NUVEEN QUALITY PREFERRED INCOME FUND 2
Form N-CSRS
April 09, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21137

Nuveen Quality Preferred Income Fund 2
(Exact name of registrant as specified in charter)

Nuveen Investments

333 West Wacker Drive

Chicago, IL 60606
(Address of principal executive offices) (Zip code)

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, 2015

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

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

ITEM 1. REPORTS TO STOCKHOLDERS.

Closed-End Funds

Nuveen Investments

Closed-End Funds

Semi-Annual Report January 31, 2015

JTP

Nuveen Quality Preferred Income Fund

JPS

Nuveen Quality Preferred Income Fund 2

JHP

Nuveen Quality Preferred Income Fund 3

NUVEEN INVESTMENTS ACQUIRED BY TIAA-CREF

On October 1, 2014, TIAA-CREF completed its previously announced acquisition of Nuveen Investments, Inc., the parent company of your fund's investment adviser, Nuveen Fund Advisors, LLC ("NFAL") and the Nuveen affiliates that act as sub-advisers to the majority of the Nuveen Funds. TIAA-CREF is a national financial services organization with approximately $851 billion in assets under management as of December 31, 2014 and is a leading provider of retirement services in the academic, research, medical and cultural fields. Nuveen is operating as a separate subsidiary within TIAA-CREF's asset management business.

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Chairman's Letter

to Shareholders

Dear Shareholders,

A pattern of divergence has emerged in the past year. Steady and moderate growth in the U.S. economy helped sustain the stock market's bull run another year. U.S. bonds also performed well, amid subdued inflation, interest rates that remained unexpectedly low and concerns about the economic well-being of the rest of the world. The stronger domestic economy enabled the U.S. Federal Reserve (Fed) to gradually reduce its large scale bond purchases, known as quantitative easing (QE), without disruption to the markets, as well as begin to set expectations for a transition into tightening mode.

The story outside the U.S., however, was different. European growth was stagnating and Japan fell into a recession, contributing to the bouts of volatility in their markets. China's economy decelerated and, despite running well above the rate of other major global economies, investors feared it looked slow by China's standards. Compounding these concerns were a surprisingly steep decline in oil prices, the U.S. dollar's rally and an increase in geopolitical tensions, including the Russia-Ukraine crisis and terrorist attacks across the Middle East and Africa, as well as more recently in Europe.

While a backdrop of healthy economic growth in the U.S. and the continuation of accommodative monetary policy (with the central banks of Japan and potentially Europe stepping in where the Fed has left off) bodes well for the markets, the global outlook has become more uncertain. Indeed, volatility is likely to feature more prominently in the investment landscape going forward. Such conditions underscore the importance of professional investment management. Experienced investment teams have weathered the market's ups and downs in the past and emerged with a better understanding of the sensitivities of their asset class and investment style, particularly in times of turbulence. We recognize the importance of maximizing gains, while striving to minimize volatility.

And, the same is true for investors like you. Maintaining an appropriate time horizon, diversification and relying on practiced investment teams are among your best strategies for achieving your long-term investment objectives. Additionally, I encourage you to communicate with your financial consultant if you have questions about your investment in a Nuveen Fund. 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.

William J. Schneider
Chairman of the Board
March 26, 2015

Portfolio Managers'

Comments

Nuveen Quality Preferred Income Fund (JTP)
Nuveen Quality Preferred Income Fund 2 (JPS)
Nuveen Quality Preferred Income Fund 3 (JHP)

The Funds are sub-advised by a team of specialists at Spectrum Asset Management, a wholly owned subsidiary of Principal Global Investors, LLC. Mark Lieb and Phil Jacoby lead the team. Here Mark and Phil discuss their management strategy and the performance of the Funds for the six-month reporting period ended January 31, 2015.

What key strategies were used to manage the Funds during the six-month reporting period ended January 31, 2015?

The investment objective of each Fund is to seek high current income consistent with capital preservation. Each Fund's secondary objective is to enhance portfolio value. Under normal market conditions, the Funds seek to invest at least 80% of their net assets in preferred securities and up to 20% of their net assets in debt securities, including convertible debt and convertible preferred securities.

Our underlying strategy is to maintain a balance between the individual investor-oriented $25 par preferred securities often traded on securities exchanges and the institutional investor-oriented $1,000 par preferred securities traded over-the-counter in the capital markets. Both types of securities offer performance opportunities which, together with the broad diversification benefits of this combined universe, help to produce potentially attractive risk-adjusted rates of return. We keep a risk-averse posture toward security structure and portfolio structure, which is an important core aspect of our efforts to preserve capital and provide attractive income relative to investment grade and senior corporate credit.

