

NUVEEN PREFERRED CONVERTIBLE INCOME FUND

Form N-Q

May 30, 2006

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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 811-21293

Nuveen Preferred and Convertible Income Fund

(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: 3/31/06

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.

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| Shares Description (1) | Value |
|---|--------------|
| Common Stocks - 0.5% (0.3% of Total Investments) | |
| Aerospace & Defense - 0.1% | |
| 64,362 AAR Corporation | \$ 1,833,030 |
| Oil, Gas & Consumable Fuels - 0.2% | |
| 63,925 McMoran Exploration Corporation | 1,140,422 |
| Semiconductors & Equipment - 0.2% | |
| 236,230 Micron Technology, Inc., (4) | 3,477,306 |
| Total Common Stocks (cost \$4,997,675) | 6,450,758 |

| Shares Description (1) | Ratings | Value |
|--|----------------|----------------|
| | Coupon | (2) |
| Convertible Preferred Securities - 9.8% (6.6% of Total Investments) | | |
| Automobiles - 0.5% | | |
| 431,700 General Motors Corporation | 6.250% | B \$ 7,489,995 |
| Capital Markets - 0.2% | | |
| 46,575 Affiliated Managers Group | 5.100% | BB 2,347,240 |
| Chemicals - 0.7% | | |

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| | | | | |
|---------|----------------------|--------|-----|-----------|
| 166,120 | Celanese Corporation | 4.250% | N/R | 5,066,660 |
| 101,025 | Huntsman Corporation | 5.000% | N/R | 4,346,096 |
| | Total Chemicals | | | 9,412,756 |

Commercial Banks - 1.9%

| | | | | |
|-----------|---------------------------------------|--------|------|------------|
| 7,500,000 | Fortis Insurance NV, 144A | 7.750% | A+ | 9,922,500 |
| 257,400 | Marshall and Ilsley Corporation | 6.500% | A2 | 6,823,674 |
| 88,900 | National Australia Bank Limited | 7.875% | N/R | 3,916,045 |
| 105,800 | Washington Mutual, Inc., Unit 1 Trust | 5.375% | Baa1 | 5,722,722 |
| | Total Commercial Banks | | | 26,384,941 |

Consumer Finance - 0.7%

| | | | | |
|-----------|-----------------|--------|---|-----------|
| 9,800,000 | SLM Corporation | 4.570% | A | 9,934,260 |
|-----------|-----------------|--------|---|-----------|

Electric Utilities - 0.8%

| | | | | |
|-----------|--------------------------|--------|------|------------|
| 66,200 | Entergy Corporation | 7.625% | BBB | 3,361,636 |
| 1,835,000 | PG&E Corporation | 9.500% | N/R | 5,195,344 |
| 56,800 | PNM Resources Inc. | 6.750% | Baa3 | 2,757,640 |
| | Total Electric Utilities | | | 11,314,620 |

Insurance - 3.3%

| | | | | |
|---------|--|--------|------|------------|
| 74,400 | Aspen Insurance Holdings Limited | 5.625% | BBB- | 3,861,360 |
| 202,250 | Chubb Corporation | 7.000% | A | 6,876,500 |
| 368,765 | Genworth Financial Inc. | 6.000% | A | 13,518,925 |
| 61,200 | Hartford Financial Services Group, Inc. | 7.000% | A- | 4,409,460 |
| 154,345 | IPC Holdings Limited | 7.250% | BBB- | 4,283,074 |
| 418,700 | MetLife Inc., Convertible, Series B | 6.375% | BBB+ | 11,233,721 |
| 45,000 | Platinum Underwriters Holdings Limited, Series A | 6.000% | BB+ | 1,323,000 |
| 48,925 | XL Capital Ltd | 6.500% | A2 | 1,085,157 |
| | Total Insurance | | | 45,591,197 |

Media - 0.5%

| | | | | |
|---------|--|--------|------|-----------|
| 185,000 | Emmis Communications Corporation, Series A | 6.250% | CCC+ | 7,409,620 |
|---------|--|--------|------|-----------|

Metals & Mining - 0.1%

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| | | | |
|--|--------|----|-----------|
| 2,340 Freeport McMoran Copper & Gold, Inc. | 5.500% | B- | 3,006,023 |
|--|--------|----|-----------|

Oil, Gas & Consumable Fuels - 0.7%

| | | | |
|--|--------|----|-----------|
| 25,925 Amerada Hess Corporation | 7.000% | BB | 3,102,056 |
| 35,460 Chesapeake Energy Corporation, 144A | 5.000% | B | 3,758,760 |
| 37,000 Chesapeake Energy Corporation | 4.500% | B+ | 3,548,670 |

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| | |
|-----------------------------------|------------|
| Total Oil, Gas & Consumable Fuels | 10,409,486 |
|-----------------------------------|------------|

Thriffs & Mortgage Finance - 0.4%

| | | | | |
|--------|---|--------|------|-----------|
| 63,350 | New York Community Bancorp Inc Capital Trust V | 6.000% | Baa2 | 3,091,480 |
| 87,475 | PMI Group Inc. | 5.875% | A1 | 2,313,714 |

| | |
|----------------------------------|-----------|
| Total Thriffs & Mortgage Finance | 5,405,194 |
|----------------------------------|-----------|

| | |
|--|-------------|
| Total Convertible Preferred Securities (cost \$130,105,450) | 139,705,332 |
|--|-------------|

| Shares | Description (1) | Coupon | Maturity | Ratings (2) | Value |
|--------|-----------------|--------|----------|----------------|-------|
|--------|-----------------|--------|----------|----------------|-------|

**\$25 Par (or similar) Securities - 53.8%
(36.2% of Total Investments)****Capital Markets - 5.2%**

| | | | | |
|---------|---|--------|-----|--------------|
| 2,500 | ABN AMRO North America, Series L, 144A, (3) | 6.460% | A3 | \$ 2,534,375 |
| 11,929 | Bear Stearns Capital Trust III | 7.800% | A2 | 302,758 |
| 500 | BNY Capital Trust IV, Series E | 6.875% | A1 | 12,600 |
| 270,987 | BNY Capital Trust V, Series F | 5.950% | A1 | 6,525,367 |
| 148,200 | Compass Capital Trust III | 7.350% | A3 | 3,734,640 |
| 11,300 | CSFB USA, Series 2002-10 (SATURNS) | 7.000% | Aa3 | 287,472 |
| 41,500 | First Union Institutional Capital II (CORTS) | 8.200% | A1 | 1,141,250 |
| 4,000 | Goldman Sachs Capital I, Series A (CORTS) | 6.000% | A1 | 94,240 |
| 3,800 | Goldman Sachs Group Inc., Series 2004-06 (SATURNS) | 6.000% | A1 | 88,654 |
| 39,600 | Goldman Sachs Group Inc., Series 2004-4 (CORTS) | 6.000% | A1 | 910,404 |
| 2,000 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% | A1 | 46,240 |
| 46,400 | Goldman Sachs Group Inc., (3) Goldman Sachs Group Incorporated | 6.200% | A2 | 1,189,696 |
| 3,000 | (SATURNS) | 5.750% | Aa3 | 67,050 |
| 528,988 | Lehman Brothers Holdings Capital Trust III, Series K | 6.375% | A2 | 13,055,424 |
| 2,400 | | 6.375% | A2 | 59,688 |

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Lehman Brothers Holdings Capital Trust
IV, Series L

| | | | | |
|-----------|---|--------|-----|------------|
| 1,000,000 | Mellon Capital II, Series B | 7.995% | A2 | 1,055,293 |
| 29,900 | Merrill Lynch Capital Trust II | 8.000% | A1 | 770,822 |
| 149,500 | Merrill Lynch Preferred Capital Trust III | 7.000% | A1 | 3,791,320 |
| 124,400 | Merrill Lynch Preferred Capital Trust IV | 7.120% | A1 | 3,207,032 |
| 242,500 | Merrill Lynch Preferred Capital Trust V | 7.280% | A1 | 6,217,700 |
| 29,000 | Merrill Lynch Preferred Capital Trust | 7.750% | A1 | 736,310 |
| 23,300 | Morgan Stanley (PPLUS) | 7.050% | Aa3 | 582,034 |
| 71,100 | Morgan Stanley Capital Trust II | 7.250% | A1 | 1,804,518 |
| 333,722 | Morgan Stanley Capital Trust III | 6.250% | A1 | 8,129,468 |
| 717,800 | Morgan Stanley Capital Trust IV | 6.250% | A1 | 17,413,828 |
| 18,200 | Morgan Stanley Capital Trust V | 5.750% | A+ | 414,232 |
| | Total Capital Markets | | | 74,172,415 |

