | 7.100% | A1 | A | 958,188 |
| 24,600 | BellSouth Corporation (CORTS) | 7.000% | Aa3 | A | 627,792 |
| 49,200 | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% | A2 | A | 1,252,140 |
| 30,800 | BellSouth Inc. (CORTS) | 7.000% | A2 | A | 797,720 |
| 70,600 | BellSouth Telecommunications (PPLUS) | 7.300% | Aa3 | A | 1,808,772 |
| 59,800 | Deutsche Telekom International Finance B.V., Series 2001-24, Class A-1 (CORTS) | 7.875% | Baa1 | A- | 1,574,534 |
| 59,000 | SBC Communications Inc. | 7.000% | A2 | A | 1,502,730 |
| 26,300 | Verizon Communications (CORTS) | 7.625% | A2 | A+ | 707,470 |
| 47,300 | Verizon Communications (CORTS) | 7.375% | A2 | A+ | 1,241,625 |
| 50,700 | Verizon New England Inc., Series B | 7.000% | A2 | NR | 1,307,046 |
| 29,900 | Verizon South Inc., Series F | 7.000% | A2 | A+ | 761,254 |

Electric Utilities - 0.6%

| | | | | | |
|---------|--|--------|------|------|-----------|
| 5,000 | Consolidated Edison Company | 7.250% | A2 | A- | 129,350 |
| 16,300 | Consolidated Edison Company of New York Inc. | 7.500% | A1 | A | 419,888 |
| 21,100 | DTE Energy Trust I | 7.800% | Baa3 | BB+ | 563,159 |
| 27,400 | Entergy Louisiana Inc. | 7.600% | Baa1 | A- | 715,140 |
| 6,900 | Entergy Mississippi Inc. | 7.250% | Baa2 | A- | 180,504 |
| 3,000 | Georgia Power Capital Trust V | 7.125% | A3 | BBB+ | 77,400 |
| 130,000 | Interstate Power and Light Company (a) | 7.100% | Baa3 | BBB- | 3,461,900 |
| 11,000 | Mississippi Power Capital Trust II | 7.200% | A2 | BBB+ | 283,195 |
| 4,500 | National Rural Utilities Cooperative Finance Corporation | 7.600% | A3 | BBB+ | 114,750 |
| 41,200 | National Rural Utilities Cooperative Finance Corporation | 6.100% | A3 | BBB+ | 992,096 |
| 4,000 | National Rural Utilities Cooperative Finance Corporation | 5.950% | A3 | BBB+ | 92,920 |
| 33,600 | Northern States Power Company | 8.000% | A3 | BBB- | 899,472 |
| 30,300 | Southern Company Capital Trust I (CORTS) | 7.375% | Baa1 | BBB+ | 778,862 |
| 13,900 | Southern Company Capital Trust I (CORTS) | 8.190% | Baa1 | BBB+ | 375,439 |
| 13,100 | Southern Company Capital Trust VI | 7.125% | Baa1 | BBB+ | 337,325 |
| 2,000 | Tennessee Valley Authority, Series A | 2.400% | Aaa | AAA | 47,340 |
| 122,500 | Virginia Power Capital Trust | 7.375% | Baa1 | BBB- | 3,203,375 |

Food Products - 0.4%

| | | | | | |
|--------|---|--------|------|------|-----------|
| 75,000 | Dairy Farmers of America Inc., 144A (a) | 7.875% | Baa3 | BBB- | 7,884,375 |
|--------|---|--------|------|------|-----------|

Gas Utilities - 0.1%

| | | | | | |
|--------|----------------------|--------|------|-----|-----------|
| 75,300 | AGL Capital Trust II | 8.000% | Baa2 | BBB | 1,954,788 |
|--------|----------------------|--------|------|-----|-----------|

Health Care Providers & Services - 0.8%

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| | | | | | Market |
|---|--|--------|------|------|------------|
| 587,500 | Aetna Incorporated | 8.500% | Baa1 | BBB+ | 15,333,750 |
| Industrial Conglomerates - 0.0% | | | | | |
| 1,500 | General Electric Company, Series GE (CORTS) | 6.800% | Aaa | AAA | 38,220 |
| Insurance - 7.7% | | | | | |
| 157,500 | ACE Capital Trust I, Series 1999 | 8.875% | Baa1 | BBB- | 3,992,625 |
| 1,171,383 | Ace Ltd., Series C | 7.800% | Baa2 | BBB- | 30,467,672 |
| 6,100 | Allstate Corporation (PCARS) | 7.150% | A2 | A- | 156,770 |
| 2,300 | AMBAC Financial Group Inc. | 7.000% | Aa2 | AA | 58,857 |
| 89,800 | AMBAC Financial Group Inc. | 5.950% | Aa2 | AA | 2,217,162 |
| 675,101 | Delphi Financial Group Inc. | 8.000% | Baa3 | BBB | 17,505,369 |
| 194,956 | EverestRe Capital Trust II | 6.200% | Baa1 | BBB | 4,466,442 |
| 91,500 | EverestRe Group Limited | 7.850% | Baa1 | BBB | 2,379,000 |
| 11,800 | Financial Security Assurance Holdings | 6.875% | Aa2 | AA | 300,900 |
| 284,700 | Hartford Capital Trust III, Series C | 7.450% | Baa1 | BBB | 7,302,555 |
| 43,900 | Hartford Life Capital Trust II, Series B | 7.625% | Baa1 | BBB | 1,134,815 |
| 56,500 | Lincoln National Capital Trust V, Series E | 7.650% | Baa1 | BBB | 1,450,920 |
| 1,402,300 | Lincoln National Capital Trust VI | 6.750% | Baa1 | BBB | 35,422,098 |
| 81,600 | PartnerRe Limited | 7.900% | A3 | BBB+ | 2,119,152 |
| 902,402 | PartnerRe Limited, Series C | 6.750% | Baa1 | BBB+ | 22,560,050 |
| 80,000 | PLC Capital Trust III | 7.500% | Baa1 | BBB+ | 2,065,600 |
| 67,200 | PLC Capital Trust IV | 7.250% | Baa1 | BBB+ | 1,747,200 |
| 13,800 | PLC Capital Trust V | 6.125% | Baa1 | BBB+ | 335,340 |
| 38,800 | Prudential plc | 6.750% | Baa1 | A | 987,072 |
| 3,400 | RenaissanceRe Holdings Limited, Series C | 6.080% | Baa2 | BBB+ | 80,240 |
| 115,800 | RenaissanceRe Holdings Ltd., Series A | 8.100% | Baa2 | BBB+ | 3,020,064 |
| 124,700 | RenaissanceRe Holdings Ltd., Series B | 7.300% | Baa2 | BBB+ | 3,217,260 |
| 24,900 | Safeco Capital Trust I (CORTS) | 8.700% | Baa2 | BBB- | 658,854 |
| 21,200 | Safeco Capital Trust I, Series 2001-4 (CORTS) | 8.750% | Baa2 | BBB- | 554,380 |
| 46,600 | Safeco Capital Trust III (CORTS) | 8.072% | Baa2 | BBB- | 1,233,036 |
| 37,900 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% | Baa2 | BBB- | 1,008,140 |
| 37,400 | Safeco Corporation, Series 2002-5 (SATURNS) | 8.250% | Baa2 | BBB- | 997,832 |
| 55,300 | Torchmark Capital Trust I | 7.750% | Baa1 | A- | 1,437,247 |
| 118,600 | W.R. Berkley Capital Trust, Series 2002-1, CBTCS | 8.125% | Baa3 | BBB- | 1,243,521 |
| 68,800 | XL Capital Ltd., Series A | 8.000% | Baa1 | BBB+ | 1,816,320 |
| 101,100 | XL Capital Ltd., Series B | 7.625% | Baa1 | BBB+ | 2,628,600 |
| Media - 0.1% | | | | | |
| 52,700 | Viacom Inc. | 7.300% | A3 | A- | 1,338,053 |
| Multi-Utilities & Unregulated Power - 0.2% | | | | | |
| 51,400 | Dominion CNG Capital Trust I | 7.800% | Baa1 | BBB- | 1,341,540 |
| 30,700 | Dominion Resources Capital Trust II | 8.400% | Baa2 | BBB- | 797,893 |
| 85,700 | Energy East Capital Trust I | 8.250% | Baa3 | BBB- | 2,245,340 |
| Oil & Gas - 0.9% | | | | | |
| 685,000 | Nexen Inc. | 7.350% | Baa3 | BB+ | 17,782,600 |
| Pharmaceuticals - 0.1% | | | | | |
| 50,000 | Bristol Myers Squibb Company (CORTS) | 6.250% | A1 | A+ | 1,275,000 |
| Real Estate - 11.6% | | | | | |
| 318,355 | AMB Property Corporation, Series L | 6.500% | Baa2 | BBB- | 7,952,508 |
| 77,100 | AvalonBay Communities, Inc., Series H | 8.700% | Baa2 | BBB | 2,117,166 |
| 220,400 | BRE Properties, Series B | 8.080% | Baa3 | BBB- | 5,688,524 |
| 251,600 | BRE Properties, Series D | 6.750% | Baa3 | BBB- | 6,056,012 |
| 1,166,500 | CarrAmerica Realty Corporation, Series E | 7.500% | Baa3 | BBB- | 30,049,040 |

