NUVEEN GEORGIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2
Form N-CSR
August 07, 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 811-21152

Nuveen Georgia Dividend Advantage Municipal 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: May 31

Date of reporting period: May 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.

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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 beginning to set expectations for a transition into tightening mode.

The economic story outside the U.S. holds much uncertainty. The escalating drama over Greece's debt negotiations has the European economy on edge, while China's economy has decelerated and experienced a great deal of turmoil in its stock markets. Other areas of concern include a surprisingly steep decline in oil prices, the U.S. dollar's rally and an increase in geopolitical tensions, involving 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 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
July 24, 2015

Portfolio Managers' Comments

Nuveen Georgia Dividend Advantage Municipal Fund 2 (NKG)
Nuveen Maryland Premium Income Municipal Fund (NMY)
Nuveen Minnesota Municipal Income Fund (NMS)
Nuveen Missouri Premium Income Municipal Fund (NOM)
Nuveen North Carolina Premium Income Municipal Fund (NNC)
Nuveen Virginia Premium Income Municipal Fund (NPV)

These Funds feature portfolio management by Nuveen Asset Management, LLC, an affiliate of Nuveen Investments, Inc. Portfolio managers Daniel J. Close, CFA, Thomas C. Spalding, CFA, Douglas J. White, CFA and Christopher L. Drahn, CFA, discuss U.S. economic and municipal market conditions, key investment strategies and the twelve-month performance of these six Nuveen Funds. Dan has managed the Nuveen Georgia and North Carolina Funds since 2007. Tom assumed portfolio management responsibility for the Maryland and Virginia Funds in 2011, Doug has managed the Minnesota Fund since 1993 and Chris has managed the Missouri Fund since 2011.

Fund Mergers

The Nuveen Minnesota Municipal Income Fund (NMS), which commenced operations on October 6, 2014, was formed from the merger of Minnesota Municipal Income Portfolio Inc. (MXA) and First American Minnesota Municipal Income Fund II (MXN) (the Mergers), both of which had been managed by U.S. Bancorp Asset Management, Inc. and sub-advised by Nuveen Fund Advisors, LLC and Nuveen Asset Management, LLC. MXA is treated as the survivor of the Mergers for accounting and performance reporting purposes. Accordingly, all performance and other information shown for NMS for periods prior to October 6, 2014, is that of MXA. MXA's previous fiscal year end was June 30, 2014, and therefore NMS's reporting period for this report is from July 1, 2014 through May 31, 2015.

See Notes to Financial Statements, Note 1 — General Information and Significant Accounting Policies, Fund Mergers for further information.

What factors affected the U.S. economy and the national municipal market during the twelve-month reporting period ended May 31, 2015?

During this reporting period, the U.S. economy continued to expand at a moderate pace. The Federal Reserve (Fed) maintained efforts to bolster growth and promote progress toward its mandates of maximum employment and price stability by holding the benchmark fed funds rate at the record low level of zero to 0.25% that it established in December 2008. At its October 2014 meeting, the Fed announced that it would end its bond-buying stimulus program as of November 1, 2014, after tapering its monthly asset purchases of mortgage-backed and longer-term Treasury securities from the original $85 billion per month to $15 billion per

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.

Bond insurance guarantees only the payment of principal and interest on the bond when due, and not the value of the bonds themselves, which will fluctuate with the bond market and the financial success of the issuer and the insurer. Insurance relates specifically to the bonds in the portfolio and not to the share prices of a Fund. No representation is made as to the insurers' ability to meet their commitments.

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

Portfolio Managers' Comments (continued)

month over the course of seven consecutive meetings (December 2013 through September 2014). In making the announcement, the Fed cited substantial improvement in the outlook for the labor market since the inception of the current asset purchase program as well as sufficient underlying strength in the broader economy to support ongoing progress toward maximum employment in a context of price stability. The Fed also reiterated that it would continue to look at a wide range of factors, including labor market conditions, indicators of inflationary pressures and readings on financial developments, in determining future actions. Additionally, the Fed stated that it would likely maintain the current target range for the fed funds rate for a considerable time after the end of the asset purchase program, especially if projected inflation continues to run below the Fed's 2% longer run goal. However, if economic data shows faster progress, the Fed indicated that it could raise the fed funds rate sooner than expected.