Commercial Banks - 9.1%

| | | | | |
|-----------|--|---------|------|------------|
| 20,700 | Abbey National PLC, Series B | 7.375% | A | 544,824 |
| 63,000 | Abbey National PLC, Series B | 7.250% | A1 | 1,593,900 |
| 173,100 | Abbey National PLC, Series C | 7.375% | A2 | 4,433,091 |
| 35,700 | ABN AMRO Capital Fund Trust V | 5.900% | A | 830,382 |
| 10,000 | ABN AMRO Capital Trust Fund VII | 6.080% | A | 239,500 |
| 73,500 | ASBC Capital I | 7.625% | Baa1 | 1,863,960 |
| 68,785 | BAC Capital Trust I | 7.000% | Aa3 | 1,732,694 |
| 136,755 | BAC Capital Trust II | 7.000% | Aa3 | 3,479,047 |
| 284,700 | BAC Capital Trust III | 7.000% | Aa3 | 7,271,238 |
| 59,750 | Banco Santander | 6.410% | A2 | 1,511,675 |
| 63,400 | Banco Totta & Acores Finance, Series A | 8.875% | A3 | 1,618,684 |
| 9,000 | BancorpSouth Capital Trust I | 8.150% | Baa2 | 227,970 |
| 231,600 | Banesto Holdings, Series A, 144A | 10.500% | A2 | 7,128,949 |
| 81,700 | Bank One Capital Trust VI | 7.200% | A1 | 2,084,984 |
| 35,700 | BankNorth Capital Trust II | 8.000% | A3 | 910,707 |
| 6,600,000 | BOI Capital Funding 3, 144A | 6.107% | A2 | 6,377,468 |
| 62,300 | Chittenden Capital Trust I | 8.000% | Baa1 | 1,582,420 |
| 107,000 | Cobank ABC, 144A, (3) | 7.000% | N/R | 5,192,282 |
| 84,900 | Comerica Capital Trust I | 7.600% | A3 | 2,129,292 |
| 306,079 | Fleet Capital Trust VII | 1.800% | Aa3 | 7,691,765 |
| 338,700 | Fleet Capital Trust VIII | 7.200% | Aa3 | 8,562,336 |
| 775,520 | HSBC Finance Corporation | 6.875% | Aa3 | 19,736,984 |
| 1,955 | HSBC Holdings PLC, Series A | 6.200% | A1 | 47,956 |
| 164,700 | National Commerce Capital Trust II | 7.700% | A1 | 4,181,733 |

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|---------|--|--------|------|-----------|
| 43,550 | PNC Capital Trust | 6.125% | A3 | 1,045,636 |
| 130,598 | Royal Bank of Scotland Group PLC, Series L | 5.750% | A1 | 3,050,769 |
| 91,395 | Royal Bank of Scotland Group PLC, Series N | 6.350% | A1 | 2,301,326 |
| 87,500 | SunTrust Capital Trust IV | 7.125% | A1 | 2,203,250 |
| 74,300 | SunTrust Capital Trust V | 7.050% | A1 | 1,874,589 |
| 71,100 | USB Capital Trust III | 7.750% | Aa3 | 1,804,518 |
| 199,300 | USB Capital Trust IV | 7.350% | Aa3 | 5,070,192 |
| 81,200 | USB Capital Trust V | 7.250% | Aa3 | 2,048,676 |
| 400,700 | USB Capital Trust VI | 5.750% | Aa3 | 9,099,897 |
| 36,050 | USB Capital Trust VII | 5.875% | Aa3 | 830,592 |
| 33,400 | VNB Capital Trust I | 7.750% | Baa1 | 846,356 |
| 47,100 | Well Fargo Capital Trust IX | 5.625% | Aa2 | 1,063,518 |
| 10,400 | Wells Fargo Capital Trust IV | 7.000% | Aa2 | 262,288 |
| 80,735 | Wells Fargo Capital Trust V | 7.000% | Aa2 | 2,036,944 |
| 15,100 | Wells Fargo Capital Trust VI | 6.950% | Aa2 | 378,859 |
| 127,369 | Wells Fargo Capital Trust VII | 5.850% | Aa2 | 3,022,466 |
| 80,700 | Zions Capital Trust B | 8.000% | Baa1 | 2,107,077 |

| | | | | |
|------------------------|--|--|--|-------------|
| Total Commercial Banks | | | | 130,020,794 |
|------------------------|--|--|--|-------------|

Computers & Peripherals - 0.1%

| | | | | |
|--------|---|--------|----|---------|
| 21,000 | IBM Inc., Series 2001-1 (SATURNS) | 7.125% | A+ | 537,390 |
| 4,600 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% | A+ | 117,967 |
| 2,400 | IBM Trust II (CORTS) | 7.125% | A+ | 59,664 |
| 9,400 | IBM Trust III (CORTS) | 7.200% | A+ | 240,875 |
| 2,100 | IBM Trust IV (CORTS) | 7.000% | A+ | 54,222 |

| | | | | |
|-------------------------------|--|--|--|-----------|
| Total Computers & Peripherals | | | | 1,010,118 |
|-------------------------------|--|--|--|-----------|

Consumer Finance - 0.2%

| | | | | |
|--------|-----------------------------|--------|----|-----------|
| 39,600 | Household Capital Trust VII | 7.500% | A1 | 1,006,632 |
| 39,700 | SLM Corporation | 6.000% | A | 948,830 |

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|--------|---|--------|----|-----------|
| 17,500 | Verizon Communications (CORTS) | 7.625% | A | 449,750 |
| 22,200 | Verizon Communications (CORTS) | 7.375% | A | 568,542 |
| | Verizon Communications, Series 2004-1 | | | |
| 4,700 | (SATURNS) | 6.125% | A+ | 114,210 |
| | Verizon Global Funding Corporation Trust III, | | | |
| 1,300 | Series III (CORTS) | 6.250% | A | 32,058 |
| 13,900 | Verizon New England Inc., Series B | 7.000% | A3 | 354,450 |
| 45,155 | Verizon South Inc., Series F | 7.000% | A | 1,139,712 |
| | Total Diversified Telecommunication Services | | | 7,115,261 |

Electric Utilities - 0.9%

| | | | | |
|---------|--|--------|------|------------|
| | Consolidated Edison Company of New York | | | |
| 7,000 | Inc. | 7.500% | A1 | 175,840 |
| 10,000 | Consolidated Edison, Inc. | 7.250% | A2 | 254,000 |
| 22,200 | DTE Energy Trust I | 7.800% | Baa3 | 565,434 |
| 40,670 | Entergy Louisiana LLC | 7.600% | A- | 1,028,138 |
| 44,570 | Georgia Power Capital Trust V | 7.125% | A3 | 1,127,175 |
| 153,100 | Georgia Power Company | 5.900% | A | 3,705,020 |
| 3,700 | Georgia Power Company | 5.750% | A | 85,840 |
| 6,136 | Georgia Power Company | 5.700% | AAA | 147,939 |
| | National Rural Utilities Cooperative Finance | | | |
| 11,300 | Corporation | 7.600% | A3 | 284,308 |
| | National Rural Utilities Cooperative Finance | | | |
| 1,100 | Corporation | 7.400% | A3 | 27,984 |
| | National Rural Utilities Cooperative Finance | | | |
| 6,600 | Corporation | 6.100% | A3 | 158,400 |
| | National Rural Utilities Cooperative Finance | | | |
| 4,900 | Corporation | 5.950% | A3 | 115,346 |
| 2,100 | Southern Company Capital Trust I (CORTS) | 7.375% | BBB+ | 53,088 |
| 48,866 | Tennessee Valley Authority, Series D | 6.750% | AAA | 1,163,988 |
| 134,400 | Virginia Power Capital Trust | 7.375% | Baa2 | 3,443,328 |
| | Total Electric Utilities | | | 12,335,828 |

Food Products - 0.4%

| | | | | |
|--------|--|--------|------|-----------|
| 58,000 | Dairy Farmers of America Inc., 144A, (3) | 7.875% | BBB- | 5,729,315 |
|--------|--|--------|------|-----------|

Gas Utilities - 0.0%

| | | | | |
|--------|----------------------|--------|-----|---------|
| 23,000 | AGL Capital Trust II | 8.000% | BBB | 583,280 |
|--------|----------------------|--------|-----|---------|

Health Care Providers & Services - 0.5%

| | | | | |
|---------|------------|--------|----|-----------|
| 274,000 | Aetna Inc. | 8.500% | A3 | 6,937,680 |
|---------|------------|--------|----|-----------|

Insurance - 12.1%

| | | | | |
|-----------|--|--------|------|------------|
| 538,010 | Ace Ltd., Series C | 7.800% | Baa2 | 14,095,862 |
| 62,600 | Aegon N.V. | 6.500% | A- | 1,568,130 |
| 982,000 | Aegon N.V. | 6.375% | A- | 24,451,800 |
| 18,000 | Allstate Insurance Company (CORTS) | 8.000% | A2 | 485,820 |
| 4,400 | AMBAC Financial Group Inc. | 7.000% | AA | 110,308 |
| 26,600 | AMBAC Financial Group Inc. | 5.950% | AA | 627,494 |
| 246,800 | Arch Capital Group Limited | 8.000% | Baa3 | 6,347,400 |
| 1,221,100 | Delphi Financial Group, Inc. | 8.000% | BBB | 31,821,866 |
| 320,955 | EverestRe Capital Trust II | 6.200% | Baa1 | 7,237,535 |
| 110,400 | EverestRe Group Limited | 7.850% | Baa1 | 2,833,968 |
| 13,200 | Financial Security Assurance Holdings | 6.875% | AA | 331,716 |
| 82,200 | Financial Security Assurance Holdings | 6.250% | AA | 2,045,958 |
| 225,500 | Hartford Capital Trust III, Series C | 7.450% | Baa1 | 5,666,815 |
| 37,900 | Hartford Life Capital Trust II, Series B | 7.625% | Baa1 | 961,523 |
| 38,400 | Lincoln National Capital Trust V, Series E | 7.650% | A- | 967,680 |
| 7,100 | Lincoln National Capital Trust VI | 6.750% | A- | 180,979 |
| 557,500 | MetLife Inc., Series B, (3) | 6.500% | Baa1 | 14,260,850 |
| 900,305 | PartnerRe Limited, Series C | 6.750% | BBB+ | 22,516,628 |
| 4,300 | PartnerRe Limited | 7.900% | A3 | 108,317 |
| 82,200 | PLC Capital Trust III | 7.500% | BBB+ | 2,083,770 |
| 39,400 | PLC Capital Trust IV | 7.250% | BBB+ | 995,244 |
| 8,300 | PLC Capital Trust V | 6.125% | BBB+ | 197,955 |
| 37,400 | Prudential PLC | 6.750% | A | 936,870 |
| 325,410 | RenaissanceRe Holdings Limited, Series B | 7.300% | BBB | 8,226,365 |
| 12,000 | RenaissanceRe Holdings Limited, Series C | 6.080% | BBB+ | 258,000 |
| 96,100 | RenaissanceRe Holdings Ltd., Series A | 8.100% | BBB+ | 2,443,823 |
| 25,800 | Safeco Capital Trust I (CORTS) | 8.750% | Baa2 | 751,683 |
| 27,400 | Safeco Capital Trust I (CORTS) | 8.700% | Baa2 | 749,938 |
| 39,100 | Safeco Capital Trust III (CORTS) | 8.072% | Baa2 | 1,018,555 |
| 14,300 | Safeco Capital Trust IV (CORTS) | 8.375% | Baa2 | 373,016 |