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| | | | | | Market |
|--|--|--------|------|------|-------------|
| 104,100 | Developers Diversified Realty Corporation, Series G | 8.000% | Ba1 | BBB- | 2,688,903 |
| 1,264,845 | Developers Diversified Realty Corporation, Series H | 7.375% | Ba1 | BBB- | 31,836,149 |
| 21,100 | Duke Realty Corporation, Series K | 6.500% | Baa2 | BBB | 511,675 |
| 120,000 | Duke Realty Corporation, Series L | 6.600% | Baa2 | BBB | 2,876,400 |
| 98,000 | Duke-Weeks Realty Corporation | 6.625% | Baa2 | BBB | 2,384,340 |
| 25,000 | Duke-Weeks Realty Corporation, Series B | 7.990% | Baa2 | BBB | 1,278,908 |
| 5,400 | Duke-Weeks Realty Corporation, Series I | 8.450% | Baa2 | BBB | 138,348 |
| 192,100 | Equity Office Properties Trust, Series G | 7.750% | Baa3 | BBB | 4,908,155 |
| 3,200 | Equity Residential Properties Trust, Series C | 9.125% | Baa2 | BBB | 83,264 |
| 15,400 | Equity Residential Properties Trust, Series D | 8.600% | Baa2 | BBB | 407,330 |
| 467,489 | Equity Residential Properties Trust, Series N | 6.480% | Baa2 | BBB | 11,303,884 |
| 140,000 | Federal Realty Investment Trust | 8.500% | Baa3 | BBB- | 3,710,000 |
| 11,600 | First Industrial Realty Trust, Inc., Series C | 8.625% | Baa3 | BBB- | 306,530 |
| 425,129 | HRPT Properties Trust, Series A | 9.875% | Baa3 | BBB- | 11,134,129 |
| 458,600 | HRPT Properties Trust, Series B | 8.750% | Baa3 | BBB- | 12,258,378 |
| 99,800 | New Plan Excel Realty Trust, Series E | 7.625% | NR | BBB- | 2,608,772 |
| 3,997 | Prologis Trust, Series C | 8.540% | Baa2 | BBB | 241,444 |
| 96,275 | Prologis Trust, Series G | 6.750% | Baa2 | BBB | 2,406,875 |
| 299,600 | PS Business Parks Inc. | 7.000% | Ba1 | BBB- | 7,274,288 |
| 700 | PS Business Parks Inc., Series K | 7.950% | Ba1 | BBB- | 18,445 |
| 240,000 | PS Business Parks Inc., Series L | 7.600% | Ba1 | BBB- | 6,026,400 |
| 31,400 | Public Storage Inc., Series Q | 8.600% | Baa2 | BBB+ | 806,980 |
| 148,750 | Public Storage Inc., Series R | 8.000% | Baa2 | BBB+ | 3,839,238 |
| 51,760 | Public Storage Inc., Series S | 7.875% | Baa2 | BBB+ | 1,326,609 |
| 42,000 | Public Storage Inc., Series T | 7.625% | Baa2 | BBB+ | 1,071,420 |
| 173,800 | Public Storage Inc., Series U | 7.625% | Baa2 | BBB+ | 4,405,830 |
| 31,500 | Public Storage Inc., Series V | 7.500% | Baa2 | BBB+ | 807,345 |
| 166,100 | Regency Centers Corporation | 7.450% | Baa3 | BBB- | 4,177,415 |
| 20,500 | Simon Property Group, Inc., Series F | 8.750% | Baa2 | BBB- | 534,230 |
| 15,100 | Simon Property Group, Inc., Series G | 7.890% | Baa2 | BBB | 801,810 |
| 165,000 | Vornado Realty Trust | 6.625% | Baa3 | BBB- | 3,927,000 |
| 1,987,734 | Wachovia Preferred Funding Corporation | 7.250% | A2 | BBB+ | 55,656,552 |
| 130,000 | Weingarten Realty Trust, Series E | 6.950% | Baa1 | A- | 3,303,300 |
| Specialty Retail - 0.0% | | | | | |
| 27,200 | Sherwin Williams Company, Series III (CORTS) | 7.250% | A2 | A | 707,200 |
| Thriffs & Mortgage Finance - 1.7% | | | | | |
| 68,900 | Countrywide Capital III (PPLUS) | 8.050% | Baa1 | BBB+ | 1,865,812 |
| 79,000 | Countrywide Capital Trust II, Series II (CORTS) (a) | 8.000% | Baa1 | BBB+ | 2,093,500 |
| 666,900 | Countrywide Capital Trust IV | 6.750% | Baa1 | BBB+ | 16,752,528 |
| 23,100 | Fannie Mae (a) | 5.125% | Aa3 | AA- | 964,887 |
| 43,800 | Fannie Mae (a) | 3.780% | Aa3 | AA- | 2,193,066 |
| 55,000 | Fannie Mae (a) | 5.810% | Aa3 | AA- | 2,607,000 |
| 48,100 | Fannie Mae | 0.000% | Aa3 | AA- | 2,672,556 |
| 70,500 | Federal Home Loan Mortgage Corporation (a) | 6.000% | Aa3 | AA- | 3,528,525 |
| 26,000 | Federal Home Loan Mortgage Corporation (a) | 5.100% | Aa3 | AA- | 1,137,500 |
| 12,700 | Federal Home Loan Mortgage Corporation (a) | 5.000% | Aa3 | AA- | 534,035 |
| Wireless Telecommunication Services - 0.8% | | | | | |
| 28,000 | AT&T Wireless Services Equity, Series 2002-B (SATURNS) | 9.250% | Baa2 | A | 754,600 |
| 56,300 | AT&T Wireless, Series 2002-7 (CORTS) | 8.000% | Baa2 | A | 1,503,492 |
| 117,200 | Telephone and Data Systems Inc. | 7.600% | Baa1 | A- | 2,997,973 |
| 48,900 | United States Cellular Corporation | 8.750% | Baa1 | A- | 1,330,569 |
| 340,000 | United States Cellular Corporation | 7.500% | Baa1 | A- | 8,901,200 |
| Total \$25 Par (or similar) Securities (cost \$958,549,277) | | | | | 948,585,775 |
| CONVERTIBLE PREFERRED SECURITIES - 18.8% (12.8% of Total Investments) | | | | | |
| Automobiles - 1.1% | | | | | |
| 96,885 | Ford Motor Company Capital Trust II | 6.500% | Baa2 | BB | 4,392,766 |