The Fed changed its language slightly in December, indicating it would be "patient" in normalizing monetary policy. This shift helped ease investors' worries that the Fed might raise rates too soon. However, as employment data released early in the year continued to look strong, anticipation began building that the Fed could raise its main policy rate as soon as June. As widely expected, after its March meeting, the Fed eliminated "patient" from its statement but also highlighted the policy makers' less optimistic view of the economy's overall health as well as downgraded their inflation projections. The Fed's April meeting seemed to further signal that a June rate hike was off the table. While the Fed attributed the first quarter's economic weakness to temporary factors, the meeting minutes from April revealed that many Committee members believed the economic data available in June would be insufficient to meet the Fed's criteria for initiating a rate increase. The June meeting bore out that presumption, and the Fed decided to keep the target rate near zero. But the Committee also continued to telegraph the likelihood of at least one rate increase in 2015, which many analysts forecasted for September.

According to the government's most recent estimate, the U.S. economy contracted at a 0.7% annualized rate in the first quarter of 2015, as measured by GDP, compared with an increase of 4.6% in the second quarter of 2014, 5.0% in the third quarter and 2.2% in the fourth quarter. The decline in real GDP growth rate from the fourth quarter of 2014 to the first quarter of 2015 primarily reflects a downturn in both state and local government spending, a decline in exports and consumer spending. These were partly offset by an upturn in federal government spending. The Consumer Price Index (CPI), at -0.2%, was unchanged year-over-year as of May 2015. The core CPI (which excludes food and energy) increased 1.7% during the same period, below the Fed's unofficial longer term inflation objective of 2.0%. As of May 31, 2015, the national unemployment rate was 5.5%, the level considered "full employment" by some Fed officials, down from the 6.3% reported in May 2014. The housing market continued to post consistent gains as of its most recent reading in April 2015. The average home price in the S&P/Case-Shiller Index of 20 major metropolitan areas rose 4.9% for the twelve months ended April 2015 (most recent data available at the time this report was prepared).

Municipal bonds enjoyed strong performance during the twelve-month reporting period, buoyed by a backdrop of low interest rates, improving investor sentiment and favorable supply-demand dynamics. Interest rates were widely expected to rise in 2014, as the economy improved and the Fed wound down its asset purchases. However, the 10-year Treasury yield ended the year even lower than where it began. As a result, fixed income asset classes performed surprisingly well (as yields fall, prices rise and vice versa). At the same time, investors grew more confident that the Fed's tapering would proceed at a measured pace and that the credit woes of Detroit and Puerto Rico would be contained. In addition, credit fundamentals for state and local governments were generally stabilizing, although pockets of trouble remained. California and New York showed marked improvements during 2014, whereas Illinois, New Jersey and Puerto Rico, for example, still face considerable challenges.

Investors' declining risk aversion bolstered demand for higher yielding assets, including municipal bonds, which reversed the tide of outflows municipal bond funds suffered in 2013. While demand and inflows rose, supply continued to be subdued in 2014. More municipal bonds left the market than were added, a condition known as net negative issuance. Part of the reason for net negative issuance was that a significant portion of issuer activity focused on current refundings, in which a new bond is issued to replace the called bond (in contrast to an advanced refunding, where the called bond remains in the market as a pre-refunded bond).