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| 47,400 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% | Baa2 | 1,227,423 |
| 43,900 | Safeco Corporation, Series 2002-5 (SATURNS) | 8.250% | Baa2 | 1,143,156 |
| 33,400 | Saint Paul Capital Trust I | 7.600% | Baa1 | 851,366 |
| 34,100 | Torchmark Capital Trust I W.R. Berkley Capital Trust, Series 2002-1 (CBTCS) | 7.750% | A- | 869,550 |
| 74,000 | | 8.125% | BBB- | 759,240 |
| 15,000 | W.R. Berkley Corporation | 6.750% | BBB- | 381,000 |
| 151,100 | XL Capital Ltd, Series A | 8.000% | Baa1 | 3,887,803 |
| 339,500 | XL Capital Ltd, Series B | 7.625% | Baa1 | 8,708,175 |
| | Total Insurance | | | 172,483,581 |
| | Media - 0.1% | | | |
| 43,700 | CBS Corporation | 0.000% | BBB+ | 1,096,870 |
| 3,700 | Walt Disney Company | 7.000% | A- | 93,980 |
| | Total Media | | | 1,190,850 |
| | Multi-Utilities - 0.2% | | | |
| 55,600 | Dominion CNG Capital Trust I | 7.800% | Baa2 | 1,415,576 |
| 57,400 | Energy East Capital Trust I | 8.250% | BBB- | 1,461,978 |
| | Total Multi-Utilities | | | 2,877,554 |
| | Oil, Gas & Consumable Fuels - 0.9% | | | |
| 477,200 | Nexen Inc. | 7.350% | Baa3 | 12,621,940 |
| 1,000 | TransCanada Pipeline | 8.250% | A3 | 25,190 |
| | Total Oil, Gas & Consumable Fuels | | | 12,647,130 |
| | Real Estate Investment Trust - 14.0% | | | |
| 22,575 | AMB Property Corporation, Series O | 7.000% | Baa2 | 590,336 |
| 10,700 | AvalonBay Communities, Inc., Series H | 8.700% | BBB | 291,040 |
| 3,000 | BRE Properties, Series B | 8.080% | BBB- | 76,320 |
| 22,500 | BRE Properties, Series C | 6.750% | BBB- | 554,850 |
| 327,949 | CarrAmerica Realty Corporation, Series E Developers Diversified Realty Corporation, Series F | 7.500% | BBB- | 8,257,756 |
| 20,600 | | 8.600% | BBB- | 525,300 |

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| | | | | |
|---------|--|--------|------|------------|
| 658,185 | Developers Diversified Realty Corporation, Series G | 8.000% | BBB- | 16,895,609 |
| 74,900 | Developers Diversified Realty Corporation, Series H | 7.375% | BBB- | 1,879,241 |
| 81,100 | Duke Realty Corporation, Series L | 6.600% | BBB | 2,011,280 |
| 15,000 | Duke-Weeks Realty Corporation | 6.950% | BBB | 387,000 |
| 208,656 | Equity Office Properties Trust, Series G | 7.750% | BBB- | 5,308,209 |
| 19,200 | Equity Residential Properties Trust, Series C | 9.125% | BBB | 488,640 |
| 11,800 | Equity Residential Properties Trust, Series D | 8.600% | BBB | 309,160 |
| 424,173 | Equity Residential Properties Trust, Series N | 6.480% | BBB | 10,392,239 |
| 266,900 | First Industrial Realty Trust, Inc., Series J | 7.250% | BBB- | 6,926,055 |
| 311,700 | HRPT Properties Trust, Series B | 8.750% | BBB- | 8,188,359 |
| 652,100 | HRPT Properties Trust, Series C | 7.125% | BBB- | 16,595,945 |
| 581,483 | Kimco Realty Corporation, Series F | 6.650% | BBB+ | 14,478,927 |
| 13,693 | New Plan Excel Realty Trust, Series D | 7.800% | BBB- | 686,790 |
| 974,075 | New Plan Excel Realty Trust, Series E | 7.625% | BBB- | 24,644,098 |
| 32,982 | Prologis Trust, Series C | 8.540% | BBB | 1,825,349 |
| 13,600 | Prologis Trust, Series G | 6.750% | BBB | 340,000 |
| 13,000 | PS Business Parks, Inc., Series F | 8.750% | BBB- | 329,680 |
| 2,000 | PS Business Parks, Inc., Series K | 7.950% | BBB- | 52,200 |
| 51,900 | Public Storage, Inc., Series E | 6.750% | BBB+ | 1,289,196 |
| 15,000 | Public Storage, Inc., Series F | 6.450% | BBB+ | 349,800 |
| 97,600 | Public Storage, Inc., Series H | 6.950% | BBB+ | 2,479,040 |
| 159,800 | Public Storage, Inc., Series R | 8.000% | BBB+ | 4,031,754 |
| 34,900 | Public Storage, Inc., Series S | 7.875% | BBB+ | 879,829 |
| 28,200 | Public Storage, Inc., Series T | 7.625% | BBB+ | 709,794 |
| 30,200 | Public Storage, Inc., Series U | 7.625% | BBB+ | 765,268 |
| 32,300 | Public Storage, Inc., Series V | 7.500% | BBB+ | 818,805 |
| 3,000 | Public Storage, Inc., Series X | 6.450% | BBB+ | 71,100 |
| 186,500 | Regency Centers Corporation | 7.450% | BBB- | 4,784,658 |
| 9,100 | Regency Centers Corporation | 7.250% | BBB- | 231,595 |
| 32,000 | Regency Centers Corporation | 6.700% | BBB- | 795,200 |
| 7,000 | Simon Property Group, Inc., Series G | 7.890% | BBB | 362,740 |
| 2,800 | Vornado Realty Trust, Series F | 6.750% | BBB- | 69,440 |
| 16,800 | Vornado Realty Trust, Series G | 6.625% | BBB- | 404,040 |

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|---|---|--------|------|-------------|
| 3,400 | Vornado Realty Trust, Series H | 6.750% | BBB- | 84,286 |
| 51,200 | Vornado Realty Trust, Series I | 6.625% | BBB- | 1,221,120 |
| 1,462,445 | Wachovia Preferred Funding Corporation | 7.250% | A2 | 39,910,124 |
| 707,700 | Weingarten Realty Trust, Preferred Securities | 6.750% | A- | 18,184,352 |
| | Total Real Estate Investment Trust | | | 199,476,524 |
| Specialty Retail - 0.0% | | | | |
| 13,800 | Sherwin Williams Company, Series III (CORTS) | 7.250% | A+ | 345,552 |
| Thriffs & Mortgage Finance - 2.3% | | | | |
| 4,300 | Countrywide Capital Trust II, Series II (CORTS) | 8.000% | BBB+ | 110,940 |
| 99,400 | Countrywide Capital Trust III (PPLUS) | 8.050% | BBB+ | 2,631,118 |
| 1,201,200 | Countrywide Capital Trust IV | 6.750% | BBB+ | 30,150,120 |
| | Total Thriffs & Mortgage Finance | | | 32,892,178 |
| U.S. Agency - 0.9% | | | | |
| 86,000 | Fannie Mae, (3) | 5.125% | AA- | 3,784,000 |
| 90,200 | Federal Home Loan Mortgage Corporation, (3) | 6.000% | AA- | 4,575,846 |
| 23,200 | Federal Home Loan Mortgage Corporation, (3) | 5.810% | Aa3 | 1,099,100 |
| 17,000 | Federal Home Loan Mortgage Corporation, (3) | 5.300% | AA- | 784,125 |
| 47,300 | Federal Home Loan Mortgage Corporation, (3) | 5.100% | AA- | 2,071,740 |
| 6,900 | Federal Home Loan Mortgage Corporation, (3) | 5.000% | AA- | 294,285 |
| | Total U.S. Agency | | | 12,609,096 |
| Wireless Telecommunication Services - 0.7% | | | | |
| 34,100 | AT&T Wireless (CORTS) | 8.000% | A | 868,186 |
| 18,300 | AT&T Wireless, Series 2002-B (SATURNS) | 9.250% | A | 478,545 |
| 38,009 | Telephone and Data Systems Inc. | 7.600% | A- | 950,225 |
| 33,900 | United States Cellular Corporation | 8.750% | A- | 900,045 |
| 272,100 | United States Cellular Corporation | 7.500% | A- | 6,903,177 |
| | Total Wireless Telecommunication Services | | | 10,100,178 |
| | Total \$25 Par (or similar) Securities (cost \$775,899,083) | | | 765,392,958 |