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| | | | | | Market |
|--|--|--------|------|------|------------|
| 883,200 | General Motors Corporation | 6.250% | Baa2 | BBB- | 18,370,560 |
| Capital Markets - 0.5% | | | | | |
| 394,500 | Goldmand Sachs Group Inc., Series EMC | 6.125% | Aa3 | NR | 4,933,223 |
| 29,725 | State Street Corporation | 6.750% | NR | BB+ | 5,915,275 |
| Chemicals - 0.6% | | | | | |
| 179,435 | Celanese Corporation | 4.250% | NR | NR | 4,979,321 |
| 152,195 | Huntsman Corporation | 5.000% | NR | NR | 7,761,945 |
| Commercial Banks - 2.3% | | | | | |
| 12,090,000 | Fortis Insurance NV, 144A | 7.750% | A1 | A+ | 12,908,009 |
| 130,500 | HSBC Finance Corporation | 8.875% | A1 | A | 5,644,125 |
| 273,600 | National Australia Bank Limited | 7.875% | NR | NR | 10,041,120 |
| 217,375 | Sovereign Capital Trust IV, Convertible Security | 4.375% | Ba1 | BB | 10,298,141 |
| 115,725 | Washington Mutual Inc., Unit 1 Trust | 5.375% | Baa1 | BBB | 6,129,838 |
| Communications Equipment - 0.7% | | | | | |
| 9,200 | Lucent Technologies Capital Trust I | 7.750% | Caa1 | CCC- | 9,581,800 |
| 115 | Nortel Networks Corp | 7.000% | NR | NR | 5,412,058 |
| Construction Materials - 0.5% | | | | | |
| 216,700 | TXI Capital Trust I | 6.500% | B3 | B- | 10,325,755 |
| Consumer Finance - 0.1% | | | | | |
| 45,000 | Capital One Financial Corporation | 6.250% | Baa3 | BBB- | 2,275,200 |
| Containers & Packaging - 0.4% | | | | | |
| 149,000 | Temple Inland Inc. | 7.500% | Baa3 | BBB | 8,650,940 |
| Diversified Financial Services - 0.6% | | | | | |
| 281,600 | Citigroup Global Markets | 2.000% | Aa1 | AA- | 11,470,976 |
| Electric Utilities - 1.5% | | | | | |
| 260,000 | Centerpoint Energy Inc. | 2.000% | Ba2 | BBB- | 9,213,620 |
| 154,500 | FPL Group Inc. | 8.000% | NR | A- | 9,580,545 |
| 2,630,000 | PG&E Corporation | 9.500% | NR | NR | 7,094,425 |
| 38,215 | PNM Resources Inc. | 6.750% | NR | NR | 1,903,107 |
| Electrical Equipment - 0.2% | | | | | |
| 60,775 | General Cable Corporation, 144A | 5.750% | NR | NR | 4,360,606 |
| Electronic Equipment & Instruments - 0.6% | | | | | |
| 182,200 | Pioneer-Standard Financial Trust | 6.750% | B2 | NR | 11,638,025 |
| Food & Staples Retailing - 0.2% | | | | | |
| 180,520 | Albertson's, Inc. | 7.250% | Baa2 | BBB | 4,083,362 |
| Health Care Equipment & Supplies - 0.3% | | | | | |
| 124,000 | Baxter International Inc. | 7.000% | Baa1 | NR | 6,677,400 |

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Market

| Principal Amount (000)/ Shares | Description ⁽¹⁾ | Coupon | Maturity | Ratings* | | Market Value |
|---|--|---------|----------|----------|--|--------------|
| Hotels Restaurants & Leisure - 0.4% | | | | | | |
| 157,000 | Host Marriott Financial Trust | 6.750% | B2 | CCC+ | | 8,713,500 |
| Household Durables - 0.4% | | | | | | |
| 187,325 | Newell Financial Trust I | 5.250% | Baa3 | BBB- | | 8,734,028 |
| Insurance - 2.1% | | | | | | |
| 108,450 | Conseco Inc., Series B | 5.500% | Caa2 | B- | | 2,873,925 |
| 395,000 | Genworth Financial Inc. | 6.000% | A2 | A | | 12,679,500 |
| 167,000 | Reinsurance Group of America Inc. | 5.750% | Baa2 | BBB | | 9,727,750 |
| 147,000 | The Chubb Corporation | 7.000% | NR | A | | 4,358,550 |
| 100,000 | UnumProvident Corporation | 8.250% | Ba1 | BB+ | | 3,395,000 |
| 340,650 | XL Capital Ltd. | 6.500% | A2 | A | | 8,158,568 |
| Media - 0.7% | | | | | | |
| 137,000 | Emmis Communications Corporation, Series A | 6.250% | Caa1 | CCC+ | | 6,014,300 |
| 70,350 | Interpublic Group, Series A | 5.375% | NR | NR | | 3,198,815 |
| 97,500 | Sinclair Broadcast Group Inc., Series D | 6.000% | Caa1 | B- | | 4,082,813 |
| Metals & Mining - 0.5% | | | | | | |
| 24,300 | Phelps Dodge Corporation | 0.000% | NR | BB+ | | 5,125,356 |
| 36,000 | United States Steel Corporation, Series B | 7.000% | NR | B | | 5,948,640 |
| Multi-Utilities & Unregulated Power - 1.9% | | | | | | |
| 86,975 | Aquila Inc. | 6.750% | B2 | B- | | 3,021,512 |
| 181,625 | Dominion Resources Inc. | 8.750% | Baa1 | BBB+ | | 10,185,530 |
| 151,300 | Public Service Enterprise Group | 10.250% | Baa3 | BBB- | | 10,575,870 |
| 442,550 | Sempra Energy | 8.500% | NR | BBB+ | | 14,630,703 |
| Oil & Gas - 1.4% | | | | | | |
| 54,125 | Amerada Hess Corporation | 7.000% | Ba3 | BB | | 4,540,546 |
| 8,955 | Chesapeake Energy Corporation, 144A | 4.125% | NR | NR | | 12,929,901 |
| 222,100 | Teekay Shipping Corporation | 7.250% | NR | BB- | | 11,549,200 |
| Pharmaceuticals - 0.5% | | | | | | |
| 217,875 | Schering-Plough Corporation | 6.000% | Baa3 | BBB | | 10,959,113 |
| Real Estate - 0.6% | | | | | | |
| 225,250 | Equity Office Properties Trust, Series B | 5.250% | Baa2 | BBB | | 11,458,465 |
| Thriffs & Mortgage Finance - 0.7% | | | | | | |
| 111 | Fannie Mae | 5.375% | Aa3 | AA- | | 10,434,000 |
| 140,000 | PMI Group Inc. | 5.875% | A1 | A | | 3,402,000 |
| Total Convertible Preferred Securities (cost \$352,576,706) | | | | | | 380,339,727 |

CONVERTIBLE BONDS - 26.4% (17.9% of Total Investments)

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Market

Aerospace & Defense - 0.4%

| | | | | | | |
|--------|---|--------|---------|----|-----|-----------|
| 38,600 | AAR Corporation, 144A | 2.875% | 2/01/24 | B2 | BB- | 3,681,475 |
| 49,000 | EDO Corporation, Convertible Subordinate Note | 5.250% | 4/15/07 | NR | NR | 5,047,000 |

Airlines - 0.2%

| | | | | | | |
|--------|-------------------------------------|--------|---------|----|----|-----------|
| 35,500 | Pinnacle Airlines Corporation, 144A | 3.250% | 2/15/25 | NR | NR | 3,505,625 |
|--------|-------------------------------------|--------|---------|----|----|-----------|

Automobiles - 0.1%

| | | | | | | |
|--------|----------------------------------|--------|----------|----|---|-----------|
| 10,250 | Fleetwood Enterprises Inc., 144A | 5.000% | 12/15/23 | B2 | B | 1,054,469 |
|--------|----------------------------------|--------|----------|----|---|-----------|

Biotechnology - 1.1%

| | | | | | | |
|--------|---|--------|---------|----|----|-----------|
| 50,000 | Cephalon Inc. | 0.000% | 6/15/33 | NR | B- | 4,756,250 |
| 37,900 | Imclone Systems Inc., 144A | 1.375% | 5/15/24 | NR | NR | 3,230,975 |
| 85,000 | Ivax Corporation, Convertible Senior Subordinated Notes | 4.500% | 5/15/08 | NR | NR | 8,553,125 |
| 59,750 | Ivax Corporation, Convertible Bonds, 144A | 1.500% | 3/01/24 | NR | NR | 6,131,844 |

Capital Markets - 0.2%

| | | | | | | |
|--------|---|--------|----------|----|---|-----------|
| 14,320 | Lehman Brothers Holdings Inc., Series GIS | 6.250% | 10/15/07 | A1 | A | 3,780,480 |
|--------|---|--------|----------|----|---|-----------|

