NUVEEN QUALITY PREFERRED INCOME FUND 2
Form N-CSRS
April 08, 2014

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, 2014

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, 2014

JTP

Nuveen Quality Preferred Income Fund

JPS

Nuveen Quality Preferred Income Fund 2

JHP

Nuveen Quality Preferred Income Fund 3

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Chairman's Letter

to Shareholders

Dear Shareholders,

Despite headwinds from slow growth, fiscal and political uncertainty in many countries and some fragile economies around the world, domestic and international equity markets increased significantly in 2013. The emerging markets equity sector was an exception. Other sectors, such as real estate, were flat to down a bit and commodities were notably negative in total return performance. The fixed income market also experienced losses in many sectors.

U.S. equities in particular hit numerous all-time highs during the past year, exceeding prior rising market trends. Europe and Asia struggled with political and financial stresses but Europe's improving GDP in the second half provided hope that the region can exit recession. In Japan, the economic policies advocated by Prime Minister Shinzo Abe became a positive influence on the economy as deflationary pressures declined, while the economy in China started to stabilize due to monetary easing and supply side reforms. On the domestic front, the Federal Reserve stimulus continued throughout the year but discussion of reductions in the stimulus program caused historically low rates to rise and added to concern that interest rates could rise quickly in the near future. This provided challenges for fixed income investors.

The Federal Reserve's decision to slow down its bond buying program beginning in January 2014, and the federal budget compromise over government spending into early 2015 were positive signs that the domestic economy is moving forward. We are beginning to experience an economy that can provide encouraging conditions for GDP growth, job growth and low inflation. Additionally, downward trending unemployment and a continuing rebound in the housing market adds to a positive economic scenario going forward.

However, the current year has experienced a tumultuous start. It is in these particularly volatile markets that professional investment management is most important. Investment teams who have experienced challenging markets in the past understand how their asset class can behave in rapidly changing times. Remaining committed to their investment disciplines during these times is a critical component to achieving long-term success. In fact, many strong investment track records are established during challenging periods because experienced investment teams understand that volatile markets place a premium on companies and investment ideas that can weather the short-term volatility. By maintaining appropriate time horizons, diversification and relying on practiced investment teams, we believe that investors can achieve their long-term investment objectives.

As always, I encourage you to communicate with your financial consultant if you have any 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.

Sincerely,

William J. Schneider
Chairman of the Nuveen Fund Board
March 25, 2014

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 talk about their management strategy and the performance of the Funds for the six-month reporting period ended January 31, 2014.

What key strategies were used to manage the Funds during the six-month reporting period ended January 31, 2014?

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.

During the reporting period, long-term interest rates continued to rise triggered by the Federal Reserve (Fed) suggesting that it may taper its bond purchases. The retail sector represented by the $25 par market sold off as a result of the fear of rising rates and investors turning to equity securities. As rates rose and equity markets performed well, the first half of the reporting period was one of the worst on record for the $25 par market.

The capital securities market represented by the $1000 par market had a different response. Primarily due to some structural differences available in the institutional sector that can lead to a lower effective duration (interest-rate sensitivity) than that of the $25 par market, the $1000 par sector outperformed. This spread pattern between the two markets is a prime example of why we seek a blend of the two preferred securities sectors. Over the long run, both the $25 par sector and the capital securities sector combine to provide diversification benefits, which may potentially improve risk-adjusted returns.

By the second half of the reporting period, the Fed surprised the U.S. Treasury bond market with its decision to not taper its bond purchases and to continue purchasing more long term U.S. Treasuries and mortgage securities. This news ended the price declines for the $25 par market, creating a recovery through October 2013 and into November 2013. However,

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 (Moody's) Service, Inc. 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.

Portfolio Managers' Comments (continued)

the Fed's generous accommodation helped equities set new highs, but the aftermath of the bond market debacle in the third quarter of the 2013 set up the $25 par preferred market to be harvested for needed tax losses to offset gains taken in equities. Overall, the underperformance of the retail market compared to the outperformance of the institutional market was due primarily to the unsustainable technical pressures that specifically besieged the retail market. The performance difference between the retail and institutional sectors can be explained by technical pressures that impacted the retail market. In particular, the unsustainable tax-loss selling pressures that besieged the $25 par market primarily in December.

How did the Funds perform during the six-month reporting period ended January 31, 2014?

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, 2014. For the six-month reporting period ended January 31, 2014, all three Funds' common shares at net asset value (NAV) outperformed the Barclays U.S. Aggregate Bond Index, but underperformed the Blended Benchmark.

Two tactics were initiated during the six-month reporting period. We repositioned the Funds into higher coupon paper during August and September 2013, which we believed would foster more income. At the margin, we believed it could also dampen volatility somewhat as fears over higher long-term rates persist. We felt that it was the appropriate time to buy higher coupon longer duration paper. Purchasing AIG 8.175% on the heels of the correction was a tactic that helped to improve the coupon of the Funds by two or more basis points, but at a far cheaper price than during the first half of the year.