| Principal Amount (000) | Description (1) | Coupon | Maturity | Ratings (2) | Value |
|---|---|--------|----------|----------------|--------------|
| Convertible Bonds - 38.0% (25.6% of Total Investments) | | | | | |
| Aerospace & Defense - 1.8% | | | | | |
| \$ 4,500 | AAR Corporation, 144A | 1.750% | 2/01/26 | BB- | \$ 5,141,250 |
| 5,205 | Armor Holdings Inc. | 2.000% | 11/01/24 | B+ | 6,337,088 |
| 6,900 | L-3 Communications Corporation, Series 144A | 3.000% | 8/01/35 | BB+ | 7,124,250 |
| 6,460 | Lockheed Martin Corporation | 4.491% | 8/15/33 | BBB+ | 7,507,166 |
| 23,065 | Total Aerospace & Defense | | | | 26,109,754 |
| Auto Components - 0.5% | | | | | |
| 6,695 | ArvinMeritor Inc., 144A | 4.625% | 3/01/26 | BB | 6,728,475 |
| Automobiles - 0.1% | | | | | |
| 785 | Fleetwood Enterprises Inc., 144A | 5.000% | 12/15/23 | B2 | 902,750 |
| Biotechnology - 2.9% | | | | | |
| 11,900 | Amgen Inc., 144A | 0.125% | 2/01/11 | A+ | 12,048,750 |
| 4,000 | Cephalon, Inc. | 0.000% | 6/15/33 | B- | 4,645,000 |
| 2,450 | CV Therapeutics Inc. | 2.750% | 5/16/12 | N/R | 3,381,000 |
| 3,200 | CV Therapeutics Inc. | 3.250% | 8/16/13 | N/R | 3,412,000 |
| 7,855 | Genzyme Corporation | 1.250% | 12/01/23 | BBB | 8,571,769 |
| 6,000 | Invitrogen Corporation | 2.000% | 8/01/23 | N/R | 6,802,500 |
| 2,680 | Medimmune Inc. | 1.000% | 7/15/23 | BBB | 2,653,200 |
| 38,085 | Total Biotechnology | | | | 41,514,219 |
| Capital Markets - 0.3% | | | | | |
| 2,640 | BlackRock Inc. | 2.625% | 2/15/35 | A+ | 3,745,500 |
| Communications Equipment - 2.9% | | | | | |
| 2,560 | ADC Telecommunications Inc. | 1.000% | 6/15/08 | N/R | 2,777,600 |
| 3,425 | ADC Telecommunications Inc. | 5.045% | 6/15/13 | N/R | 3,797,469 |

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| | | | | | |
|-------|-----------------------------|--------|----------|-----|-----------|
| 7,057 | Ciena Corporation | 3.750% | 2/01/08 | B | 6,704,150 |
| 4,645 | CommScope Inc. | 1.000% | 3/15/24 | B+ | 6,375,263 |
| 5,565 | Comverse Technology, Inc. | 0.000% | 5/15/23 | BB- | 7,665,788 |
| 4,095 | Lucent Technologies Inc. | 2.750% | 6/15/23 | B1 | 4,366,294 |
| 2,985 | Nortel Networks Corp. | 4.250% | 9/01/08 | B- | 2,832,019 |
| 1,240 | Powerwave Technologies Inc. | 1.875% | 11/15/24 | N/R | 1,663,150 |

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|--------|--------------------------------|--------|----------|-----|------------|
| 3,355 | Powerwave Technologies Inc. | 1.825% | 11/15/24 | N/R | 4,499,894 |
| 34,927 | Total Communications Equipment | | | | 40,681,627 |

Containers & Packaging - 0.5%

| | | | | | |
|-------|------------------------------|--------|---------|-----|-----------|
| 7,205 | Sealed Air Corporation, 144A | 3.000% | 6/30/33 | BBB | 7,096,925 |
|-------|------------------------------|--------|---------|-----|-----------|

Diversified Financial Services - 0.5%

| | | | | | |
|-------|--------------------|--------|---------|------|-----------|
| 7,500 | CapitalSource Inc. | 3.500% | 7/15/34 | BBB- | 7,603,125 |
|-------|--------------------|--------|---------|------|-----------|

Diversified Telecommunication Services - 0.4%

| | | | | | |
|-------|--|--------|---------|------|-----------|
| 2,425 | CenturyTel Inc. | 4.750% | 8/01/32 | BBB+ | 2,573,531 |
| 2,225 | Time Warner Telecom Inc. | 2.375% | 4/01/26 | CCC+ | 2,561,531 |
| 4,650 | Total Diversified Telecommunication Services | | | | 5,135,062 |

Electronic Equipment & Instruments - 1.3%

| | | | | | |
|--------|--|--------|---------|-----|------------|
| 4,250 | Coherent Inc., 144A | 2.750% | 3/01/11 | N/R | 4,781,250 |
| 5,625 | Flextronics International Limited | 1.000% | 8/01/10 | Ba2 | 5,104,688 |
| 13,125 | Roper Industries Inc. | 1.481% | 1/15/34 | BB- | 8,383,594 |
| 635 | Vishay Intertechnology Inc. | 3.625% | 8/01/23 | B+ | 637,381 |
| 23,635 | Total Electronic Equipment & Instruments | | | | 18,906,913 |

Energy Equipment & Services - 1.5%

| | | | | | |
|--------|--|--------|----------|-----|------------|
| 830 | Cal Dive International Inc. | 3.250% | 12/15/25 | N/R | 1,184,825 |
| 3,135 | Diamond Offshore Drilling, Inc. | 1.500% | 4/15/31 | A- | 5,776,238 |
| 3,125 | Hanover Compressor Company | 4.750% | 1/15/14 | B | 4,304,688 |
| 3,100 | Nabors Industries Inc. | 0.000% | 6/15/23 | N/R | 3,553,375 |
| 1,785 | Oil States International Inc., Series 144A | 2.375% | 7/01/25 | N/R | 2,432,063 |
| 2,440 | Schlumberger Limited | 2.125% | 6/01/23 | A+ | 3,995,500 |
| 14,415 | Total Energy Equipment & Services | | | | 21,246,689 |

Gas Utilities - 0.2%

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| | | | | | |
|--|---|--------|----------|------|------------|
| 40 | Southern Union Company, Series B | 5.750% | 8/16/06 | Baa3 | 2,933,550 |
| Health Care Equipment & Supplies - 1.8% | | | | | |
| 8,835 | Fisher Scientific International Inc. | 3.250% | 3/01/24 | BB+ | 9,530,756 |
| 5,450 | Lincare Holdings Inc. | 3.000% | 6/15/33 | N/R | 5,266,063 |
| 10,350 | Medtronic, Inc. | 1.250% | 9/15/21 | AA- | 10,311,188 |
| 24,635 | Total Health Care Equipment & Supplies | | | | 25,108,007 |
| Health Care Providers & Services - 1.5% | | | | | |
| 4,315 | Advanced Medical Optics | 2.500% | 7/15/24 | B | 4,697,956 |
| 6,600 | Laboratory Corporation of America Holdings | 0.000% | 9/11/21 | BBB- | 5,321,250 |
| 6,750 | Omnicare, Inc. | 3.250% | 12/15/35 | BB+ | 6,505,313 |
| 6,210 | Roche Holdings Inc., 144A | 0.000% | 7/25/21 | N/R | 5,010,228 |
| 23,875 | Total Health Care Providers & Services | | | | 21,534,747 |
| Hotels, Restaurants & Leisure - 2.6% | | | | | |
| 5,770 | Caesars Entertainment Inc. | 4.550% | 4/15/24 | BBB- | 7,777,960 |
| 13,115 | Carnival Corporation | 1.132% | 4/29/33 | A- | 9,246,075 |
| 5,800 | Hilton Hotels Corporation | 3.375% | 4/15/23 | BB | 7,068,750 |
| 2,955 | Kerzner International Limited, 144A | 2.375% | 4/15/24 | B | 3,985,556 |
| 4,300 | Scientific Games Corporation | 0.750% | 12/01/24 | B+ | 5,514,750 |
| 2,915 | Starwood Hotels & Resorts Worldwide, Inc. | 3.500% | 5/16/23 | BB+ | 3,971,688 |
| 34,855 | Total Hotels Restaurants & Leisure | | | | 37,564,779 |
| Industrial Conglomerates - 0.4% | | | | | |
| 6,980 | 3M Company | 0.000% | 11/21/32 | Aa1 | 6,177,300 |
| Insurance - 0.7% | | | | | |
| 7,555 | American Equity Investment Life Holding Company | 5.250% | 12/06/24 | BB+ | 9,472,081 |
| Internet Software & Services - 0.5% | | | | | |
| 5,845 | Open Solutions Inc., 144A | 1.467% | 2/02/35 | N/R | 3,477,775 |
| 7,100 | Open Solutions Inc. | 1.467% | 2/02/35 | N/R | 4,224,500 |
| 12,945 | Total Internet Software & Services | | | | 7,702,275 |