Chemicals - 0.5%

| | | | | | | |
|--------|--------------------|--------|---------|------|----|-----------|
| 84,400 | The Mosaic Company | 7.500% | 7/01/06 | Caa1 | NR | 9,537,200 |
|--------|--------------------|--------|---------|------|----|-----------|

Commercial Services & Supplies - 0.3%

| | | | | | | |
|--------|---|--------|---------|-----|------|-----------|
| 70,000 | Electronic Data Systems, Convertible Senior Notes, 144A | 3.875% | 7/15/23 | Ba1 | BBB- | 6,947,500 |
|--------|---|--------|---------|-----|------|-----------|

Communications Equipment - 1.2%

| | | | | | | |
|--------|---|--------|----------|------|-----|-----------|
| 92,000 | Ciena Corporation | 3.750% | 2/01/08 | B2 | B | 7,900,500 |
| 34,810 | Corning Incorporated | 3.500% | 11/1/08 | Ba2 | BB+ | 3,990,096 |
| 10,565 | Liberty Media Corporation, Senior Debentures Exchangeable for Motorola Common Stock | 3.500% | 1/15/31 | Baa3 | BB+ | 8,267,113 |
| 44,750 | Powerwave Technologies Inc. | 1.825% | 11/15/24 | NR | NR | 4,234,469 |

Computers & Peripherals - 0.2%

| | | | | | | |
|--------|-------------------------------------|--------|---------|----|----|-----------|
| 32,500 | Mercury Computer Systems Inc., 144A | 2.000% | 5/01/24 | NR | NR | 3,522,188 |
|--------|-------------------------------------|--------|---------|----|----|-----------|

Construction & Engineering - 0.4%

| | | | | | | |
|--------|------------------------------|--------|---------|----|---|-----------|
| 85,000 | Quanta Services Incorporated | 4.000% | 7/01/07 | NR | B | 8,064,375 |
|--------|------------------------------|--------|---------|----|---|-----------|

Consumer Finance - 0.4%

| | | | | | | |
|--------|---|--------|---------|----|---|-----------|
| 80,000 | Providian Financial Corporation, Convertible Senior Notes | 3.250% | 8/15/05 | B2 | B | 8,030,000 |
|--------|---|--------|---------|----|---|-----------|

Containers & Packaging - 0.2%

| | | | | | | |
|--------|------------------------------|--------|---------|------|-----|-----------|
| 46,000 | Sealed Air Corporation, 144A | 3.000% | 6/30/33 | Baa3 | BBB | 4,634,500 |
|--------|------------------------------|--------|---------|------|-----|-----------|

Diversified Financial Services - 0.3%

| | | | | | | |
|--------|-------------------------------------|--------|---------|-----|----|-----------|
| 26,500 | JMH Finance Limited | 4.750% | 9/06/07 | NR | NR | 2,763,598 |
| 26,200 | Leucadia National Corporation, 144A | 3.750% | 4/15/14 | Ba3 | B+ | 2,600,350 |

Electric Utilities - 0.1%

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| | | | | | | Market |
|--|---|--------|----------|------|------|------------|
| 10,350 | Unisource Energy Corporation, Convertible Bonds, 144A | 4.500% | 3/01/35 | NR | NR | 1,091,925 |
| Electronic Equipment & Instruments - 0.7% | | | | | | |
| 21,000 | Anixter International Inc. | 0.000% | 6/28/20 | Ba3 | BB- | 7,481,250 |
| 70,200 | Vishay Intertechnology Inc. | 3.625% | 8/01/23 | B3 | B+ | 6,879,600 |
| Energy Equipment & Services - 2.2% | | | | | | |
| 34,950 | Cal Dive International Inc. | 3.250% | 12/15/25 | NR | NR | 3,591,113 |
| 84,000 | Diamond Offshore Drilling, Inc. | 1.500% | 4/15/31 | NR | A- | 9,880,500 |
| 85,000 | Maverick Tube Corporation | 4.000% | 6/15/33 | NR | NR | 11,900,000 |
| 71,150 | Pride International Inc. | 3.250% | 5/01/33 | Ba2 | BB- | 8,404,594 |
| 92,500 | Schlumberger Limited | 2.125% | 6/01/23 | A1 | A+ | 9,978,438 |
| 62,500 | Willbros Group Inc., 144A | 2.750% | 3/15/24 | NR | NR | 742,969 |
| Gas Utilities - 0.1% | | | | | | |
| 30,150 | Southern Union Company, Series B | 5.750% | 8/16/06 | Baa3 | NR | 2,248,580 |
| Health Care Equipment & Supplies - 0.7% | | | | | | |
| 57,450 | Advanced Medical Optics | 2.500% | 7/15/24 | B3 | B | 5,730,638 |
| 81,950 | Fisher Scientific International Inc. | 3.250% | 3/01/24 | Ba3 | BB+ | 8,348,656 |
| Health Care Providers & Services - 0.2% | | | | | | |
| 42,000 | Health Management Associates Inc. | 1.500% | 8/01/23 | Baa3 | BBB+ | 4,609,500 |
| Hotels Restaurants & Leisure - 3.1% | | | | | | |
| 18,205 | Carnival Corporation | 1.132% | 4/29/33 | A3 | A- | 14,222,656 |
| 75,000 | Hilton Hotels Corporation | 3.375% | 4/15/23 | Baa3 | BBB- | 8,718,750 |
| 71,250 | Kerzner International Limited, 144A | 2.375% | 4/15/24 | B2 | B | 8,665,781 |
| 16,000 | Royal Caribbean Cruises Limited, Senior Convertible Zero Coupon Liquid Yield Option Notes | 0.000% | 2/02/21 | Ba1 | BB+ | 8,480,000 |
| 84,750 | Scientific Games Corporation | 0.750% | 12/01/24 | B2 | B+ | 8,263,125 |
| 47,500 | Six Flags Inc. | 4.500% | 5/15/15 | Caa1 | CCC | 4,423,438 |
| 77,550 | Starwood Hotels and Resorts Worldwide Inc. | 3.500% | 5/16/23 | Ba1 | BB+ | 9,722,831 |
| Industrial Conglomerates - 0.9% | | | | | | |
| 46,500 | Tyco International Group Limited, Convertible Notes, 144A | 3.125% | 1/15/23 | Ba1 | BBB | 7,381,875 |
| 72,000 | Tyco International Group SA | 3.125% | 1/15/23 | Baa3 | BBB | 11,430,000 |
| Internet & Catalog Retail - 0.2% | | | | | | |
| 23,950 | Overstock.com, Inc. | 3.750% | 12/01/11 | NR | NR | 2,206,394 |
| 27,800 | Overstock.com, Inc. | 3.750% | 12/01/11 | NR | NR | 2,561,075 |
| Internet Software & Services - 0.2% | | | | | | |
| 78,850 | Open Solutions Inc., 144A | 1.467% | 2/02/35 | NR | NR | 4,050,919 |
| IT Services - 0.3% | | | | | | |
| 71,000 | Digital River Inc., 144A | 1.250% | 1/01/24 | NR | NR | 6,922,500 |
| Leisure Equipment & Products - 0.7% | | | | | | |
| 48,500 | Collegiate Pacific Inc. | 5.750% | 12/01/09 | NR | NR | 5,007,625 |
| 70,000 | Hasbro Inc. | 2.750% | 12/01/21 | Baa3 | BBB- | 7,595,000 |
| 11,650 | K2 Corporation, Convertible Notes, 144A | 5.000% | 6/15/10 | NR | NR | 1,520,325 |