Extension risk is most prevalent in the $25 par sector where most issues are perpetual fixed rate securities with 5-year call options. When yields decline, these call options go into-the-money, which reduces the option adjusted duration of the securities and commensurately can slow upside price progression, this is known as negative convexity. The implication of negative convexity is that duration can go up as rates go up which implies marginally higher risk than duration implies when call options are in the money. Spectrum is very aware of extension risk prevalent in most $25 par securities and seeks to mitigate the risk through security selection. For example, we seek to maximize coupon and call option term which should reduce negative convexity. Importantly, investors demand a yield premium for the optionality purchased by the issuer, which helps to augment the income opportunity in the $25 par sector. Within the context of income, we expect an increasing amount of the Fund's dividend flow to be qualified dividend income (QDI) due to the regulatory changes underway for global Tier-1 bank capital that have modified the structural features to pay dividends on U.S. issuance rather than interest payments. This will likely have supportive implications on the after-tax income flow to shareholders.

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)

How did the Funds perform during the six-month reporting period ended January 31, 2015?

During July, the U.S. Federal Reserve (Fed) Bank's Federal Open Market Committee provided more insight about its policymaking by raising concern over potential excesses created by its highly accommodative monetary policies. This ultimately led to a shallow correction in the S&P 500® in August and another correction in October, which marked the end to the Fed's bond buying intended to support the U.S. recovery. The European and Japanese economies, on the other hand, have not experienced any exuberance as deflation is becoming a chronic international problem. We believe that deflation risk should keep both the European Central Bank (ECB) and the Bank of Japan (BOJ) in accommodative positions for quite some time. More immediately, as the ECB is just about to begin a quantitative easing (QE) program of its own and the BOJ has one well underway, it is unlikely that U.S. bond prices will decline much while QEs are underway in Europe and Japan because of the attractive yield differential in favor of U.S. bond assets. The implication of easy money from the foreign central banks (moves that we characterize as the currency wars) is that the U.S. economy becomes a marginal loser as exports slow from persistent U.S. dollar strength. In addition, plummeting oil prices only adds more uncertainty to the geopolitical balance and investment in U.S. production. Ultimately, long U.S. Treasury bond yields dropped by 110 basis points (bps) during the reporting period to an all-time low of just 2.22%, which propelled current yield spreads on preferred securities about 90bps wider to 378 bps.

At the beginning of the fourth quarter the U.S. Fed expressed concern about the strength of the U.S. dollar and its suppressing impact on economic growth and inflation, which sent the equity markets into a short-term fret. Indeed, the accelerated currency wars among the developed economies led to a depreciation of the euro and the yen, and commensurately reaffirmed the U.S. dollar as the world's reserve currency. This overarching macroeconomic theme attracted more, primarily international, buyers to the preferred market as these securities were among the highest yielding alternatives available compared to traditional fixed-income. The retail ($25 par) sector performed particularly well given its longer duration compared to the more intermediate duration of the institutional ($1,000 par) sector.

The tables in the Performance Overview and Holding Summaries section of this report provide total return performance for each Fund for the six-month, one-year, five-year and ten-year periods ended January 31, 2015. For the six-month reporting period ended January 31, 2015, all three Funds' common shares at net asset value (NAV) underperformed the Barclays U.S. Aggregate Bond Index and the Blended Benchmark because of the very strong U.S. Treasury bond rally (helping the Aggregate Index) and some technical aspects which benefited the Blended Benchmark.

Overall, total return performance in preferred securities was aided by two factors: 1) the general decline in U.S. Treasury rates, and 2) a notable twist and flattening in the preferred yield curve where retail $25 par yields declined and capital securities yields rose. Indeed, the yield compression in the U.S. Treasury market this reporting period was significant, but even more so for the 30-year bond (-110bps) than for the 10-year note (-35bps). Along this path to higher treasury prices, the retail preferred sector outperformed the institutional preferred sector because spreads widened 46bps less for the retail sector than for the institutional sector. Retail structures such as PNC 6.125% and Deutsche Bank 6.55% were among the better performing preferred securities. The Funds were slightly underweight the $25 par sector to the underlying components of the Index. Although this held back relative performance somewhat as rates declined, underweighting this longer duration sector in favor of more intermediate duration capital securities helps to mitigate longer run interest rate risk in the Funds.

