Nuveen Preferred & Income Term Fund
Form N-CSRS
April 07, 2016

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 811-22699

Nuveen Preferred and Income Term Fund

(Exact name of registrant as specified in charter)

Nuveen Investments

333 West Wacker Drive, Chicago, IL 60606

(Address of principal executive offices) (Zip code)

Kevin J. McCarthy

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: July 31

Date of reporting period: January 31, 2016

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 policy making 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.

Closed-End Funds

Nuveen Investments
Closed-End Funds

Semi-Annual Report January 31, 2016

JPC
Nuveen Preferred Income Opportunities Fund

JPI
Nuveen Preferred and Income Term Fund

JPW
Nuveen Flexible Investment Income Fund

Life is Complex

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Table

of Contents

Chairman s Letter

to Shareholders

Dear Shareholders,

For better or for worse, the financial markets spent most of the past year waiting for the U.S. Federal Reserve (Fed) to end its accommodative monetary policy. The policy has propped up stock and bond markets since the Great Recession, but the question remains: how will markets behave without its influence? This uncertainty was a considerable source of volatility for stock and bond prices for much of 2015, despite the Fed carefully conveying its intention to raise rates slowly and only when the economy shows evidence of readiness.

As was widely expected, the long-awaited Fed rate hike materialized in mid-December. While the move was interpreted as a vote of confidence on the U.S. economy s underlying strength, the Fed emphasized that future rate increases will be gradual and guided by its ongoing assessment of financial conditions. Headwinds including rising borrowing costs, softer commodity prices, low inflation, a strong U.S. dollar and a stagnant global economy could necessitate keeping monetary conditions accommodative for longer. Meanwhile, policy makers in Europe and Japan are deploying their available tools to try to bolster their economies fragile growth, while Chinese authorities have stepped up efforts to manage China s slowdown.

Although the new year began with a more pessimistic tone to investor sentiment and elevated volatility in the markets, we caution investors from making long-term decisions based on short-term news. In times like these, you can look to a professional investment manager with the experience and discipline to maintain the proper perspective on short-term events. And if the daily headlines do concern you, I encourage you to reach out to your financial advisor. Your financial advisor can help you evaluate your investment strategies in light of current events, your time horizon and risk tolerance.

On behalf of the other members of the Nuveen Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

William J. Schneider

Chairman of the Board

March 23, 2016

Portfolio Managers

Comments

Nuveen Preferred Income Opportunities Fund (JPC)

Nuveen Preferred and Income Term Fund (JPI)

Nuveen Flexible Investment Income Fund (JPW)

Nuveen Asset Management, LLC (NAM) and NWQ Investment Management Company, LLC (NWQ), affiliates of Nuveen Investments, Inc., are sub-advisers for the Nuveen Preferred Income Opportunities Fund (JPC). NAM and NWQ each manage approximately half of the Fund s investment portfolio. Douglas Baker, CFA and Brenda Langenfeld, CFA, are the portfolio managers for the NAM team. The NWQ income-oriented investment team is led by Thomas J. Ray, CFA and Susi Budiman, CFA.

The Nuveen Preferred and Income Term Fund (JPI) features management by Nuveen Asset Management, LLC (NAM), an affiliate of Nuveen Investments, Inc. Douglas Baker, CFA, and Brenda Langenfeld, CFA, have served as the Fund s portfolio managers since its inception.

Effective subsequent to the release of this semi-annual report, the primary and secondary benchmarks for JPI and the NAM managed sleeve of JPC will change in order to better represent the investible universe of preferred securities. The BofA/Merrill Lynch U.S. All Capital Securities Index is the Proposed Primary Benchmark. The proposed secondary blended benchmark will consist of 60% BofA/Merrill Lynch U.S. All Capital Securities Index and 40% BofA/Merrill Lynch Contingent Capital Index. This proposed secondary blended benchmark better aligns the portfolios with the investible universe of preferreds and hybrids by adding the contingent capital index to the performance benchmark. The proposed secondary blended benchmark would also better reflect the portfolio s positioning with regard to $25 par securities and $1,000 par securities, as well as from a credit quality and duration perspective. The BofA/Merrill Lynch Contingent Capital Index has a recent inception date of December 31, 2013.

Additionally, the limit to non-U.S. issuers will be removed in order to allow for an increased number of contingent capital securities (CoCos) in each Fund s portfolio.

The Nuveen Flexible Investment Income Fund (JPW) features portfolio management by NWQ Investment Management Company, LLC (NWQ), an affiliate of Nuveen Investments, Inc. Thomas J. Ray, CFA, and Susi Budiman, CFA, are the portfolio managers.

Here they discuss their management strategies and the performance of the Funds for the six-month reporting period ended January 31, 2016.

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking

statements and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor s (S&P), Moody s Investors Service, Inc. (Moody s) or Fitch, Inc. (Fitch). Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Portfolio Managers Comments (continued)

What key strategies were used to manage the Funds during this six-month reporting period ended January 31, 2016 and how did these strategies influence performance?

Nuveen Preferred Income Opportunities Fund (JPC)

The table in the Performance Overview and Holding Summaries section of this report provides total return performance for the Fund for the six-month, one-year, five-year and ten-year periods ended January 31, 2016. For the six-month reporting period ended January 31, 2016 the Fund s common shares at net asset value (NAV) outperformed the JPC Blended Index, but underperformed the BofA/Merrill Lynch Preferred Securities Fixed Rate Index.