These factors helped drive municipal bond yields lower and tightened yield spreads relative to Treasuries in 2014 overall. However, as 2015 began, market conditions turned more volatile. A series of disappointing economic data underscored the fragility of the U.S. recovery, as well as cast further uncertainty on the timing of the Fed's first rate hike. Issuance was unusually strong at the beginning of 2015, fueling concerns about potential oversupply conditions. Over the twelve months ended May 31, 2015, municipal bond issuance nationwide totaled $397.8 billion, an increase of 34.4% from the issuance for the twelve-month period ended May 31, 2014. The surge in gross issuance is due mostly to increased refunding deals as issuers have been actively and aggressively refunding their outstanding debt given the very low interest rate environment. These refunding transactions have ranged from 40%-60% of total issuance over the past few years. Thus, the net issuance (all bonds issued less bonds redeemed) is actually much lower than the gross issuance. In fact, the total municipal bonds outstanding has actually declined in each of the past four calendar years. So, the gross is surging, but the net is not and this has been an overall positive technical factor on municipal bond investment performance. At the same time, regulatory changes, increased risk aversion and expectations for rising interest rates have encouraged bond dealers, typically brokers and banks, to reduce the size of their inventories in recent years. By holding smaller amounts of bonds on their books, dealers seek to mitigate their exposure to bonds that could potentially be worth less or be more difficult to sell in the future. As a result, there has been less liquidity in the marketplace, which contributed to periods of increased price volatility in early 2015. The municipal bond market also experienced some seasonal weakness in the first few months of 2015 due to tax-related selling. Finally, divergence in economic growth and central bank policies around the world have reinforced an interest rate differential that favors demand for U.S. Treasuries, maintaining downward pressure on yields.

How were the economic and market conditions in Georgia, Maryland, Missouri, Minnesota, North Carolina and Virginia during the twelve-month reporting period ended May 31, 2015?

Georgia's economy is performing well. Benchmark employment revisions indicate that the labor market fared considerably better last year than previously estimated. Total state employment grew by 3.0% in 2014, compared to 2.3% for the nation. As of May 2015, unemployment in Georgia was 6.3%, down from 7.3% in May 2014, but still above the national rate of 5.5%. Georgia's economy continued to be well diversified, although geographically concentrated around the Atlanta metropolitan area. Home prices in the Atlanta area, which were hard hit by the housing crisis, were up 4.9% year-over-year as of April 2015 (most recent data available at the time this report was prepared), according to the S&P/Case-Shiller Home Price Index. For Fiscal 2016, Georgia adopted a $21.8 billion state budget, increasing state spending by $1 billion over the Fiscal 2015 budget. The 2016 state budget is still $3 billion below the 2007 fiscal year levels, on an inflation-adjusted per capita basis. The Fiscal 2016 budget provides $500 million in additional funds for K-12 education and 1% pay raises for state employees. In November 2014, voters in Georgia approved a constitutional amendment to prevent the state from increasing the maximum individual income tax rate above 6%. Individual income tax is Georgia's largest revenue source accounting for 47% of the state's Fiscal 2015 general fund budget. Capping the income tax reduces the state's financial flexibility to raise revenues if necessary. As of June 2015 (subsequent to the close of this reporting period), Georgia's general obligation debt continued to be rated Aaa/AAA/AAA with stable outlooks from Moody's, S&P and Fitch, respectively. For the twelve months ended May 31 2015, municipal issuance in Georgia totaled $6.8 billion, a gross issuance increase of 34.8% from the twelve months ended May 31, 2014.

In Maryland, the state's credit profile remained relatively strong, due to sound fiscal management and a diverse economy. In 2014, Maryland's economic growth was fairly slow at 0.8%, compared to 2.2% for the U.S. While the state's economic recovery has been somewhat hampered by federal budget cuts, private sector employment has shown recent signs of expansion. Growth in the health care and professional services sectors buoyed the state's job market and lowered statewide unemployment to 5.3% as of May 2015, down from 5.8% in the prior year. However, Maryland's proximity to Washington D.C. means a greater dependency on federal employment than in most states, leaving it vulnerable to federal cost-cutting. Government employment accounts for nearly 20% of all state employment but the effects of federal spending cutbacks on Maryland's employment numbers is finally abating as

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both the private sector and to some extent the federal government, add jobs. Maryland has one of the nation's best educated workforces, which has facilitated the development of advanced technology and the growth of public and private research facilities. Combined with the influence of the government sector and the presence of 56 universities, this has made Maryland a center for national security and medical and biomedical research. Maryland's Fiscal 2016 budget estimates a 1% increase in revenues and expenditures and increases the state's reserve fund to $967 million. As of June 2015, (subsequent to the close of this reporting period), Moody's, S&P and Fitch rated Maryland general obligation debt at Aaa/AAA/AAA, respectively, with stable outlooks. During the twelve months ended May 31, 2015, municipal issuance in the state totaled $8.0 billion, a gross issuance increase of 53.4% from the twelve-month period ended May 31, 2014.

