

NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2
Form N-Q
November 29, 2004

**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: 09/30/04

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)
September 30, 2004

Ratings*

Market

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Shares	Description ⁽¹⁾	Coupon	Moody's	S&P	Value
\$25 PAR (or similar) SECURITIES - 46.1% (31.6% of Total Investments)					
Auto Components - 0.7%					
557,500	Delphi Trust I	8.250%	Baa3	NR	\$ 14,405,800
Beverages - 0.1%					
42,500	Grand Metropolitan Delaware LP	9.420%	NR	BBB+	1,088,000
Commercial Banks - 14.8%					
53,700	Abbey National plc	7.250%	A1	NR	1,404,255
301,600	Abbey National plc	7.375%	A2	A	8,034,624
34,200	Abbey National plc, Series B	7.375%	A2	A	924,768
863,770	ABN AMRO Capital Fund Trust V	5.900%	A2	A	20,419,523
96,400	ABN AMRO Capital Fund Trust VI	6.250%	A2	NR	2,409,036
111,600	ASBC Capital I	7.625%	Baa1	BBB-	2,990,880
203,410	BAC Capital Trust I	7.000%	Aa3	A-	5,331,376
560,200	BAC Capital Trust II	7.000%	Aa3	A-	14,789,280
163,900	BAC Capital Trust III	7.000%	Aa3	A-	4,338,433
1,150,000	Banco Santander SA, 144A	6.410%	A2	BBB+	28,352,100
71,750	Banco Totta & Acores Finance, Series A	8.875%	A3	NR	1,917,074
19,000	BancWest Capital I	9.500%	A3	A-	516,800
5,200	Bank One Capital I	8.000%	A1	A-	131,976
15,700	Bank One Capital II	8.500%	A1	A-	414,794
167,700	Bank One Capital Trust VI	7.200%	A1	A-	4,460,820
32,200	Bank One Capital V	8.000%	A1	A-	858,130
51,400	BankNorth Capital Trust II	8.000%	Baa1	BB+	1,377,520
5,400	BBVA Preferred Capital Ltd., Series B	7.750%	A1	A-	142,290
1,700	BCH Capital Ltd., Series B	9.430%	A2	BBB+	45,016
27,000	BNY Capital Trust IV, Series E	6.875%	A1	A-	681,750
306,984	BNY Capital Trust V, Series F	5.950%	A1	A-	7,557,946
56,300	BSCH Finance Ltd., Series Q	8.625%	A2	BBB+	1,486,320
145,800	Chittenden Capital Trust I	8.000%	Baa1	BB+	3,924,936
25,500	CIT Group Incorporated (CORTS)	7.750%	A3	BBB+	690,795
268,800	Citigroup Capital Trust IX	6.000%	Aa2	A	6,666,240
30,200	Citigroup Capital Trust VI	6.875%	Aa2	A	762,852
186,200	Citigroup Capital Trust VII	7.125%	Aa2	A	4,910,094
1,006,400	Citigroup Capital Trust VIII	6.950%	Aa2	A	26,357,616
24,000	Citigroup Inc., Series H (a)	6.231%	Aa3	NR	1,318,800
146,500	Cobank ABC, 144A (a)	7.000%	NR	NR	8,035,818
108,000	Comerica Capital Trust I	7.600%	A3	BBB+	2,814,480
196,300	Compass Capital Trust III	7.350%	A3	BBB-	5,209,802
30,800	CSFB USA, Series 2002-10 (SATURNS)	7.000%	Aa3	A+	815,584
41,700	Fannie Mae (a)	5.125%	Aa3	NR	1,872,330
49,000	First Union Capital II, Series II (CORTS)	7.500%	A1	BBB+	1,294,090
22,600	First Union Institutional Capital II (CORTS)	8.200%	A1	BBB+	644,100
18,800	First Union Institutional Capital II, Series III (CORTS)	7.500%	A1	BBB+	484,100
18,900	Fleet Capital Trust II (CORTS)	8.000%	Aa3	A-	505,008
4,400	Fleet Capital Trust VI	8.800%	Aa3	A-	114,840
512,200	Fleet Capital Trust VII	7.200%	Aa3	A-	13,445,250
430,300	Fleet Capital Trust VIII	7.200%	Aa3	A-	11,329,799
12,300	Goldman Sachs Group Inc., Series 2003-06 (SATURNS)	6.000%	NR	A+	297,537
43,200	JPM Capital Trust (CORTS)	7.200%	A2	A-	1,135,728
9,900	JPM Capital Trust I, Series 2001-1, Class A-1 (CORTS)	7.850%	A1	NR	263,241
71,965	JPMorgan Chase & Company (PCARS)	7.125%	A2	A-	1,877,567
22,000	JPMorgan Chase Capital Trust IX, Series I	7.500%	A1	A-	583,000
712,420	JPMorgan Chase Capital Trust X	7.000%	A1	NR	18,693,901
73,600	JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS)	7.125%	A1	A-	1,931,632
35,000	KeyCorp (PCARS)	7.500%	A3	NR	943,950
27,700	KeyCorp, Series 2001-7 (CORTS)	7.750%	A3	BBB	731,834
34,300	KeyCorp, Series B (CORTS)	8.250%	A3	BBB	915,810
84,900	National Commerce Capital Trust II	7.700%	A1	A-	2,271,924
63,900	National Westminster Bank plc, Series A	7.875%	Aa2	A+	1,642,230
21,700	ONB Capital Trust II	8.000%	Baa2	BB+	591,325
53,300	PNC Capital Trust	6.125%	A3	BBB	1,311,713
26,000	Regions Finance Trust I	8.000%	A2	BBB+	694,200
300,700	Royal Bank of Scotland Group plc, Series L	5.750%	NR	NR	7,123,583