JPC invests at least 80% of its managed assets in preferred securities and up to 20% opportunistically over the market cycle in other types of securities, primarily income oriented securities such as corporate and taxable municipal debt and common equity. The Fund is managed by two experienced portfolio teams with distinctive, complementary approaches to the preferred market. NAM employs a debt-oriented approach that combines top down relative value analysis of industry sectors with fundamental credit analysis. NWQ s investment process identifies undervalued securities within a company s capital structure that offer the most attractive risk/reward potential. This multi-team approach gives investors access to a broader investment universe with greater diversification potential.

Nuveen Asset Management

For the portion of the Fund managed by NAM, the Fund seeks to achieve its investment objective of providing a high level of current income and total return by investing in preferred securities and other income producing securities. The Fund s portfolio is actively managed seeking to capitalize on strong and continuously improving credit fundamentals across our issuer base, coupled with historically wide credit spreads (the difference between current yields on preferred securities and U.S. Treasury Bonds and other fixed income benchmarks) for the preferred security asset class. The Fund s strategy focuses opportunistically on highly regulated industries, like utilities, banks, and insurance companies, with a current emphasis broadly on financial services companies.

We employed a credit-based investment approach, using a top-down process to position the portfolio in a manner that reflects the investment team s overall macro-economic outlook, while also incorporating a bottom-up approach that focuses on fundamental credit research, security structure selection, and option adjusted spread (OAS) analysis. The process begins with identifying the investable universe of $1,000 par and $25 par preferred securities. In an effort to capitalize on the inefficiencies between the different structure of the preferred securities market, we tactically and strategically shift capital between the $25 par exchange listed market and the $1,000 par over-the-counter market. Periods of volatility may drive notably different valuations between these two markets. This dynamic is often related to periodic differences in how retail and institutional markets perceive and price risk. Technical factors such as new issue supply may also influence the relative valuations between $25 par exchange listed structures and $1,000 par over-the-counter structures.

We will continue to monitor developments across the domestic and international financial markets, but we do not anticipate materially changing the Fund s relative positioning strategy in the near future. We feel that valuations on the $25 par retail side of the market have run rich versus the $1,000 par institutional side of the market. We will likely maintain an overweight to $1,000 par securities as a result of this relative value opportunity, and because of our desire to position defensively against rising interest rates. Indeed, we have been concerned about the potential impact of rising rates on preferred security valuations for several quarters now. Callable securities, like most preferred securities, can be more vulnerable to rising rates compared to similar non-callable fixed rate structures. The duration on callable fixed rate coupon securities tends to extend during periods of rising interest rates. Luckily, there are coupon structures within the preferred securities market, like floating rate coupons and fixed-to-floating rate coupons that do not expose investors to the aforementioned duration extension risk. Given our concern regarding rising interest rates, we have favored fixed-to-floating rate coupon structures which, all else equal, provide a lower duration profile on day one, and almost no duration extension risk, versus traditional fixed rate coupon structures. Fixed-to-floating rate securities are more common on the $1,000 par side of the market, and thus one reason for our current, and foreseeable, overweight to $1,000 par securities relative to the JPC Blended Index.

As mentioned in previous reports, the population of new generation preferred securities, such as contingent capital securities (otherwise known as CoCos), have indeed become a meaningful presence within the preferred/hybrid security marketplace. We estimate the total CoCo universe today to be just under $385 billion in size, with total capacity over the next few years totaling between $500 billion and $600 billion based upon the current size of international banks balance sheets. Of today s $385 billion market, we estimate that roughly $235 billion is Additional Tier 1 (AT1)-qualifying securities, and the remaining $150 billion is Tier 2-qualifying paper. As a reminder, international bank capital standards outlined in Basel III require new AT1-qualifying and Tier 2-qualifying securities to contain explicit loss-absorbing features upon the breach of certain predetermined capital thresholds. These loss-absorbing features come in one of three options, including equity conversion, permanent write-down of principle or temporary write-down of principle with the possibility of future write-up when/if the issuer is able to replenish capital levels back above the threshold trigger level. We have allocated modestly to this new universe of securities. We have focused on those issuers that have, in our opinion, meaningful capital cushions above regulatory minimum capital levels. Limiting exposure to these issuers helps minimize to a great extent the likelihood of a conversion event, or a skipped coupon payment. We also favor those issuers that have, or have nearly, issued their regulatory maximum amount of AT1 securities, to reduce the impact that future new issue supply might have on secondary valuations.

With respect to the Fund s allocation to lower investment grade and below investment grade securities, we continue to believe that these segments will, over the long term, provide a more compelling risk-adjusted return profile than higher rated preferred/hybrid securities. Lower rated securities are often overlooked by retail and institutional investors, and especially by investors with investment grade-only mandates. Below investment grade securities typically are not index eligible, limiting the potential investor base and frequently creating opportunities for the Fund within this particular segment of the asset class. While lower rated preferred securities may exhibit periods of higher price volatility, we believe the return potential is disproportionately higher due to inefficiencies inherent in the segment. In addition, this lower rated segment of the asset class tends to exhibit lower interest rate sensitivity than higher rated security structures. As a result, this allocation also helps express our defensive interest rate positioning. Again, please note that preferred/hybrid securities are typically rated several notches below an issuer s senior unsecured debt rating. Consequently, in most instances, a BB rated preferred/hybrid security has been issued by an entity with an investment grade senior unsecured credit rating of BBB or higher.