IT Services - 0.2%

| | | | | | |
|-------|--------------------|--------|---------|-----|-----------|
| 2,100 | Digital River Inc. | 1.250% | 1/01/24 | N/R | 2,441,250 |
|-------|--------------------|--------|---------|-----|-----------|

Leisure Equipment & Products - 0.5%

| | | | | | |
|-------|---|--------|---------|-----|-----------|
| 6,195 | K2 Corporation, Convertible Notes, 144A | 5.000% | 6/15/10 | N/R | 6,853,219 |
|-------|---|--------|---------|-----|-----------|

Media - 4.6%

| | | | | | |
|--------|--|--------|----------|-----|------------|
| 215 | Comcast Corporation | 2.000% | 10/15/29 | BBB | 8,888,423 |
| 2,480 | Lamar Advertising Company, Convertible Notes | 2.875% | 12/31/10 | B | 2,879,900 |
| 10,850 | Liberty Media Corporation, Senior Debentures Exchangeable for Motorola Common Stock | 3.500% | 1/15/31 | BB+ | 11,012,750 |

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|---|---|--------|----------|------|------------|
| 8,400 | Liberty Media Corporation | 0.750% | 3/30/23 | BB+ | 8,830,500 |
| 1,775 | Lions Gate Entertainment Corporation, 144A | 2.938% | 10/15/24 | N/R | 1,794,969 |
| 2,500 | Lions Gate Entertainment Corporation, 144A | 3.625% | 3/15/25 | N/R | 2,350,000 |
| 3,340 | Omnicom Group Inc. | 0.000% | 6/15/33 | A- | 3,319,125 |
| 2,375 | Shuffle Master Inc. | 1.250% | 4/15/24 | N/R | 3,194,375 |
| 3,425 | Sinclair Broadcast Group, Convertible Senior Subordinated Notes, 144A | 4.875% | 7/15/18 | B | 3,026,844 |
| 2,990 | Sirius Satellite Radio Inc. | 3.250% | 10/15/11 | CCC | 3,535,675 |
| 71 | Tribune Company, Exchangeable Subordinated Debentures | 2.000% | 5/15/29 | BBB+ | 5,106,675 |
| 6,425 | Walt Disney Company, Convertible Senior Notes | 2.125% | 4/15/23 | A- | 6,930,969 |
| 5,600 | XM Satellite Radio Holdings Inc. | 1.750% | 12/01/09 | CCC- | 4,718,000 |
| 50,446 | Total Media | | | | 65,588,205 |
| Metals & Mining - 0.3% | | | | | |
| 2,875 | Century Aluminum Company | 1.750% | 8/01/24 | BB- | 4,272,969 |
| Multi-Utilities - 0.5% | | | | | |
| 6,325 | Dominion Resources Inc., Series C | 2.125% | 12/15/23 | BBB | 6,459,406 |
| Oil, Gas & Consumable Fuels - 0.7% | | | | | |
| 8,225 | Devon Energy Corporation | 4.900% | 8/15/08 | BBB | 9,582,125 |
| Pharmaceuticals - 3.5% | | | | | |
| 3,390 | Alexion Pharmaceuticals Inc., 144A | 1.375% | 2/01/12 | N/R | 4,275,638 |
| 3,250 | Alexion Pharmaceuticals Inc. | 1.375% | 2/01/12 | N/R | 4,099,063 |
| 9,550 | Allergan Inc., Convertible Zero Coupon Senior Notes | 0.000% | 11/06/22 | A | 11,865,875 |
| 3,550 | BioMarin Pharmaceutical Inc. | 2.500% | 3/29/13 | N/R | 3,727,500 |
| 4,175 | King Pharmaceuticals Inc. | 2.750% | 11/15/21 | BB- | 4,122,813 |
| 2,920 | Medicis Pharmaceutical Corporation | 2.500% | 6/04/32 | N/R | 3,445,600 |
| 3,500 | Medicis Pharmaceutical Corporation | 1.500% | 6/04/33 | N/R | 3,482,500 |
| 8,625 | Teva Pharmaceutical Finance Company B.V., Series D | 1.750% | 2/01/26 | BBB | 8,571,094 |
| 6,400 | Wyeth, 144A | 1.000% | 1/15/24 | A | 6,847,360 |
| 45,360 | Total Pharmaceuticals | | | | 50,437,443 |

Real Estate Management & Development - 0.1%

| | | | | | |
|-------|----------------------------|--------|---------|-----|-----------|
| 1,105 | Avatar Holdings Inc., 144A | 4.500% | 4/01/24 | N/R | 1,335,669 |
|-------|----------------------------|--------|---------|-----|-----------|

Road & Rail - 0.7%

| | | | | | |
|-------|----------------------------|--------|----------|------|-----------|
| 7,700 | CSX Corporation | 0.000% | 10/30/21 | BBB | 8,335,250 |
| 1,050 | Yellow Roadway Corporation | 3.375% | 11/25/23 | BBB- | 1,173,375 |
| 8,750 | Total Road & Rail | | | | 9,508,625 |

Semiconductors & Equipment - 2.1%

| | | | | | |
|--------|----------------------------------|--------|----------|-----|------------|
| 3,100 | Agere Systems Inc. | 6.500% | 12/15/09 | B | 3,069,000 |
| 3,850 | ASM International NV | 4.250% | 12/06/11 | B- | 4,268,688 |
| 2,670 | Conexant Systems Inc., 144A | 4.000% | 3/01/26 | N/R | 2,716,725 |
| 9,775 | Intel Corporation, 144A | 2.950% | 12/15/35 | A- | 8,430,938 |
| 3,240 | LSI Logic Corporation | 4.000% | 5/15/10 | Ba3 | 3,628,800 |
| 5,775 | RF Micro Devices, Inc. | 1.500% | 7/01/10 | B- | 7,168,219 |
| 28,410 | Total Semiconductors & Equipment | | | | 29,282,370 |

Software - 1.1%

| | | | | | |
|--------|-----------------------------|--------|---------|------|------------|
| 7,200 | Amdocs Limited | 0.500% | 3/15/24 | BBB- | 7,173,000 |
| 1,925 | Cadence Design Systems Inc. | 0.000% | 8/15/23 | N/R | 2,358,125 |
| 3,350 | Sybase, Inc., 144A | 1.750% | 2/22/25 | N/R | 3,370,938 |
| 3,475 | Sybase, Inc. | 1.750% | 2/22/25 | N/R | 3,496,719 |
| 15,950 | Total Software | | | | 16,398,782 |

Specialty Retail - 2.0%

| | | | | | |
|--------|--|--------|---------|------|------------|
| 2,880 | Best Buy Co., Inc. | 2.250% | 1/15/22 | BBB- | 3,646,800 |
| 2,200 | Charming Shoppes Inc. | 4.750% | 6/01/12 | BB- | 3,445,750 |
| 4,510 | Dick's Sporting Goods Inc. | 1.606% | 2/18/24 | B | 3,472,700 |
| 1,015 | Pier 1 Imports, Inc., 144A | 6.375% | 2/15/36 | B- | 1,097,469 |
| 3,545 | Sonic Automotive Inc., Convertible Senior Subordinated Notes | 5.250% | 5/07/09 | B | 3,505,119 |
| 8,775 | TJX Companies, Inc. | 0.000% | 2/13/21 | A- | 7,381,969 |
| 6,750 | United Auto Group Inc., Series 144A | 3.500% | 4/01/26 | B | 7,315,313 |
| 29,675 | Total Specialty Retail | | | | 29,865,120 |

Trading Companies & Distributors - 0.3%

| | | | | | |
|-------|------------------|--------|---------|-----|-----------|
| 2,830 | GATX Corporation | 7.500% | 2/01/07 | BBB | 3,601,175 |
|-------|------------------|--------|---------|-----|-----------|

Wireless Telecommunication Services - 1.0%

| | | | | | |
|-------|----------------------------|--------|---------|-----|-----------|
| 3,495 | American Tower Corporation | 3.000% | 8/15/12 | BB- | 5,526,469 |
|-------|----------------------------|--------|---------|-----|-----------|

| | | | | | |
|-------|-------------------------|--------|---------|-----|-----------|
| 6,500 | NII Holdings Inc., 144A | 2.750% | 8/15/25 | N/R | 8,669,375 |
|-------|-------------------------|--------|---------|-----|-----------|

| | | | | | |
|-------|---|--|--|--|------------|
| 9,995 | Total Wireless Telecommunication Services | | | | 14,195,844 |
|-------|---|--|--|--|------------|

| | | | | | |
|------------|--|--|--|--|-------------|
| \$ 492,728 | Total Convertible Bonds (cost \$499,995,061) | | | | 539,985,980 |
|------------|--|--|--|--|-------------|