For 2014, Minnesota's economic growth trailed the national growth rate with Minnesota's GDP growing 1.4%, compared with the national rate of 2.2%, and ranking Minnesota's GDP growth 27th fastest among all states. Minnesota's modest GDP growth was driven by gains in the manufacturing and health care. Education, health care services, trade and transportation, and professional and business services sectors experienced the strongest employment gains in 2014. Minnesota's manufacturing firms continue to expand and reported a 2.9% increase in exports for 2014. As of May 2015, Minnesota's seasonally adjusted unemployment rate of 3.8% remained well below the national unemployment rate of 5.5% and was down from 4.1% in May 2014. According to the S&P/Case-Shiller Index of 20 major metropolitan areas, housing prices in Minnesota rose a fairly modest 3.2% during the twelve months ended April 2015 (most recent data available at the time this report was prepared), compared with a 4.9% price increase nationally. In June 2015, Minnesota passed a balanced $42 billion biennium budget for Fiscal 2016 and 2017. During the 2015 legislative session, strong tax collections gave Governor Dayton and the Legislature the luxury of a nearly $2 billion budget surplus which allowed the state to increase per pupil state aid payments by nearly 2% and fund economic development and energy program projects. The Governor and Legislature used a special session to negotiate the final budget agreement and avoided another painful government shutdown like the state experienced in 2011 when a budget gap lead to an eight day government shutdown. Minnesota's structural imbalance led S&P to downgrade the rating on the state's general obligation bonds to AA+ from AAA in September 2011. Moody's revised its outlook for the state to stable from negative in July 2013, while maintaining its Aa1 rating. Despite these revisions, Minnesota retained a solid credit profile reflective of its well-balanced economy, above-average wealth levels, moderate debt burden and strong debt management. For the twelve months ended May 31, 2015, municipal issuance in Minnesota totaled $7.0 billion, representing a 40.2% gross issuance increase from the twelve months ended May 31, 2014.

Missouri's economic recovery continues to lag national economic growth. For 2014, national GDP grew 2.2% and outpaced Missouri's GDP growth rate of 0.9%. As of May 2015, Missouri's unemployment rate of 5.8% remained above the national unemployment rate of 5.5%, but state unemployment improved from the state's 6.1% unemployment rate as of May 2014. Job growth was driven by gains in the manufacturing, professional and business services, education and health services, and government sectors. Missouri's state exports also improved in 2014, with exports increasing 9.3% from 2013, export gains were driven by gains in motor vehicles and trade growth with Missouri's two largest trading partners, Canada and Mexico. For Fiscal 2016, the balanced Missouri state budget of $26.1 billion is 1.1% lower than the Fiscal 2015 budget of $26.4 billion, but the Fiscal 2016 budget increased K-12 education funding from $3.15 billion to $3.22 billion. As of June 2015, Moody's, S&P and Fitch rated Missouri general obligation debt at Aaa/AAA/AAA, respectively, with stable outlooks. For the twelve months ended May 31, 2015, municipal issuance in Missouri totaled $5.7 billion, representing a 12% gross issuance decrease from the twelve months ended May 31, 2014.