Over the past few years, the rating agencies have revised their methodologies for preferred securities which have resulted in a broad drift lower in average rating for the asset class. This is primarily driven by the fact that the rating agencies no longer place a high likelihood of government support for the preferred security investor during times of crisis. In our opinion, however, these same rating agencies have yet to recognize the tremendous improvements in bank balance sheets post financial crisis, nor have they seemingly recognized the lower risk profile of the banks under the monumental amount of regulatory oversight. At some point, we do expect rating agencies to take these factors into consideration and eventually rate bank-issued preferred securities higher than what we see today.

As with any fixed income asset class, preferred securities are not immune from the impact of rising interest rates. As mentioned above, we seek to minimize the impact of higher rates on the market value of the Fund s portfolio by establishing a position in less interest rate sensitive securities, like fixed-to-floating rate coupon structures. We also feel that rising interest rates are frequently the result of an improving macro-economic landscape, and one where the current domestic economic recovery has likely gained meaningful traction. In this type of environment risk premiums should shrink, reflecting the lower risk profile of the overall market. As a result, credit spreads should also narrow. We believe therefore, that credit spread compression in the preferred security asset class could help mitigate the negative impact of rising interest rates.

Portfolio Managers Comments (continued)

While we held several distinct active overweights and underweights versus the indices during the reporting period, there were three active positions that were responsible for driving a majority of the relative performance. These included an underweight to $25 par vs $1,000 par securities, a relatively shorter duration profile, and an overweight to non-U.S. and CoCo securities.

With the $1,000 par dominated Barclays USD Capital Securities Index posting a 0.7% return during the reporting period and the $25 par dominated BofA/Merrill Lynch Preferred Securities Fixed Rate Index posting a 3.5% return, the Fund s overweight to $1,000 par structures detracted from its relative performance. In this prolonged low interest rate environment, retail investors demand for income producing securities has grown dramatically. Indeed, with a single-minded focus on income, retail investors continued to drive valuations on the $25 par side of the market to increasingly higher levels. Valuations have run so high on the $25 par side of the market that there is now a large population of these securities trading at a negative yield-to-worst. In addition, all roughly $3 billion of domestic bank new issue preferred securities during the month of January 2016 came as $25 par securities, suggesting even issuers find $25 valuations rich versus $1,000 par. We expect valuations to normalize in the near future, and thus should result in relative outperformance of the $1,000 par side of the market.

Our overweight in the $1,000 par side of the market was also heavily concentrated in fixed-to-floating rate coupon structures, which, all else being equal, have lower interest rate sensitivity and lower duration extension risk compared to preferred/hybrid securities with standard fixed rate coupons. Given our outlook for gradually rising interest rates, the fixed-to-floating rate structures were better aligned with our strategy versus traditional fixed rate coupon securities, and helped us to attain a duration profile that was shorter versus the respective indexes. Unexpectedly so, interest rates actually decreased during the reporting period. All else equal, the directional move in interest rates worked against our overweight to fixed-to-floating rate security structures because of their lower duration profile. We also feel that during the reporting period, investors again grew increasing complacent regarding interest rate risk. Couple this complacency with a continued low interest rate environment, demand grew for longer duration traditional fixed rate coupon securities.

Finally, our modest overweight to non-U.S. securities worked against the Fund on a relative basis. Increasing concerns regarding global growth outside the U.S. put relatively more pressure on preferred security valuations of foreign issuers. Despite the release of fourth quarter 2015 earnings from the domestic and international banks confirming that balance sheets remained generally strong, and continued to improve quarter-over-quarter, investor focus on lagging top line metrics overwhelmed what should have been a positive story for preferred securities. In our opinion, lackluster top line results should have affected bank equity valuations more so than preferred securities. During the latter part of the reporting period, this negative sentiment did leak over into valuations of non-U.S. preferred securities. The Fund s allocation to CoCo securities was part of the non-U.S. exposure, and accordingly the allocation to CoCo securities detracted from relative performance.

NWQ Investment Management Company

For the portion of the Fund managed by NWQ, we seek to achieve high income and a measure of capital appreciation. While the Fund s investments are primarily preferred securities, a portion of the Fund allows the flexibility to invest across the capital structure in any type of debt, preferred or equity securities offered by a particular company. The portfolio management team then evaluates all available investment choices within a selected company s capital structure to determine the portfolio investment that may offer the most favorable risk-adjusted return potential. The Fund s portfolio is constructed with an emphasis on seeking a sustainable level of income and an overall analysis for downside risk management.

This reporting period was difficult for most risk assets. Macroeconomic uncertainty driven by the economic trouble in emerging economies, falling commodity prices, along with uncertainty around the Fed s hiking cycle all contributed to the significant volatility to the market. Common equity and high yield bonds suffered the most during the reporting period, generating total return of -8.6% as measured by the Russell 1000 Value® Index and -7.9% for the BofA/Merrill Lynch U.S. High Yield Index. Investment grade corporate bond did better with a -0.3% return. The best performing asset class was the $25 par preferred market, with a 3.5% return.