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139,200	SunTrust Capital Trust IV	7.125%	A1	A-	3,655,392
108,900	SunTrust Capital Trust V	7.050%	A1	A-	2,845,557
13,600	UBS Preferred Funding Trust III	7.250%	A1	AA-	357,952
662,100	USB Capital Trust III	7.750%	A1	A-	17,578,755
328,500	USB Capital Trust IV	7.350%	A1	A-	8,695,395
288,200	USB Capital Trust V	7.250%	A1	A-	7,559,486
39,100	VNB Capital Trust I	7.750%	Baa1	BBB	1,039,278
45,800	Washington Mutual Capital Trust I, Series 2001-22, Class A-1 (CORTS)	7.650%	Baa1	BBB	1,208,204
40,000	Wells Fargo Capital Trust IV	7.000%	Aa2	A	1,056,400
420,800	Wells Fargo Capital Trust V	7.000%	Aa2	A	10,974,464
109,000	Wells Fargo Capital Trust VI	6.950%	Aa2	A-	2,852,530
236,550	Wells Fargo Capital Trust VII	5.850%	Aa2	A	5,752,896
117,300	Zions Capital Trust B	8.000%	Baa1	BB+	3,192,906

Computers & Peripherals - 0.1%

16,400	IBM Inc. (CORTS)	7.125%	A1	A+	431,976
27,700	IBM Inc., Series 2001-1 (SATURNS)	7.125%	A1	A+	728,787
10,100	IBM Trust II (CORTS)	7.125%	A1	A+	265,075
18,300	IBM Trust IV (CORTS)	7.000%	NR	A+	485,865

Consumer Finance - 0.8%

68,400	Countrywide Capital III (PPLUS)	8.050%	Baa1	BBB+	1,862,532
10,800	Household Capital Trust V, Series X	10.000%	A3	BBB+	284,580
40,900	Household Capital Trust VI	8.250%	A3	BBB+	1,104,709
98,100	Household Capital Trust VII	7.500%	A3	BBB+	2,628,099
15,200	SLM Corporation	6.000%	A2	A	370,728
174,000	SLM Corporation, Series A (a)	6.970%	Baa1	BBB+	9,961,500