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| Principal Amount (000) | Description (1) | Coupon | Maturity | Ratings (2) | Value |
|---|--|---------------|-----------------|------------------------|--------------|
| Corporate Bonds - 15.9% (10.7% of Total Investments) | | | | | |
| Aerospace & Defense - 0.3% | | | | | |
| \$ 3,500 | K&F Acquisition Inc. | 7.750% | 11/15/14 | B- | \$ 3,561,250 |
| Auto Components - 0.5% | | | | | |
| 1,600 | Affinia Group Inc. | 9.000% | 11/30/14 | CCC+ | 1,384,000 |
| 2,575 | Keystone Automotive Operations Inc. | 9.750% | 11/01/13 | B- | 2,266,000 |
| 2,500 | Tenneco Auto, Inc. | 10.250% | 7/15/13 | B | 2,787,500 |
| 6,675 | Total Auto Components | | | | 6,437,500 |
| Chemicals - 0.7% | | | | | |
| 2,000 | Freeport-McMoran Resources | 7.000% | 2/15/08 | Ba3 | 2,035,000 |
| 1,200 | Ineos Group Holdings PLC, 144A | 8.500% | 2/15/16 | B2 | 1,146,000 |
| 1,000 | Nell AF Sarl | 8.375% | 8/15/15 | B2 | 997,500 |
| 1,335 | OM Group Inc. | 9.250% | 12/15/11 | B- | 1,388,400 |
| 3,000 | Resolution Performance Products LLC | 8.000% | 12/15/09 | B+ | 3,105,000 |
| 1,500 | Rockwood Specialties Group Inc., Series WI | 7.500% | 11/15/14 | B- | 1,515,000 |
| 10,035 | Total Chemicals | | | | 10,186,900 |
| Commercial Banks - 0.2% | | | | | |
| 2,500 | HBOS PLC, Series 144A | 6.413% | 9/29/49 | A1 | 2,387,375 |
| Commercial Services & Supplies - 0.5% | | | | | |
| 667 | Allied Waste North America, Series B | 9.250% | 9/01/12 | BB- | 722,861 |
| 1,000 | Allied Waste North America | 7.875% | 4/15/13 | BB- | 1,048,750 |
| 3,725 | DST Systems Inc. | 4.125% | 8/15/23 | N/R | 4,795,938 |
| 1,000 | National Mentor Inc. | 9.625% | 12/01/12 | B- | 1,135,000 |
| 6,392 | Total Commercial Services & Supplies | | | | 7,702,549 |

Containers & Packaging - 0.6%

| | | | | | |
|-------|---|---------|----------|----|-----------|
| 1,520 | Berry Plastics Corporation | 10.750% | 7/15/12 | B- | 1,679,600 |
| 2,000 | MDP Acquisitions PLC, Senior Notes Owens-Brockway Glass Containers, Guaranteed | 9.625% | 10/01/12 | B- | 2,125,000 |
| 2,000 | Senior Note | 8.250% | 5/15/13 | B | 2,100,000 |
| 2,000 | Owens-Illinois Inc. | 7.800% | 5/15/18 | B | 1,995,000 |
| 7,520 | Total Containers & Packaging | | | | 7,899,600 |

Diversified Telecommunication Services - 0.3%

| | | | | | |
|-------|--|--------|---------|----|-----------|
| 2,000 | Intelsat Subsidiary Holding Company Limited | 8.500% | 1/15/13 | B+ | 2,045,000 |
| 1,500 | Valor Telecommunications Enterprises LLC | 7.750% | 2/15/15 | B1 | 1,578,750 |
| 3,500 | Total Diversified Telecommunication Services | | | | 3,623,750 |

Electric Utilities - 0.5%

| | | | | | |
|-------|---------------------------------------|--------|----------|----|-----------|
| 3,000 | Midwest Generation LLC | 8.750% | 5/01/34 | B1 | 3,262,500 |
| 500 | Mirant North America LLC., 144A | 7.375% | 12/31/13 | B1 | 512,500 |
| 3,000 | Sierra Pacific Resources, Series 144A | 6.750% | 8/15/17 | B1 | 3,026,250 |
| 6,500 | Total Electric Utilities | | | | 6,801,250 |

Energy Equipment & Services - 0.3%

| | | | | | |
|-------|-----------------------------------|--------|---------|-----|-----------|
| 1,200 | Hanover Compressor Company | 7.500% | 4/15/13 | B | 1,206,000 |
| 1,000 | Lone Star Technologies Inc. | 9.000% | 6/01/11 | B | 1,050,000 |
| 1,500 | Pride International Inc. | 7.375% | 7/15/14 | Ba2 | 1,582,500 |
| 3,700 | Total Energy Equipment & Services | | | | 3,838,500 |

Food & Staples Retailing - 0.1%

| | | | | | |
|-------|-------------------------------|--------|---------|-----|-----------|
| 2,000 | Stater Brothers Holdings Inc. | 8.125% | 6/15/12 | BB- | 2,007,500 |
|-------|-------------------------------|--------|---------|-----|-----------|

Food Products - 0.4%

| | | | | | |
|-------|---------------------|--------|---------|---|-----------|
| 356 | Dole Foods Company | 8.875% | 3/15/11 | B | 354,220 |
| 5,943 | Dole Foods Company | 7.875% | 7/15/13 | B | 5,868,713 |
| 6,299 | Total Food Products | | | | 6,222,933 |

Health Care Equipment & Supplies - 0.1%

| | | | | | |
|-------|----------------------------|--------|---------|----|-----------|
| 1,300 | Select Medical Corporation | 7.625% | 2/01/15 | B- | 1,179,750 |
|-------|----------------------------|--------|---------|----|-----------|

Health Care Providers & Services - 0.3%

| | | | | | |
|-------|------------------|---------|---------|----|-----------|
| 1,000 | US Oncology Inc. | 9.000% | 8/15/12 | B2 | 1,040,000 |
| 2,500 | US Oncology Inc. | 10.750% | 8/15/14 | B- | 2,743,750 |

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| 3,500 | Total Health Care Providers & Services | | | | 3,783,750 |
| Hotels, Restaurants & Leisure - 1.9% | | | | | |
| 2,000 | Boyd Gaming Corporation | 8.750% | 4/15/12 | B+ | 2,145,000 |
| 2,000 | Boyd Gaming Corporation | 7.750% | 12/15/12 | B+ | 2,105,000 |
| 2,552 | Dominos Inc. | 8.250% | 7/01/11 | B | 2,628,560 |
| 1,500 | Herbst Gaming Inc. | 7.000% | 11/15/14 | B- | 1,503,750 |
| 2,900 | Intrawest Corporation | 7.500% | 10/15/13 | B+ | 2,954,375 |
| 2,000 | Landry's Restaurants Inc., Series B | 7.500% | 12/15/14 | B | 1,940,000 |
| 1,600 | Park Place Entertainment | 8.125% | 5/15/11 | BB+ | 1,748,000 |
| 2,500 | Park Place Entertainment | 7.000% | 4/15/13 | BBB- | 2,607,487 |
| 2,000 | Pinnacle Entertainment Inc. | 8.250% | 3/15/12 | B- | 2,105,000 |
| 750 | Pinnacle Entertainment Inc. | 8.750% | 10/01/13 | B- | 811,875 |
| 2,000 | Town Sports International Inc. | 9.625% | 4/15/11 | B2 | 2,115,000 |
| 4,000 | Universal City Development Partners | 11.750% | 4/01/10 | B2 | 4,430,000 |
| 25,802 | Total Hotels, Restaurants & Leisure | | | | 27,094,047 |
| Household Durables - 1.0% | | | | | |
| K. Hovnanian Enterprises Inc., Senior Subordinated | | | | | |
| 2,000 | Notes | 8.875% | 4/01/12 | Ba2 | 2,100,000 |
| 3,000 | KB Home | 8.625% | 12/15/08 | Ba2 | 3,179,235 |
| 4,000 | Stanley Works Capital Trust I, 144A | 5.902% | 12/01/45 | Baa1 | 3,708,028 |
| Technical Olympic USA Inc., Senior Subordinated | | | | | |
| 4,675 | Notes | 10.375% | 7/01/12 | B2 | 4,745,125 |
| 13,675 | Total Household Durables | | | | 13,732,388 |
| Household Products - 0.1% | | | | | |
| 1,650 | Central Garden & Pet Company | 9.125% | 2/01/13 | B | 1,740,750 |
| Independent Power Producers & Energy Traders | | | | | |
| - 0.1% | | | | | |
| 400 | NRG Energy Inc. | 7.250% | 2/01/14 | B1 | 407,500 |
| 400 | NRG Energy Inc. | 7.375% | 2/01/16 | B1 | 409,500 |
| Total Independent Power Producers & Energy | | | | | |
| 800 | Traders | | | | 817,000 |

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Insurance - 1.1%

| | | | | | |
|--------|--------------------------------|--------|----------|------|------------|
| 2,000 | Fairfax Financial Holdings Ltd | 7.750% | 4/26/12 | BB | 1,770,000 |
| 3,200 | ILFC E-Capital Trust I, 144A | 5.900% | 12/21/65 | A | 3,108,797 |
| 400 | ILFC E-Capital Trust II, 144A | 6.250% | 12/21/65 | A | 384,030 |
| 11,000 | ZFS FINANCE USA TRUST II 144A | 6.450% | 12/15/65 | Baa2 | 10,603,890 |
| 16,600 | Total Insurance | | | | 15,866,717 |

IT Services - 0.5%

| | | | | | |
|-------|--|--------|---------|----|-----------|
| 1,625 | Global Cash Access LLC | 8.750% | 3/15/12 | B- | 1,752,969 |
| 4,750 | SunGard Data Systems Inc., Series 144A | 9.125% | 8/15/13 | B- | 5,046,875 |
| 6,375 | Total IT Services | | | | 6,799,844 |

Machinery - 0.6%

| | | | | | |
|-------|--|---------|---------|----|-----------|
| 1,200 | Greenbrier Companies, Inc. | 8.375% | 5/15/15 | B+ | 1,263,000 |
| 1,220 | Terex Corporation, Senior Subordinated Notes | 10.375% | 4/01/11 | B | 1,293,200 |
| 6,095 | Terex Corporation, Senior Subordinated Notes | 9.250% | 7/15/11 | B | 6,514,031 |
| 8,515 | Total Machinery | | | | 9,070,231 |