Within the common equity and high yield markets, much of the sell-off was attributed to energy, metals & mining, and distressed companies, although negative sentiment did spread across most sectors in both markets. In addition to the decline in commodity prices, uncertainty around the hiking cycle and the immense supply volumes caused by debt-funded strategic mergers and acquisitions and share buybacks also plagued the investment grade corporate bond market, causing credit spreads to widen near the widest levels since late summer of 2012. We think preferreds held in much better than other asset classes possibly because of the technical support with the preferred market (limited supply with strong demand from exchange-traded funds (ETF) and retail investors). Within the preferred market, $1,000 par preferred securities underperformed $25 par, and investment grade rated real estate investment trust (REIT) preferreds performed extraordinarily well. We believe $1,000 par preferreds underperformed $25 par due to greater institutional ownership by high yield and core bond accounts and increased fears that fixed-to-floating rate securities will extend at the first call dates. As these high yield and core bond managers experienced large outflows beginning mid-year, they sold preferreds to raise cash for redemptions, keeping technical pressure on the $1,000 par market. Despite valuations that look historically rich, REIT preferreds rallied on demand from overseas buyers, very little new REIT preferred issuance and multiple calls and redemptions of existing securities.

Throughout the reporting period, we reduced our overall exposure to mortgage REITs. We grew concerned that the expectation of rate hikes combined with lower long-run inflation would lead to a compression in swap spreads that would negatively affect mortgage REITs book values. Although our exposure was mainly in preferred stocks and senior debt, we believed the impact may ripple through the entire capital structure, though at a lesser magnitude. During the reporting period, we moved up the capital structure from preferred stock to senior debt in companies we liked while eliminating/reducing our positions in companies we viewed as more levered to downside risks.

Several of our holdings performed well during the reporting period, including National Storage Affiliates Trust (NSA) common stock. NSA is a self-storage REIT that has been underperforming its peers since its IPO in April. Their first earnings release since the IPO was significantly better than expected and they also increased their dividend. Also positively contributing was the preferred stock of General Electric Company. It was among the higher yielding securities in the marketplace. The attractive current yield and modest duration aided its performance. Lastly, the preferred stock of Land O Lakes Inc. contributed to performance. Land O Lakes is the second largest U.S. agricultural cooperative with a diversified business mix. We believe, given the capital and leverage profile of the company, the 8% fixed rate preferred was priced at an attractive level and also offers downside risk management should rates rise.

Several positions detracted from performance. Our position in Gilead Sciences, Inc. was the largest detractor from performance. The stock came under pressure because of negative political and media coverage pertaining to drug pricing. Although we wouldn t completely dismiss the potential for price controls, we feel they are very unlikely. Also, most of the focus has been on off-patent drugs or newly acquired drugs that underwent significant price increases. Gilead certainly has expensive drug therapies, but they are novel in their development and treat diseases that are life threatening. As fundamentals prevail and earnings are reported we believe investors may be rewarded with a stock trading at very attractive multiples of projected earnings and free cash flows, a strong management team and catalysts for future growth.

Our industrial holdings, including energy-related company Teekay Offshore Partners LP detracted from performance. The company ships crude oil, petroleum products and liquefied natural gas (LNG). As oil prices declined during the reporting period, energy sector stocks broadly sold off. The senior note of Teekay was not immune from the downside volatility.

Portfolio Managers Comments (continued)

Also detracting from performance was Seagate Technology which designs, manufactures and markets hard disk drives for use in enterprise storage, servers, desktops, laptop computers, and other consumer electronic devices. It also has a growing solid state drive and storage systems portfolio. Recent weak demand within PC markets dragged the stock price lower as earnings were expected to be negatively affected by lower volumes. However, we believe negative sentiment has already been priced into the share price and the company has other catalysts, which include growth in the enterprise space, deferring operating expenditure plans, and share buybacks, to offset recent weak stock performance.

We have always been cognizant of the risk of an interest rate rise when making investment decisions, therefore, we think the Fund has been positioned to minimize potential rate impact through investments in shorter duration preferred securities such as those with higher coupon or fix-to-float structure as well as increasing exposure to other asset classes through security selection. Higher interest rates would decrease the call risk of bond holdings and conversely lower rates would increase the call risk of bond holdings, all other factors remaining constant. Effective duration would increase as interest rates rise.

During the period, the Fund wrote covered call options on common stocks to hedge equity exposure. These options had a negligible impact on performance.

Nuveen Preferred and Income Term Fund (JPI)

The table in the Performance Overview and Holding Summaries section of this report provides total return performance for the Fund for the six-month, one-year and since inception periods ended January 31, 2016. For the six-month reporting period ended January 31, 2016, the Fund s shares at net asset value (NAV) underperformed both the JPI Blended Benchmark Index and the BofA/Merrill Lynch Preferred Securities Fixed Rate Index and *the BofA/Merrill Lynch U.S. All Capital Securities Index new primary benchmark.*

The Fund seeks to achieve its investment objective of providing a high level of current income and total return by investing in preferred securities and other income producing securities. The Fund s portfolio is actively managed seeking to capitalize on strong and continuously improving credit fundamentals across our issuer base, coupled with historically wide credit spreads (the difference between current yields on preferred securities and U.S. Treasury Bonds and other fixed income benchmarks) for the preferred security asset class. The Fund s strategy focuses opportunistically on highly regulated industries, like utilities, banks, and insurance companies, with a current emphasis broadly on financial services companies.