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Market

| Machinery - 0.3% | | | | | | |
|--|--|--------|----------|------|------|------------|
| 56,350 | AGCO Corporation | 1.750% | 12/31/33 | B1 | BB- | 5,585,694 |
| Media - 3.8% | | | | | | |
| 10,400 | Charter Communications Inc. | 5.875% | 11/16/09 | Ca | CCC- | 900,900 |
| 415,000 | Comcast Corporation | 2.000% | 10/15/29 | Ba2 | BBB- | 17,430,000 |
| 80,500 | The Walt Disney Company, Convertible Senior Notes | 2.125% | 4/15/23 | Baa1 | BBB+ | 8,885,188 |
| 45,000 | Interpublic Group Companies Inc. | 4.500% | 3/15/23 | Baa3 | BB- | 5,557,500 |
| 26,800 | Liberty Media Corporation, Senior Debentures, Exchangeable for PCS Common Stock, Series 1 | 4.000% | 11/15/29 | Baa3 | BB+ | 17,822,000 |
| 11,000 | Liberty Media Corporation, Senior Debentures, Exchangeable for Class B Viacom Common Stock | 3.250% | 3/15/31 | Baa3 | BB+ | 9,446,250 |
| 6,990 | Liberty Media Corporation | 0.750% | 3/30/23 | Baa3 | BB+ | 7,689,000 |
| 3,540 | Lions Gate Entertainment Corporation, 144A | 2.938% | 10/15/24 | NR | NR | 4,079,850 |
| 3,300 | Lions Gate Entertainment Corporation, 144A | 3.625% | 3/15/25 | NR | NR | 3,514,500 |
| Metals & Mining - 0.2% | | | | | | |
| 45,100 | Trizec Hahn Corporation | 3.000% | 1/29/21 | Ba1 | NR | 3,568,538 |
| Oil & Gas - 0.6% | | | | | | |
| 52,900 | Devon Energy Corporation | 4.900% | 8/15/08 | Baa2 | BBB | 6,096,725 |
| 34,400 | McMoran Exploration Corporation, Notes, 144A | 6.000% | 7/02/08 | NR | NR | 5,478,200 |
| Pharmaceuticals - 1.9% | | | | | | |
| 18,450 | Abgenix Inc., Senior Convertible Note, 144A | 1.750% | 12/15/11 | NR | NR | 1,538,269 |
| 45,800 | Alexion Pharmaceuticals Inc., 144A | 1.375% | 2/01/12 | NR | NR | 4,253,675 |
| 95,300 | Allergan Inc., Convertible Zero Coupon Senior Notes | 0.000% | 11/06/22 | A3 | A | 8,350,663 |
| 12,550 | Atherogenics, Inc., 144A | 4.500% | 9/01/08 | NR | NR | 1,463,644 |
| 70,000 | OSI Pharmaceuticals, Inc. | 3.250% | 9/08/23 | NR | NR | 7,997,500 |
| 43,500 | Valeant Pharmaceuticals International, 144A | 3.000% | 8/16/10 | NR | B | 4,192,313 |
| 25,450 | Valeant Pharmaceuticals International, 144A | 4.000% | 11/15/13 | NR | B | 2,459,106 |
| 85,000 | Wyeth, 144A | 1.000% | 1/15/24 | Baa1 | A | 8,756,955 |
| Real Estate - 0.2% | | | | | | |
| 36,250 | Avatar Holdings Inc., 144A | 4.500% | 4/01/24 | NR | NR | 3,878,750 |
| Semiconductors & Equipment - 1.4% | | | | | | |
| 78,500 | ASM International NV | 4.250% | 12/6/11 | NR | B- | 8,065,875 |
| 61,800 | Advanced Micro Devices Inc. | 0.000% | 2/01/22 | B3 | B- | 6,141,375 |
| 83,250 | Agere Systems Inc. | 6.500% | 12/15/09 | B3 | B | 8,564,344 |
| 55,000 | ASM Lithography Holding NV | 5.750% | 10/15/06 | B2 | NR | 6,133,600 |
| Software - 0.6% | | | | | | |
| 71,000 | Mentor Graphics Corporation, Convertible Subordinate Notes | 6.875% | 6/15/07 | NR | NR | 7,348,500 |
| 45,250 | Sybase Inc., 144A | 1.750% | 2/22/25 | NR | NR | 4,406,219 |
| Specialty Retail - 1.6% | | | | | | |
| 78,200 | Charming Shoppes Inc. | 4.750% | 6/01/12 | B2 | BB- | 8,250,100 |
| 11,450 | Lowe's Companies, Inc. | 0.000% | 2/16/21 | A2 | A+ | 10,805,938 |
| 87,000 | Sonic Automotive Inc., Convertible Senior Subordinated Notes | 5.250% | 5/07/09 | B3 | B+ | 8,689,125 |
| 59,000 | The TJX Companies, Inc. | 0.000% | 2/13/21 | Baa1 | A- | 4,992,875 |
| Textiles & Apparel - 0.3% | | | | | | |

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| | | | | | | Market |
|---|---|---------|----------|------|------|-------------|
| 60,250 | Reebok International Limited, Series B | 2.000% | 5/01/24 | Baa3 | BBB | 6,454,281 |
| Wireless Telecommunication Services - 0.6% | | | | | | |
| 29,750 | NII Holdings Inc., 144A | 3.500% | 9/15/33 | NR | NR | 6,660,281 |
| 41,000 | NII Holdings Inc., 144A | 2.875% | 2/01/34 | NR | NR | 5,181,375 |
| Total Convertible Bonds (cost \$512,134,782) | | | | | | 532,932,297 |
| CORPORATE BONDS - 15.8% (10.8% of Total Investments) | | | | | | |
| Aerospace & Defense - 0.2% | | | | | | |
| 3,500 | K&F Aquisition Inc. | 7.750% | 11/15/14 | Caa1 | B- | 3,412,500 |
| Auto Components - 0.4% | | | | | | |
| 3,550 | Affinia Group Inc. | 9.000% | 11/30/14 | Caa1 | B | 3,301,500 |
| 4,000 | Tenneco Auto, Inc. | 10.250% | 7/15/13 | B2 | B- | 4,480,000 |
| Automobiles - 1.5% | | | | | | |
| 7,570 | Ford Motor Company, Debenture | 7.700% | 5/15/97 | Baa1 | BBB- | 6,537,535 |
| 17,095 | Ford Motor Company, Debentures | 9.980% | 2/15/47 | Baa1 | BBB- | 18,835,015 |
| 4,814 | General Motors Corporation, Senior Debentures | 8.375% | 7/15/33 | Baa2 | BBB- | 4,129,459 |
| Building Products - 0.2% | | | | | | |
| 4,000 | Jacuzzi Brands Inc. | 9.625% | 7/01/10 | B3 | B | 4,420,000 |
| Chemicals - 0.7% | | | | | | |
| 6,500 | OM Group Inc. | 9.250% | 12/15/11 | Caa1 | B- | 6,727,500 |
| 3,500 | Resolution Performance Products LLC | 8.000% | 12/15/09 | B2 | B | 3,692,500 |
| 3,000 | Rockwood Specialties Group | 7.500% | 11/15/14 | B3 | B- | 3,015,000 |
| Commercial Services & Supplies - 0.2% | | | | | | |
| 1,518 | IOS Capital LLC, Senior Notes | 7.250% | 6/30/08 | Ba1 | BB | 1,584,470 |
| 2,000 | Williams Scotsman Inc. | 10.000% | 8/15/08 | B2 | B | 2,150,000 |
| Construction Materials - 0.1% | | | | | | |
| 2,000 | Texas Industries Inc. | 10.250% | 6/15/11 | B1 | BB- | 2,275,000 |
| Containers & Packaging - 0.6% | | | | | | |
| 2,000 | Berry Plastics Corporation | 10.750% | 7/15/12 | B3 | B- | 2,265,000 |
| 3,450 | MDP Acquisitions plc, Senior Notes | 9.625% | 10/01/12 | B3 | B- | 3,726,000 |
| 3,000 | Owens-Brockway Glass Containers, Guaranteed Senior Note | 8.250% | 5/15/13 | B2 | B | 3,187,500 |
| 3,000 | Owens-Illinois Inc. | 7.500% | 5/15/10 | B3 | B | 3,105,000 |
| Electric Utilities - 0.1% | | | | | | |
| 2,000 | Midwest Generation LLC | 8.750% | 5/01/34 | B1 | B | 2,240,000 |
| Food & Staples Retailing - 0.1% | | | | | | |
| 3,000 | Stater Brothers Holdings Inc. | 8.125% | 6/15/12 | B1 | BB- | 2,910,000 |
| Food Products - 1.0% | | | | | | |
| 7,610 | Del Monte Corporation | 8.625% | 12/15/12 | B2 | B | 8,275,875 |
| 7,000 | Dole Foods Company | 7.875% | 7/15/13 | B2 | B+ | 7,525,000 |