Diversified Financial Services - 4.9%

112,800	Bear Stearns Capital Trust III	7.800%	A2	BBB	3,010,632
107,600	Bear Stearns Companies, Series G (a)	5.490%	A3	NR	5,433,800
75,900	Countrywide Capital Trust II, Series II (CORTS)	8.000%	Baa1	BBB+	2,015,904
666,500	Countrywide Capital Trust IV	6.750%	Baa1	BBB+	16,815,795
67,100	Fannie Mae (a)	4.750%	Aa3	NR	2,761,165
15,000	Federal Home Loan Mortgage Corporation (a)	5.000%	Aa3	AA-	655,500
26,000	Federal Home Loan Mortgage Corporation (a)	5.100%	Aa3	AA-	1,139,320
40,100	General Electric Capital Corporation	6.625%	Aaa	AAA	1,055,031
53,000	Household Finance Corporation	6.875%	A1	A	1,393,900
101,700	KeyCorp Capital Trust V	5.875%	A3	BBB	2,457,072
106,800	Lehman Brothers Holdings Inc., Series D (a)	5.670%	A3	NR	5,372,040
198,350	Lehman Brothers Holdings Inc., Series C (a)	5.940%	NR	BBB+	10,110,891
425,000	Lehman Brothers Holdings Inc., Series F (a)	6.500%	NR	BBB+	11,169,000
231,000	Merrill Lynch Capital Trust	7.000%	A1	A-	6,063,750
71,500	Merrill Lynch Capital Trust II	8.000%	A1	A-	1,957,670
185,300	Merrill Lynch Preferred Capital Trust IV	7.120%	A1	A-	4,912,303
47,800	Merrill Lynch Preferred Capital Trust	7.750%	A1	A-	1,285,342
278,400	Merrill Lynch Preferred Capital Trust V	7.280%	A1	A-	7,516,800
115,080	Morgan Stanley (PPLUS)	7.050%	Aa3	A+	2,948,350
211,850	Morgan Stanley Capital Trust II	7.250%	A1	A-	5,567,418
203,200	Morgan Stanley Capital Trust III	6.250%	A1	A-	5,045,456
137,900	Morgan Stanley Capital Trust IV	6.250%	A1	A-	3,403,372

Diversified Telecommunication Services - 0.6%

55,900	AT&T Wireless, Series 2002-7 (CORTS)	8.000%	Baa2	BBB	1,475,760
34,200	BellSouth Capital Funding (CORTS)	7.100%	A1	A	884,070
11,900	BellSouth Corporation (CORTS)	7.000%	Aa3	A	312,078
17,300	BellSouth Corporation, CABCO Trust	9.750%	NR	A	432,327
48,600	BellSouth Corporation, Series 2001-3 (SATURNS)	7.125%	A1	NR	1,257,282
30,800	BellSouth Inc. (CORTS)	7.000%	Aa3	NR	810,656
70,600	BellSouth Telecommunications	7.300%	Aa3	A	1,881,490
57,900	Deutsche Telekom International Finance B.V., Series 2001-24, Class A-1 (CORTS)	7.875%	Baa2	BBB+	1,531,455
50,000	SBC Communications Inc.	7.000%	A1	A	1,302,000
26,300	Verizon Communications (CORTS)	7.625%	A2	A+	716,675
50,700	Verizon New England Inc., Series B	7.000%	Aa3	NR	1,329,861
29,900	Verizon South Inc., Series F	7.000%	A1	A+	781,287