The Funds underperformed the benchmark primarily because they were underweight the retail sector, the best among the two benchmark sectors, in order to mitigate the extension risk of rising interest rates, which is prevalent in this sector. The impact of a lower concentration in the retail sector served to reduce the duration of the Fund by one year on average relative to the benchmark, which also caused some underperformance due to the measurable decline in interest rates during the reporting period. Specific holdings that detracted from performance included, institutional issues from State Street Corporation and Standard Chartered, which were among the worst performers during the reporting period for reasons more technical than fundamental.

Fund

Leverage

IMPACT OF THE FUNDS' LEVERAGE STRATEGY ON PERFORMANCE

One important factor impacting the returns 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 positive impact on performance during this reporting period.

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

As of January 31, 2015, the Funds' percentages of leverage are shown in the accompanying table.

	JTP	JPS	JHP
Effective Leverage*	28.23%	28.08%	28.07%
Regulatory Leverage*	28.23%	28.08%	28.07%

* Effective leverage is a 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 a Fund. Both of these are part of a 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

The Funds employ regulatory leverage through the use of bank borrowings. As of January 31, 2015, the Funds' outstanding bank borrowings are as shown in the accompanying table.

	JTP	JPS	JHP
Bank Borrowings	$235,000,000	$465,800,000	$89,000,000

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

Common Share

Information

DISTRIBUTION INFORMATION

The following information regarding the Funds' distributions is current as of January 31, 2015. Each Fund's distribution levels may vary over time based on each Fund's investment activities 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	**JTP**	**JPS**	**JHP**
August 2014	$ 0.0520	$ 0.0550	$ 0.0520
September	0.0520	0.0550	0.0520
October	0.0520	0.0550	0.0520
November	0.0520	0.0550	0.0520
December	0.0530	0.0560	0.0535
January 2015	0.0550	0.0580	0.0560
Ordinary Income Distribution*	$ 0.0905	$ 0.0488	$ 0.0634
Current Distribution Rate**	7.69%	7.44%	7.71%

* Distribution paid in December 2014.

** 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.

Each Fund in this report seeks to pay regular monthly dividends out of its net investment income at a rate that reflects its 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, 2015, all of the Funds in this report had positive UNII balances, based upon our best estimate, for tax purposes. JTP and JPS had positive UNII balances, while JHP had a negative UNII balance for financial reporting purposes.

All monthly dividends paid by each Fund during the six months ended January 31, 2015, were paid from net investment income. If a portion of the Fund's monthly distributions was 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 each Fund's 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 each Fund as of its most recent tax year end is presented in Note 6 Income Tax Information within the Notes to Financial Statements of this report.

COMMON SHARE REPURCHASES

During August 2014, the Funds' Board of Trustees reauthorized an open-market share repurchase program, allowing each Fund to repurchase an aggregate of up to approximately 10% of its outstanding shares.

As of January 31, 2015, and since the inception of the Funds' repurchase programs, the Funds have cumulatively repurchased and retired their common shares as shown in the accompanying table.

	JTP	JPS	JHP
Common Shares Cumulatively Repurchased and Retired	5,000	0	60,000
Common Shares Authorized for Repurchase	6,465,000	12,040,000	2,370,000

During the current reporting period, the Funds repurchased and retired common shares at a weighted average price and a weighted average discount per common share as shown in the accompanying table.

	JTP	JPS	JHP
Common Shares Repurchased and Retired	5,000	0	40,000
Weighted Average Price Per Common Share Repurchased and Retired	$ 7.94	$ 0	$ 8.35
Weighted Average Discount Per Common Share Repurchased and Retired	13.98%	0%	12.95%

COMMON SHARE EQUITY SHELF PROGRAMS

JTP, JPS and JHP each filed registration statements with the SEC authorizing each Fund to issue an additional 6.4 million, 12.0 million and 2.3 million common shares, respectively, through equity shelf programs, which are not yet effective.

Under these equity shelf programs, the Funds, subject to market conditions, may raise additional capital from time to time in varying amounts and offering methods at a net price at or above each Fund's NAV per common share.

Refer to Notes to Financial Statements, Note 1 General Information and Significant Accounting Policies for further details and the Funds' equity shelf programs.

OTHER COMMON SHARE INFORMATION

As of January 31, 2015, and during the current reporting period, the Funds' common share prices were trading at premium/(discount) to their common share NAVs as shown in the accompanying table.