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| | | | | | | Market |
|--|---|---------|----------|------|------|-----------|
| 1,096 | Dole Foods Company | 8.625% | 5/01/09 | B2 | B+ | 1,156,280 |
| 3,250 | Seminis Vegetable Seeds Inc. | 10.250% | 10/01/13 | B3 | B- | 3,851,250 |
| Health Care Equipment & Supplies - 0.1% | | | | | | |
| 2,500 | Fisher Scientific International Inc. | 8.000% | 9/01/13 | Ba3 | BB+ | 2,731,250 |
| Health Care Providers & Services - 0.5% | | | | | | |
| 3,000 | Quintiles Transitional Corporation | 10.000% | 10/01/13 | B3 | B | 3,390,000 |
| 1,000 | Select Medical Corporation, 144A | 7.625% | 2/01/15 | B3 | B- | 1,005,000 |
| 2,000 | Service Corporation International | 7.700% | 4/15/09 | Ba3 | BB | 2,070,000 |
| 3,000 | US Oncology Inc., 144A | 10.750% | 8/15/14 | B3 | B- | 3,315,000 |
| Hotels Restaurants & Leisure - 2.2% | | | | | | |
| 5,190 | Aztar Corporation | 9.000% | 8/15/11 | Ba3 | B+ | 5,631,150 |
| 2,345 | Boyd Gaming Corporation | 8.750% | 4/15/12 | B1 | B+ | 2,550,188 |
| 4,075 | Boyd Gaming Corporation | 7.750% | 12/15/12 | B1 | B+ | 4,288,938 |
| 3,172 | Dominos Inc. | 8.250% | 7/01/11 | B2 | B- | 3,330,600 |
| 1,500 | Herbst Gaming Inc. | 7.000% | 11/15/14 | B3 | B- | 1,500,000 |
| 4,100 | Intrawest Corporation | 7.500% | 10/15/13 | B1 | B+ | 4,130,750 |
| 2,000 | Landry's Restaurants Inc., 144A | 7.500% | 12/15/14 | B2 | B | 1,950,000 |
| 2,000 | MGM Mirage, Inc. | 6.750% | 8/01/07 | Ba2 | BB+ | 2,045,000 |
| 3,500 | Park Place Entertainment | 7.875% | 12/15/05 | Ba2 | BB- | 3,583,125 |
| 1,000 | Park Place Entertainment | 9.375% | 2/15/07 | Ba2 | BB- | 1,066,250 |
| 1,000 | Park Place Entertainment | 7.875% | 3/15/10 | Ba2 | BB- | 1,095,000 |
| 4,000 | Penn National Gaming Inc., Senior Subordinated Notes | 8.875% | 3/15/10 | B2 | B | 4,260,000 |
| 3,000 | Pinnacle Entertainment Inc. | 8.750% | 10/01/13 | Caa1 | B- | 3,120,000 |
| 2,000 | Pinnacle Entertainment Inc. | 8.250% | 3/15/12 | Caa1 | B- | 2,010,000 |
| 4,000 | Universal City Development Partners | 11.750% | 4/01/10 | B2 | B- | 4,580,000 |
| Household Durables - 0.6% | | | | | | |
| 1,000 | D.R. Horton, Inc. | 10.500% | 4/01/05 | Ba1 | BB+ | 1,000,000 |
| 4,500 | K. Hovnanian Enterprises Inc., Senior Subordinate Notes | 8.875% | 4/01/12 | Ba2 | B+ | 4,837,500 |
| 5,000 | KB Home | 8.625% | 12/15/08 | Ba2 | BB- | 5,456,360 |
| Insurance - 0.1% | | | | | | |
| 2,500 | Fairfax Financial Holdings Ltd | 7.750% | 4/26/12 | Ba3 | BB | 2,425,000 |
| IT Services - 0.2% | | | | | | |
| 3,000 | Global Cash Access LLC | 8.750% | 3/15/12 | Caa1 | B- | 3,195,000 |
| Machinery - 0.3% | | | | | | |
| 3,000 | Terex Corporation, Senior Subordinated Notes | 10.375% | 4/01/11 | B3 | B | 3,277,500 |
| 3,000 | Terex Corporation, Senior Subordinated Notes | 9.250% | 7/15/11 | B3 | B | 3,285,000 |
| Media - 3.9% | | | | | | |
| 2,000 | AMC Entertainment Inc. | 8.000% | 3/01/14 | B3 | CCC+ | 1,920,000 |
| 6,900 | Allbritton Communications Company, Series B | 7.750% | 12/15/12 | B3 | B- | 6,831,000 |
| 6,000 | American Media Operations Inc., Series B | 10.250% | 5/01/09 | B3 | B- | 6,210,000 |
| 1,345 | American Media Operations Inc. | 8.875% | 1/15/11 | B3 | B- | 1,392,075 |
| 5,000 | Cablevision Systems Corporation, Series B | 8.125% | 8/15/09 | B1 | BB- | 5,300,000 |
| 3,000 | Cablevision Systems Corporation | 7.250% | 7/15/08 | B1 | BB- | 3,090,000 |
| 2,000 | Cablevision Systems Corporation | 8.125% | 7/15/09 | B1 | BB- | 2,120,000 |
| 2,000 | Charter Communications Operating LLC., 144A | 8.000% | 4/30/12 | B2 | B- | 2,000,000 |
| 6,000 | Cinemark USA Inc. | 9.000% | 2/01/13 | B3 | B- | 6,540,000 |
| 1,000 | Dex Media West LLC | 8.500% | 8/15/10 | B1 | B | 1,072,500 |
| 2,198 | Dex Media West LLC | 9.875% | 8/15/13 | B2 | B | 2,461,760 |
| 3,000 | Loews Cineplex Entertainment Corporation, 144A | 9.000% | 8/01/14 | B3 | CCC+ | 3,000,000 |