Media - 2.6%

| | | | | | |
|--------|--|---------|----------|------|------------|
| 4,000 | Allbritton Communications Company, Series B | 7.750% | 12/15/12 | B- | 4,040,000 |
| 2,880 | American Media Operations Inc., Series B | 10.250% | 5/01/09 | Caa1 | 2,620,800 |
| 2,000 | American Media Operations Inc. | 8.875% | 1/15/11 | Caa1 | 1,720,000 |
| 1,000 | Cablevision Systems Corporation, Series B | 8.125% | 8/15/09 | B+ | 1,037,500 |
| 5,000 | Cablevision Systems Corporation | 7.250% | 7/15/08 | B+ | 5,075,000 |
| 2,000 | Charter Communications Operating LLC, 144A | 8.000% | 4/30/12 | B2 | 2,000,000 |
| 2,800 | Mail-Well I Corporation, Senior Unsecured Note, 144A | 9.625% | 3/15/12 | B+ | 3,027,500 |
| 1,975 | Medianews Group Inc. | 6.375% | 4/01/14 | B+ | 1,792,313 |
| 1,950 | Panamsat Corporation | 9.000% | 8/15/14 | B+ | 2,062,125 |
| 6,000 | Primedia Inc., Senior Notes | 8.875% | 5/15/11 | B | 5,880,000 |
| 4,550 | Vertis Inc. | 9.750% | 4/01/09 | B3 | 4,686,500 |
| 4,000 | Young Broadcasting Inc., Senior Subordinated Note | 10.000% | 3/01/11 | Caa2 | 3,710,000 |
| 38,155 | Total Media | | | | 37,651,738 |

Metals & Mining - 0.1%

| | | | | | |
|-------|-------------------------|---------|---------|----|-----------|
| 2,000 | Chaparral Steel Company | 10.000% | 7/15/13 | B1 | 2,240,000 |
|-------|-------------------------|---------|---------|----|-----------|

Multiline Retail - 0.2%

| | | | | | |
|-------|--------------------------------------|---------|---------|----|-----------|
| 2,400 | Bon-Ton Department Stores Inc., 144A | 10.250% | 3/15/14 | B2 | 2,320,800 |
|-------|--------------------------------------|---------|---------|----|-----------|

Table of Contents**Multi-Utilities - 0.0%**

| | | | | | |
|-----|--|--------|---------|----|---------|
| 600 | Dynegy Holdings Inc., 144A (WI/DD, Settling 4/12/06) | 8.375% | 5/01/16 | B2 | 600,000 |
|-----|--|--------|---------|----|---------|

Oil, Gas & Consumable Fuels - 0.8%

| | | | | | |
|--------|--|--------|----------|----|------------|
| 2,400 | Baytex Energy Ltd | 9.625% | 7/15/10 | B- | 2,553,000 |
| 400 | Chaparral Energy Inc., 144A | 8.500% | 12/01/15 | B | 418,000 |
| 2,345 | Chesapeake Energy Corporation | 7.750% | 1/15/15 | BB | 2,462,250 |
| 200 | Copano Energy LLC, 144A | 8.125% | 3/01/16 | B | 208,000 |
| 2,000 | Hilcorp Energy I LP/Hilcorp Finance Company, Series 144A | 7.750% | 11/01/15 | B | 2,005,000 |
| 2,000 | SemGroup LP, 144A | 8.750% | 11/15/15 | B1 | 2,050,000 |
| 1,000 | Whiting Petroleum Corporation | 7.000% | 2/01/14 | B2 | 995,000 |
| 10,345 | Total Oil, Gas & Consumable Fuels | | | | 10,691,250 |

Paper & Forest Products - 0.5%

| | | | | | |
|-------|---|--------|---------|---|-----------|
| 2,000 | Georgia Pacific Corporation, Debentures | 7.700% | 6/15/15 | B | 2,020,000 |
| 5,000 | Georgia Pacific Corporation, Notes | 8.125% | 5/15/11 | B | 5,225,000 |
| 7,000 | Total Paper & Forest Products | | | | 7,245,000 |

Personal Products - 0.1%

| | | | | | |
|-------|----------------------|--------|---------|----|-----------|
| 1,500 | Prestige Brands Inc. | 9.250% | 4/15/12 | B- | 1,522,500 |
|-------|----------------------|--------|---------|----|-----------|

Real Estate Investment Trust - 0.1%

| | | | | | |
|-------|------------------------------------|--------|---------|-----|-----------|
| 1,000 | Truststreet Properties, Inc. | 7.500% | 4/01/15 | B+ | 1,007,500 |
| 500 | Ventas Realty LP, Series WI | 7.125% | 6/01/15 | BB+ | 516,250 |
| 1,500 | Total Real Estate Investment Trust | | | | 1,523,750 |

Real Estate Management & Development - 0.1%

| | | | | | |
|-------|--------------------------------|--------|---------|-----|-----------|
| 1,625 | CB Richard Ellis Services Inc. | 9.750% | 5/15/10 | Ba1 | 1,767,188 |
|-------|--------------------------------|--------|---------|-----|-----------|

Semiconductors & Equipment - 0.1%

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| | | | | | |
|-------|---|---------|----------|---|-----------|
| 1,600 | Avago Technologies Finance Pte. Ltd., 144A | 10.125% | 12/01/13 | B | 1,726,000 |
|-------|---|---------|----------|---|-----------|

Specialty Retail - 0.9%

| | | | | | |
|--------|--|---------|----------|-----|------------|
| 4,100 | Asbury Automotive Group Inc. | 9.000% | 6/15/12 | B | 4,207,625 |
| 1,000 | GSC Holdings Corporation, 144A Stripes Acquisition/Susser Finance Corporation, Series 144A | 8.000% | 10/01/12 | Ba3 | 997,500 |
| 2,000 | Warnaco Inc., Senior Notes | 10.625% | 12/15/13 | B | 2,107,500 |
| 5,000 | | 8.875% | 6/15/13 | B+ | 5,337,500 |
| 12,100 | Total Specialty Retail | | | | 12,650,125 |

Textiles Apparel & Luxury Goods - 0.2%

| | | | | | |
|-------|------------------------|--------|----------|----|-----------|
| 3,000 | Jostens IH Corporation | 7.625% | 10/01/12 | B- | 2,977,500 |
|-------|------------------------|--------|----------|----|-----------|

**Trading Companies & Distributors -
0.1%**

| | | | | | |
|-------|-----------------------------------|--------|---------|----|-----------|
| 2,000 | United Rentals North America Inc. | 6.500% | 2/15/12 | B+ | 1,970,000 |
|-------|-----------------------------------|--------|---------|----|-----------|

| | | | | | |
|------------|--|--|--|--|-------------|
| \$ 220,663 | Total Corporate Bonds (cost \$227,063,729) | | | | 225,639,435 |
|------------|--|--|--|--|-------------|

**Principal
Amount
(000)/
Shares**

| Shares | Description (1) | Coupon | Maturity | Ratings (2) | Value |
|--------|-----------------|--------|----------|-------------|-------|
|--------|-----------------|--------|----------|-------------|-------|

Capital Preferred Securities - 28.8% (19.4% of Total Investments)

Capital Markets - 3.8%

| | | | | | |
|--------|--|--------|----------|------|--------------|
| 1,000 | BT Capital Trust, Series B1 | 7.900% | 1/15/27 | A2 | \$ 1,050,294 |
| 4,850 | BT Institutional Capital Trust A, 144A | 8.090% | 12/01/26 | A2 | 5,117,099 |
| 3,000 | BT Institutional Capital Trust B, 144A | 7.750% | 12/01/26 | A2 | 3,153,831 |
| 1,250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 | A1 | 1,258,615 |
| 27,500 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 | A1 | 27,706,580 |
| 3,000 | First Security Capital I | 8.410% | 12/15/26 | Aa2 | 3,173,895 |
| 8,000 | UBS Preferred Funding Trust I | 8.622% | 10/29/49 | AA- | 8,934,096 |
| 3,800 | Washington Mutual Capital Trust I | 8.375% | 6/01/27 | Baa1 | 4,051,256 |

| | | | | | |
|--|-----------------------|--|--|--|------------|
| | Total Capital Markets | | | | 54,445,666 |
|--|-----------------------|--|--|--|------------|

Commercial Banks - 19.4%

| | | | | | |
|--------|---------------------------------------|--------|----------|------|------------|
| 3,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 | AA- | 3,033,606 |
| 9,500 | Abbey National Capital Trust I | 8.963% | 6/30/50 | A2 | 12,366,720 |
| 6,500 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 | N/R | 6,279,826 |
| 3,000 | Bank One Capital III | 8.750% | 9/01/30 | A1 | 3,874,803 |
| 1,000 | BankAmerica Capital II, Series 2 | 8.000% | 12/15/26 | Aa3 | 1,054,156 |
| 6,000 | BankBoston Capital Trust I, Series B | 8.250% | 12/15/26 | Aa3 | 6,344,850 |
| 2,000 | BanPonce Trust I, Series A | 8.327% | 2/01/27 | Baa1 | 2,112,706 |
| 13,030 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 | Aa3 | 14,675,963 |
| 3,000 | Centura Capital Trust I, 144A | 8.845% | 6/01/27 | A2 | 3,225,789 |
| 1,500 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 | A1 | 1,622,415 |
| 6,200 | First Empire Capital Trust I | 8.234% | 2/01/27 | Baa1 | 6,559,222 |