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Electric Utilities - 0.7%					
5,000	Consolidated Edison Company	7.250%	A2	A-	133,000
12,000	Consolidated Edison Company of New York Inc.	7.500%	A1	A	318,360
4,000	Detroit Edison Company	7.375%	Baa2	BBB-	101,360
50,400	Dominion CNG Capital Trust I	7.800%	Baa1	BBB-	1,348,200
30,700	Dominion Resources Capital Trust II	8.400%	Baa2	NR	827,058
21,100	DTE Energy Trust I	7.800%	Baa3	BBB-	560,627
27,400	Entergy Louisiana Inc.	7.600%	Baa1	A-	732,128
6,600	Entergy Mississippi Inc.	7.250%	Baa2	A-	175,560
3,000	Georgia Power Capital Trust V	7.125%	A3	BBB+	79,020
130,000	Interstate Power and Light Company (a)	7.100%	Baa3	BBB-	3,526,250
11,000	Mississippi Power Capital Trust II	7.200%	A2	BBB+	289,300
33,600	Northern States Power Company	8.000%	A3	BBB-	912,240
1,500	OGE Energy Capital Trust I	8.375%	Baa2	BBB-	38,250
29,900	Southern Company Capital Trust I (CORTS)	7.375%	Baa1	BBB+	778,895
10,900	Southern Company Capital Trust I (CORTS)	8.190%	Baa1	BBB+	305,200
13,100	Southern Company Capital Trust VI	7.125%	Baa1	BBB+	345,185
122,300	Virginia Power Capital Trust	7.375%	Baa1	BBB	3,289,870
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Food Products - 0.4%					
75,000	Dairy Farmers of America Inc., 144A (a)	7.875%	Baa3	NR	7,800,000
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Gas Utilities - 0.1%					
75,300	AGL Capital Trust II	8.000%	Baa2	BBB	2,000,721
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Healthcare Providers & Services - 0.8%					
587,500	Aetna Incorporated	8.500%	Baa2	BBB	15,809,625
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Industrial Conglomerates - 0.0%					
33,900	Philadelphia Authority for Industrial Development, Pennsylvania, Pension Funding Bonds, Series 1999C	6.550%	NR	AAA	850,890
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Insurance - 9.5%					
157,500	ACE Capital Trust I, Series 1999	8.875%	Baa1	BBB-	4,032,000
1,337,883	Ace Ltd., Series C	7.800%	Baa2	BBB-	35,989,053
5,100	Allstate Corporation (PCARS)	7.150%	A2	A-	133,110
87,300	AMBAC Financial Group Inc.	5.950%	Aa2	AA	2,149,326
674,601	Delphi Financial Group Inc.	8.000%	Ba1	BBB	17,883,673
172,556	EverestRe Capital Trust II	6.200%	Baa1	BBB	4,049,889
87,500	EverestRe Group Limited	7.850%	Baa1	BBB	2,397,500
9,900	Financial Security Assurance Holdings	6.875%	Aa2	AA	257,697
20,200	Great-West L&A Capital Trust I, Series A	7.250%	A3	A-	508,030
284,500	Hartford Capital Trust III, Series C	7.450%	Baa1	BBB	7,422,605
40,400	Hartford Life Capital Trust II, Series B	7.625%	Baa1	BBB	1,065,348
5,000	ING Capital Funding Trust II	9.200%	A2	A-	133,300
722,775	ING Group NV	7.050%	NR	A-	18,886,111
584,220	ING Group NV	7.200%	A2	A-	15,540,252
53,400	Lincoln National Capital Trust V, Series E	7.650%	Baa1	BBB	1,415,100
1,402,300	Lincoln National Capital Trust VI	6.750%	Baa1	BBB	36,810,375
3,600	MBIA Inc.	8.000%	Aa2	AA	96,156
78,200	PartnerRe Limited	7.900%	A3	BBB+	2,103,580
900,702	PartnerRe Limited, Series C	6.750%	Baa1	NR	22,904,852
74,400	PLC Capital Trust III	7.500%	Baa1	BBB+	1,953,744
67,200	PLC Capital Trust IV	7.250%	Baa1	BBB+	1,773,408
13,800	PLC Capital Trust V	6.125%	Baa1	BBB+	335,202
36,200	Prudential plc	6.750%	Baa1	A	920,566
113,900	RenaissanceRe Holdings Ltd., Series A	8.100%	NR	NR	3,059,354
124,700	RenaissanceRe Holdings Ltd., Series B	7.300%	Baa2	NR	3,298,315
24,900	Safeco Capital Trust I (CORTS)	8.700%	Baa2	BBB-	667,818
20,900	Safeco Capital Trust I (CORTS)	8.750%	Baa2	BBB-	627,000
20,100	Safeco Capital Trust I, Series 2001-4 (CORTS)	8.750%	Baa2	BBB-	537,675
39,800	Safeco Capital Trust III (CORTS)	8.072%	NR	BBB-	1,062,660
16,300	Safeco Capital Trust IV (CORTS)	8.375%	NR	BBB-	442,056
37,300	Safeco Corporation, Series 2001-7 (SATURNS)	8.250%	Baa2	BBB-	1,005,981
37,300	Safeco Corporation, Series 2002-5 (SATURNS)	8.250%	Baa2	BBB-	999,640
52,300	Torchmark Capital Trust I	7.750%	Baa1	A-	1,407,916
118,100	W.R. Berkley Capital Trust, Series 2002-1 (CBTCS)	8.125%	Baa3	BBB-	1,268,394