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| | | | | | | Market |
|---|--|---------|----------|------|------|-----------|
| 3,855 | Mail-Well I Corporation, Senior Unsecured Note, 144A | 9.625% | 3/15/12 | B1 | B+ | 4,124,850 |
| 4,000 | Medianews Group Inc. | 6.375% | 4/01/14 | B2 | B+ | 3,820,000 |
| 1,950 | Panamsat Corporation | 9.000% | 8/15/14 | B1 | B+ | 2,067,000 |
| 7,000 | Primedia Inc., Senior Notes | 8.875% | 5/15/11 | B3 | B | 7,332,500 |
| 2,000 | R H Donnelley Finance Corp 1 | 10.875% | 12/15/12 | B2 | B+ | 2,315,000 |
| 2,000 | Sun Media Corporation | 7.625% | 2/15/13 | Ba3 | B | 2,090,000 |
| 8,200 | Vertis Inc. | 9.750% | 4/01/09 | B3 | CCC+ | 8,610,000 |
| 5,500 | Young Broadcasting Inc., Senior Subordinate Notes | 10.000% | 3/01/11 | Caa1 | CCC+ | 5,651,250 |
| 1,000 | Young Broadcasting Inc. | 8.500% | 12/15/08 | B2 | B | 1,052,500 |
| 2,000 | Young Broadcasting Inc. | 8.750% | 1/15/14 | Caa1 | CCC+ | 1,905,000 |
| Metals & Mining - 0.1% | | | | | | |
| 1,682 | United States Steel Corporation | 9.750% | 5/15/10 | Ba2 | BB | 1,871,225 |
| Multiline Retail - 0.2% | | | | | | |
| 2,000 | Saks Inc., Notes | 7.500% | 12/1/10 | Ba3 | BB | 1,950,000 |
| 1,000 | Saks Inc. | 7.375% | 2/15/19 | Ba3 | BB | 900,000 |
| 1,000 | Saks Inc., Notes | 9.875% | 10/01/11 | Ba3 | BB | 1,085,000 |
| Multi-Utilities & Unregulated Power - 0.1% | | | | | | |
| 1,500 | NRG Energy Inc., 144A | 8.000% | 12/15/13 | B1 | B | 1,593,750 |
| 500 | Northwestern Corporation | 5.875% | 11/01/14 | Ba1 | BB | 499,911 |
| Oil & Gas - 0.5% | | | | | | |
| 2,563 | Chesapeake Energy Corporation | 9.000% | 8/15/12 | Ba3 | BB- | 2,841,726 |
| 2,345 | Chesapeake Energy Corporation | 7.750% | 1/15/15 | Ba3 | BB- | 2,491,561 |
| 2,000 | Premcor Refining Group Inc. | 7.500% | 6/15/15 | Ba3 | BB- | 2,065,000 |
| 1,000 | Tesoro Petroleum Corporation, Senior Subordinate Notes, Series B | 9.625% | 11/01/08 | B2 | BB- | 1,077,500 |
| 1,000 | Tesoro Petroleum Corporation | 8.000% | 4/15/08 | Ba2 | BBB- | 1,050,000 |
| Paper & Forest Products - 0.4% | | | | | | |
| 2,000 | Georgia Pacific Corporation, Debentures | 7.700% | 6/15/15 | Ba3 | BB+ | 2,202,500 |
| 5,000 | Georgia Pacific Corporation, Notes | 8.125% | 5/15/11 | Ba3 | BB+ | 5,537,500 |
| Real Estate - 0.0% | | | | | | |
| 1,000 | Truststreet Properties Inc, 144A | 7.500% | 4/01/15 | B1 | BB- | 1,000,000 |
| Road & Rail - 0.2% | | | | | | |
| 3,000 | Laidlaw International Inc. | 10.750% | 6/15/11 | B2 | B+ | 3,412,500 |
| Specialty Retail - 0.7% | | | | | | |
| 6,000 | Asbury Automotive Group Inc. | 9.000% | 6/15/12 | B3 | B | 6,150,000 |
| 8,000 | Warnaco Inc., Senior Notes | 8.875% | 6/15/13 | B1 | B | 8,620,000 |
| Textiles & Apparel - 0.2% | | | | | | |
| 4,000 | Jostens IH Corporation | 7.625% | 10/01/12 | B3 | B- | 3,980,000 |
| Trading Companies & Distributors - 0.2% | | | | | | |
| 1,300 | Keystone Automotive Operations Inc. | 9.750% | 11/01/13 | B3 | B- | 1,313,000 |
| 2,000 | United Rentals North America Inc. | 6.500% | 2/15/12 | B1 | BB- | 1,955,000 |
| Wireless Telecommunication Services - 0.2% | | | | | | |

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| | | | | | | Market |
|---|---|---------|----------|------|------|-------------|
| 4,000 | Nextel Communications Inc. | 7.375% | 8/01/15 | Ba3 | BB | 4,245,000 |
| Total Corporate Bonds (cost \$317,480,858) | | | | | | 320,677,603 |
| CAPITAL PREFERRED SECURITIES -36.0% (24.4% of Total Investments) | | | | | | |
| Capital Markets - 5.3% | | | | | | |
| 15,000 | BT Institutional Capital Trust A, 144A | 8.090% | 12/01/26 | A2 | A- | 16,379,520 |
| 2,000 | BT Institutional Capital Trust B, 144A | 7.750% | 12/01/26 | A2 | A- | 2,156,102 |
| 6,273 | BT Capital Trust, Series B1 | 7.900% | 1/15/27 | A2 | A- | 6,904,955 |
| 3,000 | Compass Trust I, Series A | 8.230% | 1/15/27 | A3 | BBB- | 3,252,747 |
| 3,500 | First Union Capital Trust II, Series A | 7.950% | 11/15/29 | A1 | BBB+ | 4,403,025 |
| 2,000 | First Union Institutional Capital Securities I | 8.040% | 12/01/26 | A1 | BBB+ | 2,138,830 |
| 500 | First Union Institutional Capital II | 7.850% | 1/01/27 | A1 | BBB+ | 533,007 |
| 6,000 | Goldman Sachs Group Inc. | 6.345% | 2/15/34 | A1 | A- | 6,169,896 |
| 19,335 | Mellon Capital Trust I, Series A | 7.720% | 12/01/26 | A2 | A- | 20,780,156 |
| 32,750 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 | A1 | A | 33,526,503 |
| 1,250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 | A1 | A | 1,286,156 |
| 9,000 | State Street Institutional Capital Trust, 144A | 8.035% | 3/15/27 | A1 | A | 9,779,058 |
| Commercial Banks - 18.3% | | | | | | |
| 2,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 | Aa3 | AA- | 2,072,902 |
| 19,250 | Abbey National Capital Trust I | 8.963% | 12/30/49 | A2 | A- | 27,162,424 |
| 43,100 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 | NR | NR | 45,260,000 |
| 12,840 | Bank One Capital III | 8.750% | 9/01/30 | A1 | A- | 17,327,233 |
| 2,600 | BankAmerica Institutional Capital Trust, Series B, 144A | 7.700% | 12/31/26 | Aa3 | A | 2,785,814 |
| 1,974 | BankAmerica Capital II, Series 2 | 8.000% | 12/15/26 | Aa3 | A | 2,150,083 |
| 5,000 | BankAmerica Institutional Trust, 144A | 8.070% | 12/31/26 | Aa3 | A | 5,484,540 |
| 2,000 | BankBoston Capital Trust I, Series B | 8.250% | 12/15/26 | Aa3 | A | 2,209,412 |
| 1,000 | BanPonce Trust I, Series A | 8.327% | 2/01/27 | Baa1 | BBB- | 1,089,002 |
| 1,500 | Barclays Bank plc, 144A | 8.550% | 6/15/49 | Aa3 | A+ | 1,774,539 |
| 500 | Barnett Capital I | 8.060% | 12/01/26 | Aa3 | A | 543,201 |
| 21,000 | CBA Capital Trust I, 144A | 5.805% | 12/30/49 | A2 | A- | 21,062,055 |
| 2,200 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 | A1 | A- | 2,495,143 |
| 2,350 | FBS Capital Trust I | 8.090% | 11/15/26 | Aa3 | A- | 2,525,641 |
| 4,315 | First Chicago NBD Institutional Capital Trust, Series B, 144A | 7.750% | 12/01/26 | A1 | NR | 4,577,158 |
| 6,000 | First Chicago NBD Institutional Capital, 144A | 7.950% | 12/01/26 | A1 | NR | 6,460,674 |
| 11,550 | First Empire Capital Trust II | 8.277% | 6/01/27 | Baa1 | BBB | 12,722,683 |
| 5,750 | First Empire Capital Trust I | 8.234% | 2/01/27 | Baa1 | BBB | 6,303,443 |
| 4,250 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 | Baa2 | BBB- | 4,710,471 |
| 17,000 | Lloyds TSB Bank plc, Subordinate Note | 6.900% | 11/22/49 | Aa2 | A+ | 17,442,323 |
| 12,838 | HSBC Capital Funding LP, 144A | 9.547% | 12/31/49 | A1 | A- | 15,502,244 |
| 14,000 | HSBC Capital Funding LP, Debt | 10.176% | 6/30/50 | A1 | A- | 21,572,320 |
| 19,605 | KBC Bank Fund Trust III, 144A | 9.860% | 11/02/49 | A2 | A- | 23,563,112 |
| 15,000 | KeyCorp Institutional Capital Trust A | 7.826% | 12/01/26 | A3 | BBB | 16,384,875 |
| 4,000 | KeyCorp Capital III | 7.750% | 7/15/29 | A3 | BBB | 4,835,048 |
| 1,000 | Nordbanken AB, 144A | 8.950% | 11/29/49 | A2 | A- | 1,162,734 |
| 18,500 | North Fork Capital Trust II | 8.000% | 12/15/27 | A3 | BBB- | 20,492,709 |
| 500 | PNC Institutional Capital Securities, 144A | 7.950% | 12/15/26 | A3 | BBB+ | 535,551 |
| 2,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 | Baa1 | BBB- | 2,114,456 |
| 16,750 | RBS Capital Trust B | 6.800% | 12/31/49 | A1 | A | 17,032,908 |
| 2,000 | Reliance Capital Trust I, Series B | 8.170% | 5/01/28 | NR | NR | 2,230,918 |
| 1,202 | Republic New York Capital II, Capital Securities | 7.530% | 12/04/26 | A1 | A- | 1,290,437 |
| 6,200 | Royal Bank of Scotland Group plc | 9.118% | 3/31/49 | A1 | A | 7,335,133 |
| 3,400 | Royal Bank of Scotland Group plc | 7.648% | 8/31/49 | A1 | A | 4,190,524 |
| 4,472 | St. George Funding Company LLC, 144A | 8.485% | 6/30/47 | Baa1 | NR | 4,909,004 |
| 4,000 | SocGen Real Estate Company LLC, 144A | 7.640% | 12/29/49 | A1 | A | 4,286,836 |
| 13,330 | Unicredito Italiano Capital Trust, 144A | 9.200% | 10/05/49 | A1 | A | 15,872,658 |
| 3,800 | Union Planters Capital Trust A | 8.200% | 12/15/26 | A2 | BBB+ | 4,129,122 |
| 12,419 | Washington Mutual Capital Trust I | 8.375% | 6/01/27 | Baa1 | BBB | 13,739,214 |
| 2,000 | Zions Institutional Capital Trust, Series A | 8.5365 | 12/15/26 | Baa1 | BBB- | 2,176,612 |
| Diversified Financial Services - 5.6% | | | | | | |
| 900 | Chase Capital Trust I, Series A | 7.670% | 12/01/26 | A1 | A- | 967,547 |