North Carolina's growth slowed in 2014 but it remains in the middle of the pack in terms of its recovery from the recession. For 2014, the gross state product for North Carolina grew 1.4% compared to 2.7% the prior year, however, it still ranks 25th among all states. As of May 2015, the state's unemployment rate of 5.7% was close to its lowest point since early 2008; during the recession the unemployment rate topped 11%. North Carolina has worked to transition its economy away from old-line manufacturing into sectors oriented toward research, technology and services and the combination of experience and a focus on the future resulted in Raleigh being selected as the site for a new federally subsidized institute for technology-based manufacturing. Once a leader in textiles, furniture and tobacco, the state's manufacturing sector was not expected to resume its role as a major driver in the North Carolina economy but manufacturing has continued to represent a significant number of the state's jobs. Almost 11% of total employment is in manufacturing and the sector has added 9,500 jobs during the recovery. The federal government remained the largest employer in the state due to the large military installments, including Fort Bragg and Camp Lejeune, which are the two largest employers in the state with more than 110,000 workers. According to the S&P/Case-Shiller Index of 20 major metropolitan areas, housing prices in Charlotte rose 5.6% during the twelve months ended April 2015 (most recent data available at the time this report was prepared). This put Charlotte home prices less than 4% from their 2007 peak. North Carolina is projected to have a $400 million surplus in Fiscal Year 2015 and the Fiscal Year 2016 proposed budget includes a 2% increase in revenues. As of May 2015, Moody's, S&P and Fitch rated North Carolina general obligation debt at Aaa/AAA/AAA, respectively, with stable outlooks. During the twelve months ended May 31, 2015, municipal issuance in North Carolina totaled $5.5 billion, a gross issuance increase of 108.3% from the previous twelve months.

Virginia's economic recovery leading into 2014 had been slow but steady. Then in 2014 it came to a halt and the state posted no growth in GDP which put it in 48th place among all states. However, other economic indicators reflect an economy that is relatively healthy and improving. As of May 2015, unemployment in the commonwealth fell to 4.9%, down from 5.2% a year earlier and just below the national average of 5.5%. Job growth in Virginia was led by the education and health services, financial services and construction sectors. Virginia has a relatively high percentage of government employment, at almost 19% of total employment; this is a result of its proximity to Washington D.C. in the north and large military presence in the Hampton Roads region. In recent months, home prices in the region have risen slightly, according to the S&P/Case-Shiller Index of 20 major metropolitan areas, with the Washington D.C. area posting a 1.1% gain for the twelve months ended April 2015 (most recent data available at the time this report was prepared), compared with a 4.9% price increase nationally. Virginia is entering its second year of its biennium budget and revenues are coming in below budget for Fiscal Year 2015. The state has revised its budgeted revenues for Fiscal Year 2016 downward and plans to offset this with draws on its revenue stabilization fund and general fund reserves. As of June 2015, (subsequent to the close of this reporting period), Moody's, S&P and Fitch rated Virginia general obligation debt at Aaa/AAA/AAA, respectively, with stable outlooks. During the twelve months ended May 31, 2015, issuance in Virginia totaled $8.7 billion, a gross issuance increase of 56.3% from the previous twelve months.

What key strategies were used to manage these Funds during the twelve-month reporting period ended May 31, 2015?

A backdrop of supportive technical and fundamental factors helped sustain the municipal market's rally during this reporting period. From the beginning of the period through the end of January 2015, yields fell sharply, particularly in the intermediate to longer maturity ranges, then rose slightly through the end of the period. The overall decline in interest rates helped sustain a general rise in municipal bond prices for the period as a whole. In general, all six states' municipal bonds tended to lag the overall municipal market return for the reporting period. During this time, we continued to take a bottom-up approach to discovering sectors that appeared undervalued as well as individual credits that we believed had the potential to perform well over the long term.

Municipal supply nationally, as well as in five of the six states included in this report (Missouri was an exception), improved during this twelve-month reporting period over that of the previous twelve months. However, much of this increase was attributable to refunding activity as bond issuers, prompted by low interest rates, sought to lower debt service costs by retiring older bonds from the proceeds of lower cost new bond issues. While some of this activity continued to be current refundings (in which the refunded

Portfolio Managers' Comments (continued)

bond matures or is redeemed within 90 days and therefore has no net effect on supply), we began to see an uptick in advance refundings (in which the refunded bond remains outstanding up to several more years). The increase in advance refundings contributed to greater supply in the marketplace, broadly speaking.