We employ a credit-based investment approach, using a top-down process to position the portfolio in a manner that reflects the investment team s overall macro-economic outlook, while also incorporating a bottom-up approach that focuses on fundamental credit research, security structure selection, and option adjusted spread (OAS) analysis. The process begins with identifying the investable universe of $1,000 par and $25 par preferred securities. In an effort to capitalize on the inefficiencies between the different structure of the preferred securities market, we tactically and strategically shift capital between the $25 par exchange listed market and the $1,000 par over-the-counter market. Periods of volatility may drive notably different valuations between these two markets. This dynamic is often related to periodic differences in how retail and institutional markets perceive and price risk. Technical factors such as new issue supply may also influence the relative valuations between $25 par exchange listed structures and $1,000 par over-the-counter structures.

We will continue to monitor developments across the domestic and international financial markets, but we do not anticipate materially changing the Fund s relative positioning strategy in the near future. We feel that valuations on the $25 par retail side of the market have run rich versus the $1,000 par institutional side of the market. We will likely maintain an overweight to $1,000 par securities as a result of this relative value opportunity, and because of our desire to position defensively against rising interest rates. Indeed, we have been concerned about the potential impact of rising rates on preferred security valuations for several quarters now. Callable securities, like most preferred securities, can be more vulnerable to rising rates compared to similar non-callable structures. The duration on callable fixed rate coupon securities tends to extend during periods of rising interest rates. Luckily, there are coupon structures within the preferred securities market, like floating rate coupons and fixed-to-floating rate coupons, which do not expose investors to the aforementioned duration extension risk. Given our concern regarding rising interest rates, we have favored fixed-to-floating rate coupon structures which, all else equal, provide a lower duration profile on day one, and almost no duration extension risk, versus traditional fixed rate coupon structures. Fixed-to-floating rate securities are more common on the $1,000 par side of the market, and thus one reason for our current, and foreseeable, overweight to $1,000 par securities relative to the JPI Blended Benchmark Index.

As mentioned in previous reports, the population of new generation preferred securities, such as contingent capital securities (otherwise known as CoCos), have indeed become a meaningful presence within the preferred/hybrid security marketplace. We estimate the total CoCo universe today to be just under $385 billion in size, with total capacity over the next few years totaling between $500 billion and $600 billion based upon the current size of international banks balance sheets. Of today s $385 billion market, we estimate that roughly $235 billion is Additional Tier 1 (AT1)-qualifying securities, and the remaining $150 billion is Tier 2-qualifying paper. As a reminder, international bank capital standards outlined in Basel III require new AT1-qualifying and Tier 2-qualifying securities to contain explicit loss-absorbing features upon the breach of certain predetermined capital thresholds. These loss-absorbing features come in one of three options, including equity conversion, permanent write-down of principle, or temporary write-down of principle with the possibility of future write-up when/if the issuer is able to replenish capital levels back above the threshold trigger level. We have allocated modestly to this new universe of securities. We have focused on those issuers that have, in our opinion, meaningful capital cushions above regulatory minimum capital levels. Limiting exposure to these issuers helps minimize to a great extent the likelihood of a conversion event or a skipped coupon payment. We also favor those issuers that have, or have nearly, issued their regulatory maximum amount of AT1 securities, to reduce the impact that future new issue supply might have on secondary valuations.

With respect to the Fund s allocation to lower investment grade and below investment grade securities, we continue to believe that these segments will, over the long term, provide a more compelling risk-adjusted return profile than higher rated preferred/hybrid securities. Lower rated securities are often overlooked by retail and institutional investors, and especially by investors with investment grade-only mandates. Below investment grade securities typically are not index eligible, limiting the potential investor base and frequently creating opportunities for the Fund within this particular segment of the asset class. While lower rated preferred securities may exhibit periods of higher price volatility, we believe the return potential is disproportionately higher due to inefficiencies inherent in the segment. In addition, this lower rated segment of the asset class tends to exhibit lower interest rate sensitivity than higher rated security structures. As a result, this allocation also helps express our defensive interest rate positioning. Again, please note that preferred/hybrid securities are typically rated several notches below an issuer s senior unsecured debt rating. Consequently, in most instances, a BB rated preferred/hybrid security has been issued by an entity with an investment grade senior unsecured credit rating of BBB or higher.

Over the past few years, the rating agencies have revised their methodologies for preferred securities which have resulted in a broad drift lower in average rating for the asset class. This is primarily driven by the fact that the rating agencies no longer place a high likelihood of government support for the preferred security investor during times of crisis. In our opinion, however, these same rating agencies have yet to recognize the tremendous improvements in bank balance sheets post financial crisis, nor have they seemingly recognized the lower risk profile of the banks under the monumental amount of regulatory oversight. At some point, we do expect rating agencies to take these factors into consideration and eventually rate bank-issued preferred securities higher than what we see today.