	JTP	JPS	JHP
Common Share NAV	$ 9.24	$ 9.91	$ 9.64
Common Share Price	$ 8.58	$ 9.36	$ 8.72
Premium/(Discount) to NAV	(7.14)%	(5.55)%	(9.54)%
6-Month Average Premium/(Discount) to NAV	(10.32)%	(9.06)%	(11.91)%

Risk

Considerations

Fund shares are not guaranteed or endorsed by any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation. Shares of closed-end funds are subject to investment risks, including the possible loss of principal invested. Past performance is no guarantee of future results. Fund common shares are subject to a variety of risks, including:

Investment, Market and Price Risk. An investment in common shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in common shares represents an indirect investment in the corporate securities owned by the Funds, which generally trade in the over-the-counter markets. Shares of closed-end investment companies like the Funds frequently trade at a discount to their NAV. Your common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Leverage Risk. A Fund's use of leverage creates the possibility of higher volatility for a Fund's per share NAV, market price and distributions. Leverage risk can be introduced through regulatory leverage (issuing preferred shares or debt borrowings at the Fund level) or through certain derivative investments held in a Fund's portfolio. Leverage typically magnifies the total return of a Fund's portfolio, whether that return is positive or negative. The use of leverage creates an opportunity for increased common share net income, but there is no assurance that a Fund's leveraging strategy will be successful.

Tax Risk. The tax treatment of Fund distributions may be affected by new IRS interpretations of the Internal Revenue Code and future changes in tax laws and regulations.

Issuer Credit Risk. This is the risk that a security in a Fund's portfolio will fail to make dividend or interest payments when due.

Interest Rate Risk. Fixed-income securities such as bonds, preferred, convertible and other debt securities will decline in value if market interest rates rise.

Reinvestment Risk. If market interest rates decline, income earned from a Fund's portfolio may be reinvested at rates below that of the original investment that generated the income.

Preferred Stock Risk. Preferred stocks are subordinate to bonds and other debt instruments in a company's capital structure, and therefore are subject to greater credit risk.

Call Risk or Prepayment Risk. Issuers may exercise their option to prepay principal earlier than scheduled, forcing a Fund to reinvest in lower-yielding securities.

Non-U.S. Securities Risk. Investments in non-U.S securities involve special risks not typically associated with domestic investments including currency risk and adverse political, social and economic developments. These risks often are magnified in emerging markets.

Derivatives Strategy Risk. Derivative securities, such as calls, puts, warrants, swaps and forwards, carry risks different from, and possibly greater than, the risks associated with the underlying investments.

Counterparty Risk. To the extent that a Fund's derivative investments are purchased or sold in over-the-counter transactions, the Fund will be exposed to the risk that counter- parties to these transactions will be unable to meet their obligations.

Interest Rate Swaps Risk. The risk that yields will move in the direction opposite to the direction anticipated by a Fund, which would cause a Fund to make payments to its counterparty in the transaction that could adversely affect the Fund's performance.

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JTP

Nuveen Quality Preferred Income Fund

Performance Overview and Holding Summaries as of January 31, 2015

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

Average Annual Total Returns as of January 31, 2015

	Cumulative		Average Annual	
	6-Month	1-Year	5-Year	10-Year
JTP at Common Share NAV	3.69%	14.39%	13.04%	3.52%
JTP at Common Share Price	7.88%	20.03%	13.73%	3.71%
Barclays U.S. Aggregate Bond Index	4.36%	6.61%	4.57%	4.86%
Blended Benchmark (Comparative Index)	4.22%	12.20%	9.41%	4.57%

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Returns at NAV are net of Fund expenses, and assume reinvestment of distributions. Comparative index return information is provided for the Fund's shares at NAV only. Indexes are not available for direct investment.

Common Share Price Performance Weekly Closing Price

This data relates to the securities held in the Fund's portfolio of investments as of the end of the reporting period. It should not be construed as a measure of performance for the Fund itself. Holdings are subject to change.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's, Moody's Investors Service, Inc. or Fitch, Inc. 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.

Fund Allocation

(% of net assets)

Convertible Preferred Securities	0.7%
$25 Par (or similar) Retail Preferred	49.3%
Corporate Bonds	6.8%
$1,000 Par (or similar) Institutional Preferred	80.2%
Investment Companies	1.2%
Long-Term Investments	**138.2%**
Short-Term Investments	**1.3**