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| | | | | | | Market |
|---|---|--------|----------|------|------|------------------|
| 1,000 | Citigroup Capital III | 7.625% | 12/01/36 | Aa2 | A | 1,227,201 |
| 10,000 | ING Capital Funding Trust III | 8.439% | 12/30/49 | A2 | A- | 11,722,080 |
| 3,000 | JPM Capital Trust II | 7.950% | 2/01/27 | A1 | A- | 3,231,051 |
| 2,150 | JPM Capital Trust I | 7.540% | 1/15/27 | A1 | A- | 2,318,577 |
| 15,750 | BNP Paribas Capital Trust | 7.200% | 12/31/49 | A1 | A+ | 16,183,566 |
| 51,900 | HBOS Capital Funding LP, Notes | 6.850% | 3/01/49 | A1 | A | 52,948,899 |
| 23,600 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 | Baa2 | NR | 24,385,479 |
| <hr/> | | | | | | |
| Diversified Telecommunication Services - 1.6% | | | | | | |
| 24 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 | Baa1 | BBB+ | 31,823,225 |
| <hr/> | | | | | | |
| Insurance - 3.9% | | | | | | |
| 987 | Allstate Financing II | 7.830% | 12/01/45 | A2 | A- | 1,049,089 |
| 10,000 | American General Capital II | 8.500% | 7/01/30 | Aa2 | AA- | 13,005,160 |
| 4,980 | American General Institutional Capital, 144A | 8.125% | 3/15/46 | Aa2 | AA- | 6,361,621 |
| 612 | Berkeley Capital Trust | 8.197% | 12/15/45 | Baa3 | BBB- | 634,599 |
| 3,750 | Prudential plc | 6.500% | 6/29/49 | Baa1 | A | 3,660,094 |
| 14,250 | Mangrove Bay, Class 3, 144A | 6.102% | 7/15/33 | Baa1 | BBB+ | 14,178,964 |
| 13,500 | Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06/47 | A1 | A+ | 14,839,808 |
| 23,000 | Zurich Capital Trust I, 144A | 8.376% | 6/01/37 | Baa2 | A- | 25,157,929 |
| <hr/> | | | | | | |
| Oil & Gas - 1.1% | | | | | | |
| 18,855 | KN Capital Trust III | 7.630% | 4/15/28 | Baa3 | BB+ | 21,776,900 |
| <hr/> | | | | | | |
| Thriffs & Mortgage Finance - 0.2% | | | | | | |
| 500 | Countrywide Capital Trust I | 8.000% | 12/15/26 | Baa1 | BBB+ | 516,630 |
| 3,365 | Great Western Financial Trust II, Series A | 8.206% | 2/01/27 | Baa1 | BBB | 3,678,709 |
| <hr/> | | | | | | |
| Total Capital Preferred Securities (cost \$728,839,518) | | | | | | 726,492,239 |
| <hr/> | | | | | | |
| REPURCHASE AGREEMENTS - 1.9% (1.3% of Total Investments) | | | | | | |
| \$ 38,806 | State Street Bank, 2.400%, dated 3/31/05, due 4/01/05, repurchase price \$38,808,838 collateralized by \$30,915,000 U.S. Treasury Bonds, 7.500%, due 11/15/16, value \$39,587,307 | | | | | 38,806,251 |
| 41 | State Street Bank, 2.400%, dated 3/31/05, due 4/01/05, repurchase price \$41,684 collateralized by \$35,000 U.S. Treasury Bonds, 7.625% due 2/25/16, value \$47,449 | | | | | 41,681 |
| <hr/> | | | | | | |
| Total Repurchase Agreements (cost \$38,847,932) | | | | | | 38,847,932 |
| <hr/> | | | | | | |
| Total Investments (cost \$2,933,589,158) - 147.2% | | | | | | \$ 2,974,589,398 |
| <hr/> | | | | | | |
| COMMON STOCKS SOLD SHORT - (0.3%) | | | | | | |
| Consumer Finance - (0.1%) | | | | | | |
| (11,424) | Capital One Financial Corporation | | | | | (854,173) |
| <hr/> | | | | | | |
| Multi-Utilities & Unregulated Power - (0.2%) | | | | | | |
| (109,198) | Sempra Energy | | | | | (4,350,448) |
| <hr/> | | | | | | |
| Total Common Stocks Sold Short (proceeds \$4,668,202) | | | | | | (5,204,621) |
| <hr/> | | | | | | |

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| | |
|---|----------------------|
| Other Assets Less Liabilities - 0.8% | Market 15,828,825 |
| Fund Preferred Shares, at Liquidation Value - (47.7)% | (965,000,000) |
| Net Assets Applicable to Common Shares - 100% | \$2,020,213,602 |

Interest Rate Swap Contracts outstanding at March 31, 2005:

| Counterparty | Notional Amount | Fixed Rate | Floating Rate** | Termination Date | Unrealized Appreciation |
|----------------------|-----------------|------------|-----------------|------------------|-------------------------|
| Morgan Stanley | \$97,000,000 | 2.0250% | 2.8500% | 1/23/06 | \$1,317,673 |
| JPMorgan | 97,000,000 | 3.3950 | 2.7456 | 7/06/06 | 593,515 |
| Royal Bank of Canada | 97,000,000 | 2.6790 | 2.8500 | 1/23/07 | 2,425,534 |
| Morgan Stanley | 97,000,000 | 3.0480 | 2.8500 | 1/23/08 | 3,291,112 |
| JPMorgan | 97,000,000 | 3.3595 | 2.8500 | 1/23/09 | 3,758,998 |
| | | | | | \$11,386,932 |

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

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

** Based on LIBOR (London Interbank Offered Rate)

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

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

(CBTCS) Corporate Backed Trust Certificates.

(CORTS) Corporate Backed Trust Securities.

(PCARS) Public Credit and Repackaged Securities.

(PPLUS) Preferred Plus Trust.

(SATURNS) Structured Asset Trust Unit Repackaging.

Income Tax Information

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

At March 31, 2005, the cost of investments was \$2,933,736,060.

Gross unrealized appreciation and gross unrealized depreciation of investments at March 31, 2005, were as follows:

| | |
|--|---------------|
| Gross unrealized: | |
| Appreciation | \$103,295,105 |
| Depreciation | (67,646,388) |
| Net unrealized appreciation of investments | \$35,648,717 |

Item 2. Controls and Procedures.

a. The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a

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date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).

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

Item 3. Exhibits.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)), exactly as set forth below: EX-99 CERT Attached hereto.

SIGNATURES

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

(Registrant) Nuveen Preferred and Convertible Income Fund 2

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

Date 05/27/05

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--Chief Administrative Officer (principal executive officer)

Date 05/27/05

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

Date 05/27/05

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