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66,800	XL Capital Ltd., Series A	8.000%	A3	NR	1,824,976
101,100	XL Capital Ltd., Series B	7.625%	A3	NR	2,734,755
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Media - 0.1%					
52,700	Viacom Inc.	7.300%	A3	A-	1,380,740
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Multi-Utilities & Unregulated Power - 0.1%					
85,200	Energy East Capital Trust I	8.250%	Baa3	BBB-	2,273,988
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Oil & Gas - 0.9%					
685,000	Nexen Inc.	7.350%	Baa3	BBB-	18,351,150
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Pharmaceuticals - 0.1%					
50,000	Bristol Myers Squibb Company (CORTS)	6.250%	A1	NR	1,272,500
16,900	Rhone-Poulenc Overseas, Series A	8.125%	A3	BBB	432,809
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Real Estate - 10.7%					
318,355	AMB Property Corporation, Series L	6.500%	Baa2	BBB-	7,892,020
77,100	AvalonBay Communities, Inc., Series H	8.700%	Baa2	BBB	2,166,510
220,400	BRE Properties, Series B	8.080%	Baa3	BBB-	5,818,560
1,166,500	CarrAmerica Realty Corporation, Series E	7.500%	Baa3	BBB-	30,982,240
1,279,845	Developers Diversified Realty Corporation, Series H	7.375%	NR	BBB-	32,648,846
104,100	Developers Diversified Realty Corporation, Series G	8.000%	NR	BBB-	2,747,199
21,100	Duke Realty Corporation, Series K	6.500%	Baa2	BBB	517,794
98,000	Duke-Weeks Realty Corporation	6.625%	Baa2	NR	2,441,180
25,000	Duke-Weeks Realty Corporation, Series B	7.990%	Baa2	NR	1,364,845
5,400	Duke-Weeks Realty Corporation, Series I	8.450%	Baa2	BBB	142,614
192,100	Equity Office Properties Trust, Series G	7.750%	Baa3	BBB	5,134,833
467,489	Equity Residential Properties Trust, Series N	6.480%	NR	BBB	11,570,353
15,400	Equity Residential Properties Trust, Series D	8.600%	Baa2	NR	424,886
3,200	Equity Residential Properties Trust, Series C	9.125%	Baa2	NR	87,552
11,600	First Industrial Realty Trust, Inc., Series C	8.625%	Baa3	NR	326,888
93,676	Gables Residential Trust, Series D	7.500%	Baa3	BBB-	2,440,260
423,729	HRPT Properties Trust, Series A	9.875%	Baa3	BBB-	11,559,327
458,600	HRPT Properties Trust, Series B	8.750%	Baa3	BBB-	12,506,022
99,400	New Plan Excel Realty Trust, Series E	7.625%	NR	BBB-	2,582,412
3,997	Prologis Trust, Series C	8.540%	Baa2	BBB	238,446
96,075	Prologis Trust, Series G	6.750%	NR	BBB	2,391,307
92,600	PS Business Parks Inc.	7.000%	Ba1	BBB-	2,268,700
240,000	PS Business Parks Inc., Series L	7.600%	Ba1	BBB-	6,122,400
31,000	Public Storage Inc., Series Q	8.600%	Baa2	NR	827,080
147,450	Public Storage Inc., Series R	8.000%	Baa2	BBB+	3,895,629
50,060	Public Storage Inc., Series S	7.875%	Baa2	BBB+	1,321,083
42,000	Public Storage Inc., Series T	7.625%	Baa2	BBB+	1,093,680
173,800	Public Storage Inc., Series U	7.625%	Baa2	BBB+	4,562,250
31,500	Public Storage Inc., Series V	7.500%	Baa2	NR	834,750
166,100	Regency Centers Corporation	7.450%	Baa3	BBB-	4,390,023
20,500	Simon Property Group, Inc., Series F	8.750%	Baa2	BBB-	553,295
15,100	Simon Property Group, Inc., Series G	7.890%	Baa2	BBB	802,112
4,500	Vornado Realty Trust, Series C	8.500%	Ba1	BBB-	115,875
1,987,734	Wachovia Preferred Funding Corporation	7.250%	A2	BBB+	54,960,845
130,000	Weingarten Realty Trust, Series E	6.950%	Baa1	A-	