As with any fixed income asset class, preferred securities are not immune from the impact of rising interest rates. As mentioned above, we seek to minimize the impact of higher rates on the market value of the Fund s portfolio by establishing a position in less interest rate sensitive securities, like fixed-to-floating rate coupon structures. We also feel that

Portfolio Managers Comments (continued)

rising interest rates are frequently the result of an improving macro-economic landscape, and one where the current domestic economic recovery has likely gained meaningful traction. In this type of environment risk premiums should shrink, reflecting the lower risk profile of the overall market. As a result, credit spreads should also narrow. We believe therefore, that credit spread compression in the preferred security asset class could help mitigate the negative impact of rising interest rates.

While we held several distinct active overweights and underweights versus the indices during the reporting period, there were three active positions that were responsible for driving a majority of the relative performance. These included an underweight to $25 par vs $1,000 par securities, a relatively shorter duration profile, and an overweight to non-U.S. and CoCo securities.

With the $1,000 par dominated Barclays USD Capital Securities Index posting a 0.7% return during the reporting period and the $25 par dominated BofA/Merrill Lynch U.S. Preferred Securities Fixed Rate Index posting a 3.5% return, the Fund s overweight to $1,000 par structures detracted from its relative performance. In this prolonged low interest rate environment, retail investors demand for income producing securities has grown dramatically. Indeed, with a single-minded focus on income, retail investors continued to drive valuations on the $25 par side of the market to increasingly higher levels. Valuations have run so high on the $25 par side of the market that there is now a large population of these securities trading at a negative yield-to-worst. In addition, all roughly $3 billion of domestic bank new issue preferred securities during the month of January 2016 came as $25 par securities, suggesting even issuers find $25 valuations rich versus $1,000 par. We expect valuations to normalize in the near future, and thus should result in relative outperformance of the $1,000 par side of the market.

Our overweight in the $1,000 par side of the market was also heavily concentrated in fixed-to-floating rate coupon structures, which, all else being equal, have lower interest rate sensitivity and lower duration extension risk compared to preferred/hybrid securities with standard fixed rate coupons. Given our outlook for gradually rising interest rates, the fixed-to-floating rate structures were better aligned with our strategy versus traditional fixed rate coupon securities, and helped us to attain a duration profile that was shorter versus the respective indices. Unexpectedly so, interest rates actually decreased during the reporting period. All else equal, the directional move in interest rates worked against our overweight to fixed-to-floating rate security structures because of their lower duration profile. We also feel that during the reporting period, investors again grew increasing complacent regarding interest rate risk. Couple this complacency with a continued low interest rate environment, demand grew for longer duration traditional fixed rate coupon securities.

Finally, our modest overweight to non-U.S. securities worked against the Fund on a relative basis. Increasing concerns regarding global growth outside the U.S. put relatively more pressure on preferred security valuations of foreign issuers. Despite the release of fourth quarter 2015 earnings from the domestic and international banks confirming that balance sheets remained generally strong, and continued to improve quarter-over-quarter, investor focus on lagging top line metrics overwhelmed what should have been a positive story for preferred securities. In our opinion, lackluster top line results should have affected bank equity valuations more so than preferred securities. During the latter part of the reporting period, this negative sentiment did leak over into valuations of non-U.S. preferred securities. The Fund s allocation to CoCo securities was part of the non-U.S. exposure, and accordingly the allocation to CoCo securities detracted from relative performance.

Nuveen Flexible Investment Income Fund (JPW)

The table in the Performance Overview and Holding Summaries section of this report provides total return performance for the Fund for the six-month, one-year and since inception periods ended January 31, 2016. For the six-month reporting period ended January 31, 2016, the Fund s common shares at net asset value (NAV) underperformed the Barclays U.S. Aggregate Bond Index.

JPW invests at least 80% of its managed assets in income producing preferred, debt and equity securities issued by companies located anywhere in the world. Up to 50% of its managed assets may be in securities issued by non-U.S.

companies, though all (100%) Fund assets will be in U.S. dollar-denominated securities. Up to 40% of its managed assets may consist of equity securities, not including preferred securities. Up to 75% of investments in debt and preferred securities that are of a type customarily rated by a credit rating agency, may be rated below investment grade, or if unrated, will be judged to be of comparable quality by NWQ. The Fund will invest at least 25% in securities issued by financial services companies.

The Fund s investment objectives are to provide high current income and, secondarily, capital appreciation. The Fund seeks to achieve its investment objectives by investing in undervalued securities with attractive investment characteristics. The Fund s portfolio is actively managed by NWQ and has the flexibility to invest across the capital structure in any type of debt, preferred or equity securities offered by a particular company. The portfolio management team then evaluates all available investment choices within a selected company s capital structure to determine the portfolio investment that may offer the most favorable risk-adjusted return potential. The Fund s portfolio is constructed with an emphasis on seeking a sustainable level of income and an overall analysis for downside risk management.

The six-month reporting period was difficult for most risk assets. Macroeconomic uncertainty driven by the economic trouble in emerging economies, falling commodity prices, along with uncertainty around the Fed s hiking cycle all contributed to the significant volatility to the market. Common equity and high yield bonds suffered the most during the reporting period, generating total return of -8.6% as measured by the Russell 1000 Value® Index and -7.9% for the BofA/Merrill Lynch U.S. High Yield Index. Investment grade corporate bond did better with a -0.3% return. Best performing asset class is undoubtedly the $25 par preferred market, with a 3.5% return.