During the second half of the reporting period, we purchased more discount $25 par paper despite it being oversold. Unfortunately, this detracted from performance because the sector came under further pressure by December as result of tax loss selling. The trend began to reverse in January 2014.

For JTP, the better performing issuers were mainly from the banking and financial sectors. Goldman Sachs Capital II, Prudential Financial Inc. and Deutsche Bank AG were the top three performers. Among the names that detracted from performance during the period were Stanley Black & Decker Inc., Public Storage, Inc. and PS Business Parks, Inc. For JPS, Goldman Sachs Capital II, Prudential Financial Inc. and Centaur Funding Corporation were the top three performers. John Hancock, NextEra Energy Inc. and Qwest Corporation were detracted from Fund performance. Lastly, for JHP, Goldman Sachs Capital II was a top performer along with First Union Capital. Detractors also included Stanley Black and Decker, Inc., as well as John Hancock and HSBC Holding PLC.

As we move further into a new year, we believe that the combination of low real GDP growth and low inflation will keep U.S. Treasury 30-Year bond rates contained below 4.5% and the Fed Funds Rate exceptionally low throughout 2014. The evolving trends in the capital securities sector for higher yields in European bank Tier 1 should further support positive total returns and improving current income from the Funds in the longer run as legacy paper is phased out and replaced by higher yielding "Additional Tier 1" securities.

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, the Funds use through bank borrowings. The swap contracts impact on the Funds' performance was positive during the period.

As of January 31, 2014, the Funds' percentages of leverage are shown in the accompanying table.

	JTP	JPS	JHP
Effective Leverage*	29.31%	29.19%	29.23%
Regulatory Leverage*	29.31%	29.19%	29.23%

* 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

As discussed previously, the Funds employ regulatory leverage through the use of bank borrowings. As of January 31, 2014, the Funds have outstanding bank borrowings as shown in the accompanying table.

	JTP	JPS	JHP
Bank Borrowings	$234,000,000	$464,000,000	$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, 2014. 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 monthly distributions to common shareholders were as shown in the accompanying table.

	Per Common Share Amounts		
Ex-Distribution Date	**JTP**	**JPS**	**JHP**
August 2013	$ 0.0500	$ 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	0.0520	0.0550	0.0520
January 2014	0.0520	0.0550	0.0520
Non-recurring supplemental taxable distribution*	0.0387		0.0422
Current Distribution Rate**	8.01%	7.87%	7.78%

* Distribution paid in December 2013.

** 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.

During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of January 31, 2014, all three Funds had positive UNII balances, based upon our best estimate, for both tax and financial reporting purposes.

COMMON SHARE REPURCHASES

During November 2013, the Nuveen Funds' Board of Directors/Trustees reauthorized the Funds' open-market share repurchase program, allowing each Fund to repurchase an aggregate of up to approximately 10% of their outstanding common shares.

As of January 31, 2014, and since the inception of the Funds' repurchase programs, the Funds have cumulatively repurchased and retired common shares as shown in the accompanying table.

	JTP	**JPS**	**JHP**

Common Shares Cumulatively Repurchased and Retired			20,000
Common Shares Authorized for Repurchase	6,465,000	12,040,000	2,375,000

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			20,000
Weighted Average Price Per Common Share Repurchased and Retired	$	$	$ 7.78
Weighted Average Discount Per Common Share Repurchased and Retired	%	%	13.58%

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.

OTHER COMMON SHARE INFORMATION

As of January 31, 2014, 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	$ 8.73	$ 9.35	$ 9.09
Common Share Price	$ 7.79	$ 8.39	$ 8.02
Premium/(Discount) to NAV	(10.77)%	(10.27)%	(11.77)%
6 -Month Average Premium/(Discount) to NAV	(11.67)%	(11.80)%	(12.11)%

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.

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JTP

Nuveen Quality Preferred Income Fund

Performance Overview and Holding Summaries as of January 31, 2014

Average Annual Total Returns as of January 31, 2014

	Cumulative	Average Annual		
	6-Month	1-Year	5-Year	10-Year
JTP at Common Share NAV	2.11%	2.86%	21.29%	2.86%
JTP at Common Share Price	2.12%	(5.77)%	18.60%	1.66%
Barclays U.S. Aggregate Bond Index	1.78%	0.12%	4.93%	4.62%
Blended Benchmark (Comparative Index)	3.95%	4.11%	17.36%	3.80%

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. 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.

Fund Allocation

(% of net assets)

$1,000 Par (or similar) Institutional Preferred	72.2%
$25 Par (or similar) Retail Preferred	52.1%
Corporate Bonds	9.0%
Convertible Bonds	3.5%
Short-Term Investments	2.8%
Investment Companies	1.2%
Borrowings	(41.5)%
Other Assets Less Liabilities	0.7%

Portfolio Composition[1]

(% of total investments)

Insurance	29.4%
Commercial Banks	22.4%
Diversified Financial Services	13.1%