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| | | | | |
|--|---------|----------|------|--------------------|
| 2,000 First Midwest Bancorp Inc. | 6.950% | 12/01/33 | Baa2 | 2,107,436 |
| 30,000 HBOS Capital Funding LP, Notes | 6.850% | 3/23/49 | A1 | 30,091,050 |
| 2,400 HSBC Capital Funding LP, 144A | 9.547% | 12/31/49 | A1 | 2,742,672 |
| 5,750 HSBC Capital Funding LP, Debt | 10.176% | 6/30/50 | A1 | 8,341,439 |
| 11,000 KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 | A2 | 12,444,960 |
| 1,000 KeyCorp Capital II | 6.875% | 3/17/29 | A3 | 1,057,061 |
| 6,300 KeyCorp Institutional Capital Trust A | 7.826% | 12/01/26 | A3 | 6,618,868 |
| 18,600 Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22/49 | Aa2 | 18,652,210 |
| 20,000 M&I Capital Trust A | 7.650% | 12/01/26 | A2 | 20,971,000 |
| 5,000 NB Capital Trust IV | 8.250% | 4/15/27 | Aa3 | 5,313,860 |
| 1,000 North Fork Capital Trust I, Capital Securities | 8.700% | 12/15/26 | A3 | 1,059,001 |
| 8,000 North Fork Capital Trust II | 8.000% | 12/15/27 | A3 | 8,554,056 |
| 1,000 Popular North American Capital Trust I | 6.564% | 9/15/34 | Baa1 | 975,697 |
| 16,500 RBS Capital Trust B | 6.800% | 12/31/49 | A1 | 16,527,538 |
| 100 Reliance Capital Trust I, Series B | 8.170% | 5/01/28 | N/R | 107,633 |
| 2,365 SocGen Real Estate Company LLC, 144A | 7.640% | 12/29/49 | A1 | 2,433,171 |
| 8,000 Sparebanken Rogaland, Notes, 144A | 6.443% | 5/01/49 | Baa1 | 7,836,384 |
| 10,500 St. George Funding Company LLC | 8.485% | 6/30/17 | Baa1 | 11,017,052 |
| 1,650 Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 | A2 | 1,867,425 |
| 2,000 Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05/51 | A- | 2,266,726 |
| 300 Union Planters Preferred Fund, 144A | 7.750% | 7/15/53 | A2 | 32,540,625 |
| 100 Wachovia Capital Trust I, Capital Securities, 144A | 7.640% | 1/15/27 | A1 | 105,044 |
| 12,800 Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 | BBB | 12,543,770 |
| 3,000 Washington Mutual Preferred Funding Delaware, Series A-1, 144A | 6.534% | 3/15/49 | BBB | 2,917,314 |
| 5,000 Zions Institutional Capital Trust, Series A | 8.536% | 12/15/26 | Baa1 | 5,291,200 |
| Total Commercial Banks | | | | 275,533,248 |
| Diversified Financial Services - 1.0% | | | | |
| 4,000 BNP Paribas Capital Trust | 7.200% | 12/31/49 | A+ | 4,040,946 |
| 5,000 Chase Capital Trust I, Series A | 7.670% | 12/01/26 | A1 | 5,245,574 |
| 14,500 Citigroup Capital X | 6.100% | 9/30/33 | Aa2 | 350,755 |
| 1,700 Fulton Capital Trust I | 6.290% | 2/01/36 | A3 | 1,619,374 |
| 2,800 Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 | Baa2 | 2,920,416 |
| Total Diversified Financial Services | | | | 14,177,065 |
| Diversified Telecommunication Services - 0.9% | | | | |
| 9,957 Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 | A- | 12,349,792 |

Insurance - 2.2%

| | | | | |
|---|--------|---------|------|------------|
| 2,300 American General Capital II | 8.500% | 7/01/30 | Aa3 | 2,949,272 |
| 4,000 Mangrove Bay, Class 3, 144A | 6.102% | 7/15/33 | BBB+ | 3,876,040 |
| 1,000 MIC Financing Trust I | 8.375% | 2/01/27 | A+ | 1,015,771 |
| 7,250 Prudential PLC | 6.500% | 6/29/49 | A | 7,225,792 |
| 9,500 Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06/47 | A+ | 10,136,196 |
| 5,000 Zurich Capital Trust I, 144A | 8.376% | 6/01/37 | A- | 5,350,255 |
| Total Insurance | | | | 30,553,326 |

Oil, Gas & Consumable Fuels - 0.5%

| | | | | |
|--|--------|---------|------|-----------|
| 1,200 KN Capital Trust I, Preferred Securities | 8.560% | 4/15/27 | Baa3 | 1,273,726 |
| 6,110 KN Capital Trust III | 7.630% | 4/15/28 | Baa3 | 6,533,869 |
| Total Oil, Gas & Consumable Fuels | | | | 7,807,595 |

Thriffs & Mortgage Finance - 1.0%

| | | | | |
|---|--------|---------|------|-------------|
| 12,250 Dime Capital Trust I, Series A | 9.330% | 5/06/27 | Baa1 | 13,245,570 |
| 1,000 Great Western Financial Trust II, Series A | 8.206% | 2/01/27 | Baa1 | 1,058,221 |
| Total Thrifts & Mortgage Finance | | | | 14,303,791 |
| Total Capital Preferred Securities (cost \$423,977,473) | | | | 409,170,483 |

Shares Description (1)

Value

Investment Companies - 0.2% (0.1% of Total Investments)

| | | | | |
|--|--|--|--|------------|
| Flaherty and Crumrine/Claymore Preferred Securities Income | | | | |
| 12,358 Fund Inc. | | | | \$ 244,812 |
| 31,527 Flaherty and Crumrine/Claymore Total Return Fund Inc. | | | | 624,550 |
| 39,678 John Hancock Preferred Income Fund III | | | | 808,241 |
| 3,251 John Hancock Preferred Income Fund II | | | | 74,513 |
| 3,400 John Hancock Preferred Income Fund | | | | 79,390 |
| 14,786 Preferred and Corporate Strategies Fund Inc. | | | | 300,599 |
| 49,582 Preferred Income Strategies Fund Inc. | | | | 965,857 |
| Total Investment Companies (cost \$3,146,253) | | | | 3,097,962 |

**Principal
Amount (000) Description (1)**

Coupon Maturity

Value

Short-Term Investments - 1.6% (1.1% of Total Investments)

| | | | | |
|----------|--|--------|---------|-----------------|
| | Repurchase Agreement with State Street Bank, dated 3/31/06, repurchase price \$23,367,116, collateralized by \$24,130,000, U.S. Treasury Notes, 4.000%, due 6/15/09, value \$23,807,816 and \$20,000, U.S. Treasury Notes, | | | |
| \$23,359 | 4.250%, due 8/15/15, value \$19,122 | 4.250% | 4/03/06 | \$ 23,358,843 |
| | Total Short-Term Investments (cost \$23,358,843) | | | 23,358,843 |
| | Total Investments (cost \$2,088,543,567) - 148.6% | | | 2,112,801,751 |
| | Other Assets Less Liabilities - 1.2% | | | 17,222,352 |
| | Preferred Shares, at Liquidation Value - (49.8)% | | | (708,000,000) |
| | Net Assets Applicable to Common Shares - 100% | | | \$1,422,024,103 |

Table of Contents**Interest Rate Swaps outstanding at
March 31, 2006:**

| Counterparty | Notional Amount | Fixed Rate Paid by the Fund (annualized) | Fixed Rate Payment Frequency | Floating Rate Received by the Fund (5) | Floating Rate Payment Frequency | Termination Date | Unrealized Appreciation (Depreciation) |
|----------------|-----------------|--|------------------------------|--|---------------------------------|------------------|--|
| PMorgan | \$71,000,000 | 2.994% | Monthly | 4.794% | Monthly | 1/22/08 | \$2,745,283 |
| PMorgan | 71,000,000 | 3.395 | Monthly | 4.661 | Monthly | 7/06/06 | 366,728 |
| Morgan Stanley | 71,000,000 | 3.406 | Monthly | 4.794 | Monthly | 1/22/09 | 3,364,480 |
| Morgan Stanley | 71,000,000 | 2.567 | Monthly | 4.794 | Monthly | 1/22/07 | 1,528,451 |
| | | | | | | | \$8,004,942 |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (3) Investment is eligible for the Dividends Received Deduction.
- (4) Non-income producing.
- (5) Based on USD-LIBOR (United States Dollar-London Interbank Offered Rate).

N/R Not rated.

WI/DD Purchased on a when-issued or delayed delivery basis.

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

buyers.

CBTCS Corporate Backed Trust Certificates.

CORTS Corporate Backed Trust Securities.

PCARS Public Credit and Repackaged Securities.

PPLUS PreferredPlus Trust.

SATURNS Structured Asset Trust Unit Repackaging.

Income Tax Information

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

At March 31, 2006, the cost of investments was \$2,112,875,639.

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

Gross unrealized:

Appreciation
\$ 76,066,649

Depreciation
(76,140,537)

Net unrealized
appreciation
(depreciation) of
investments \$(73,888)

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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 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.

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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

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

Date May 30, 2006

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

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

Date May 30, 2006

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

Date May 30, 2006

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