Within the common equity and high yield markets, much of the sell-off was attributed to energy, metals & mining, and distressed companies, although negative sentiment did spread across most sectors in both markets. In addition to the decline in commodity prices, uncertainty around the hiking cycle and the immense supply volumes caused by debt-funded strategic mergers and acquisitions and share buybacks also plagued the investment grade corporate bond market, causing credit spreads to widen near the widest levels since late summer of 2012. We think preferreds held in much better than other asset classes possibly because of the technical support with the preferred market (limited supply with strong demand from ETF and retail investors). Within the preferred market, $1,000 par preferred securities underperformed $25 par, and investment grade rated REIT preferreds performed extraordinarily well. We believe $1,000 par preferreds underperformed $25 par due to greater institutional ownership by high yield and core bond accounts and increased fears that fixed-to-floating rate securities will extend at the first call dates. As these high yield and core bond managers experienced large outflows beginning mid-year, they sold preferreds to raise cash for redemptions, keeping technical pressure on the $1,000 par market. Despite valuations that look historically rich, REIT preferreds rallied on demand from overseas buyers, very little new REIT preferred issuance, and multiple calls and redemptions of existing securities.

Throughout the reporting period, we reduced our overall exposure to mortgage REITs. We grew concerned that the expectation of rate hikes combined with lower long-run inflation would lead to a compression in swap spreads that would negatively affect mortgage REITs book values. Although our exposure was mainly in preferred stocks and senior debt, we believed the impact may ripple through the entire capital structure, though at a lesser magnitude. During the reporting period, we moved up the capital structure from preferred stock to senior debt in companies we liked while eliminating/reducing our positions in companies we viewed as more levered to downside risks.

Several of our equity holdings performed well during the reporting period, including National Storage Affiliates Trust (NSA) common stock. NSA is a self-storage REIT that has been underperforming its peers since its IPO in April. Their first earnings release since the IPO was significantly better than expected and they also increased their dividend. Also positively contributing was Phillips 66. The company is a Texas-based energy manufacturing and logistics company that owns stakes in 14 refineries in the U.S., U.K, Ireland and Germany, with 2.1 million barrels per day of crude capacity. Earlier in 2014, there were concerns that the company was entering a heavier spending phase, which would reduce its

Portfolio Managers Comments (continued)

distribution yield during 2015/2016. However, we believe transformational growth will likely unfold as opportunities are capitalized on their other businesses as the company redeploys the cash flow from its refining business to diversify earnings toward these higher multiple businesses. Additionally, Phillips 66 offers exposure to the West Texas Intermediate (WTI) Brent spread but without the same level of volatility that characterizes pure play peers. Lastly, the preferred stock of Land O Lakes Inc. contributed to performance. Land O Lakes is the second largest U.S. agricultural cooperative with a diversified business mix. We believe, given the capital and leverage profile of the company, the 8% fixed rate preferred was priced at an attractive level and also offers downside risk management should rates rise.

Several positions detracted from performance. Our position in Gilead Sciences, Inc. was the largest detractor from performance. The stock came under pressure because of negative political and media coverage pertaining to drug pricing. Although we wouldn t completely dismiss the potential for price controls, we feel they are very unlikely. Also, most of the focus has been on off-patent drugs or newly acquired drugs that underwent significant price increases. Gilead certainly has expensive drug therapies, but they are novel in their development and treat diseases that are life threatening. As fundamentals prevail and earnings are reported we believe investors may be rewarded with a stock trading at very attractive multiples of projected earnings and free cash flows, a strong management team and catalysts for future growth.

Our industrial holdings, including energy-related company Teekay Offshore Partners LP detracted from performance. The company ships crude oil, petroleum products and liquefied natural gas (LNG). As oil prices declined during the reporting period, energy sector stocks broadly sold off. The senior notes of Teekay was not immune from the downside volatility.

Also detracting from performance was Seagate Technology which designs, manufactures and markets hard disk drives for use in enterprise storage, servers, desktops, laptop computers and other consumer electronic devices. It also has a growing solid state drive and storage systems portfolio. Recent weak demand within PC markets dragged the stock price lower as earnings were expected to be negatively affected by lower volumes. However, we believe negative sentiment has already been priced into the share price and the company has other catalysts, which include growth in the enterprise space, deferring operating expenditure plans, and share buybacks, to offset recent weak stock performance.

We have always been cognizant of the risk of an interest rate rise when making investment decisions, therefore, we think the Fund has been positioned to minimize potential rate impact through investments in shorter duration preferred securities such as those with higher coupon or fix-to-float structure as well as increasing exposure to other asset classes through security selection. Higher interest rates would decrease the call risk of bond holdings and conversely lower rates would increase the call risk of bond holdings, all other factors remaining constant. Effective duration would increase as interest rates rise.

During the period, the Fund wrote covered call options on common stocks to hedge equity exposure. These options had a positive impact on performance.

Fund

Leverage

IMPACT OF THE FUNDS LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the return of the Funds relative to their benchmarks was the Funds use of leverage through the use of bank borrowings. The Funds use leverage because our research has shown that, over time, leveraging provides opportunities for additional income and total return for common shareholders. However, use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on common share NAV and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by a Fund generally are rising. The Funds use of leverage had a negative impact on performance for JPC and JPW during this reporting period while it had a positive impact for JPI during this reporting period.

JPC and JPI continued to use swap contracts to partially fix the interest cost of leverage, which as mentioned previously, is through the use of bank borrowings. During this reporting period, these swap contracts detracted from overall Fund performance.

As of January 31, 2016, the Funds percentages of leverage are shown in the accompanying table.

	JPC	JPI	JPW
Effective Leverage*	29.46%	29.22%	30.34%
Regulatory Leverage*	29.46%	29.22%	30.34%

* Effective leverage is the Fund s effective economic leverage, and includes both regulatory leverage and the leverage effects of certain derivative and other investments in a Fund s portfolio that increase the Fund s investment exposure. Regulatory leverage consists of preferred shares issued or borrowings of the Fund. Both of these are part of the Fund s capital structure. Regulatory leverage is subject to asset coverage limits set forth in the Investment Company Act of 1940.

THE FUNDS REGULATORY LEVERAGE

Bank Borrowings

As noted above, the Funds employs leverage through the use of bank borrowings. The Funds bank borrowing activities are as shown in the accompanying table.

		Current Reporting Period				Subsequent to the Close of the Reporting Period		
Fund	**Regulatory Leverage**	**August 1, 2015**	**Draws**	**Paydowns**	**January 31, 2016**	**Draws**	**Paydowns**	**March 29, 2016**
JPC	Bank Borrowings	$ 404,100,000	$	$	$ 404,100,000	$	$	$ 404,100,000
JPI	Bank Borrowings	$ 225,000,000	$	$	$ 225,000,000	$	$	$ 225,000,000
JPW	Bank Borrowings	$ 30,000,000	$	$ (3,500,000)	$ 26,500,000	$	$ (2,000,000)	$ 24,500,000

Refer to Notes to Financial Statements, Note 8 Borrowing Arrangements for further details.

Common Share

Information

JPC AND JPI COMMON SHARE DISTRIBUTION INFORMATION

The following information regarding JPC s and JPI s distributions is as of January 31, 2016. Each Fund s distribution levels may vary over time based on each Fund s investment activity and portfolio investment value changes.

During the current reporting period, each Fund s distributions to common shareholders were as shown in the accompanying table.

	Per Common Share Amounts	
Ex-Dividend Date	**JPC**	**JPI**
August 2015	$ 0.0670	$ 0.1625
September	0.0670	0.1625
October	0.0670	0.1625
November	0.0670	0.1625
December	0.0670	0.1625
January 2016	0.0670	0.1625
Ordinary Income Distribution*	$	$ 0.0026
Long-Term Capital Gain*		0.1824
Current Distribution Rate**	8.61%	8.25%

* Distribution paid in December 2015.

** 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 fiscal year the Fund s cumulative net ordinary income and net realized gains are less than the amount of the Fund s distributions, a return of capital for tax purposes.

JPC and JPI seek to pay regular monthly dividends out of their net investment income at a rate that reflects their past and projected net income performance. To permit each Fund to maintain a more stable monthly dividend, the Fund may pay dividends at a rate that may be more or less than the amount of net income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it will hold the excess in reserve as undistributed net investment income (UNII) as part of the Fund s net asset value. Conversely, if a Fund has cumulatively paid in dividends more than it has earned, the excess will constitute a negative UNII that will likewise be reflected in the Fund s net asset value. Each Fund will, over time, pay all its net investment income as dividends to shareholders.

As of January 31, 2016, JPC and JPI had positive UNII balances, based upon our best estimate, for tax purposes and positive UNII balances for financial reporting purposes.

All monthly dividends paid by JPC and JPI during the current reporting period, were paid from net investment income. If a portion of the Funds monthly distributions were sourced from or comprised of elements other than net investment income, including capital gains and/or a return of capital, shareholders would have received a notice to that effect. For financial reporting purposes, the composition and per share amounts of the Funds dividends for the reporting period are presented in this report s Statement of Changes in Net Assets and Financial Highlights, respectively. For income tax purposes, distribution information for the Funds as of their most recent tax year end is presented in Note 6 Income Tax Information within the Notes to Financial Statements of this report.

JPW DISTRIBUTION INFORMATION

The following information regarding JPW s distributions is as of January 31, 2016.

The Fund has a cash flow-based distribution program. Under this program, the Fund seeks to maintain an attractive and stable regular distribution based on the Fund s net cash flow received from its portfolio investments. Fund distributions are not intended to include expected portfolio appreciation; however, the Fund invests in securities that make payments which ultimately may be fully or partially treated as gains or return of capital for tax purposes. This tax treatment will generally flow through to the Fund s distributions, but the specific tax treatment is often not known with certainty until after the end of the Fund s tax year. As a result, regular distributions throughout the year are likely to be re-characterized for tax purposes as either long-term gains (both realized and unrealized), or as a non-taxable return of capital.

The figures in the table below provide an estimate as of January 31, 2016 of the sources (for tax purposes) of the Fund s distributions. These source estimates include amounts currently estimated to be attributable to realized gains and/or returns of capital. The Fund attributes these non-income sources equally to each regular distribution throughout the fiscal year. The estimated information shown below is for the distributions paid on common shares for all prior months in the current fiscal year. These estimates should not be used for tax reporting purposes, and the distribution sources may differ for financial reporting than for tax reporting. The final determination of the tax characteristics of all distributions paid in 2016 will be made in early 2017 and reported to you on Form 1099-D