Much of our investment activity focus was on reinvesting the cash generated by current calls into bonds with intermediate and longer maturities that could help us offset the decline in rates and maintain investment performance potential, as well as keep the Funds fully invested. In addition to the purchases described in the previous shareholder report dated November 30, 2014, NKG bought a long maturity, dedicated tax bond issued for the Atlanta Development Authority New Downtown Atlanta Stadium and a higher credit quality general obligation (GO) bond in the second half of the reporting period. NMY and NPV continued to add intermediate- and longer-term bonds, with an emphasis on 5% coupons, but also purchased some zero coupon (which also have longer durations) and lower coupon bonds to help the two Funds stay fully invested. Among these purchases were several higher education bonds, including, in NMY, Johns Hopkins University and Loyola University credits and, in NPV, University of Virginia bonds. Although Minnesota tends to be a low-issuance state and our trading in NMS was fairly muted over the period overall, the Fund participated in some large health care and electric utilities deals brought to market in the second half of the period. NMS also added credits in housing and charter schools from the primary market and some health care and transportation bonds in the secondary market. NOM's positioning remained relatively unchanged during the period, as transactions focused on maintaining the Fund's overweight positioning in A, BBB and non-rated bonds, overweight allocations in health care and higher education bonds, underweight in state GO bonds and overweight in longer maturity issues. For the North Carolina Fund, we bought bonds in both the primary and secondary markets for the North Carolina Department of Transportation I-77 HOT (High Occupancy Toll) Lanes, which will expand the interstate highway with express toll lanes. NNC also added a higher education and a health care bond during the second half of the reporting period.

In addition, we established a portfolio hedge in both NKG and NNC by purchasing a credit default swap on the debt obligations of the U.S. territory of Puerto Rico. We have previously noted a correlation between the credit quality of Puerto Rico bonds and that of the overall high yield municipal bond market. Given that these portfolios regularly maintain a meaningful stake in BBB rated and below investment grade rated bonds, we saw this as a way to reduce the Funds' overall risk while continuing to take advantage of opportunities to invest in the lower quality portion of the market. During the reporting period, these swaps had a negligible impact on performance.

Generally, the cash to finance the Funds' purchases came from bonds that were called and/or, in the case of NMY, NOM and NPV, sold from our Puerto Rico exposure. Additionally, we eliminated NKG's position in Coffee County Regional Medical Center bonds on concerns about its deteriorating credit conditions. NMS sold some higher-quality GOs to help fund new purchases. NNC sold some pre-refunded bonds and used the proceeds along with other proceeds from called bonds, to finance the purchase of the I-77 HOT Lanes bonds described earlier.

As of May 31, 2015, NKG, NMY, NOM and NPV continued to use inverse floating rate securities. We employ inverse floaters for a variety of reasons, including duration management, income enhancement and total return enhancement.

How did the Funds perform during the twelve-month reporting period ended May 31, 2015?

The tables in each Fund's Performance Overview and Holding Summaries section of this report provide the Funds' total returns for the eleven-month, one-year, five-year and ten-year periods ended May 31, 2015. Each Fund's total returns at common share net asset value (NAV) are compared with the performance of corresponding market indexes and a Lipper classification average.

For the reporting period ended May 31, 2015, the total return at common share NAV for the five Funds except NOM exceeded the return for their respective state's S&P Municipal Bond Index as well as the national S&P Municipal Bond Index. NOM outperformed the S&P Municipal Bond Missouri Index but underperformed the national S&P Municipal Bond Index. For the same period, NPV outperformed the average return for the Lipper Other States Municipal Debt Funds Classification Average, while NKG, NMY, NMS, NOM and NNC under-performed. Shareholders should note that the performance of the Lipper Other States classification represents the overall average of returns for funds from ten states with a wide variety of municipal market conditions, making direct comparisons less meaningful.

Key management factors that influenced the Funds' returns included duration and yield curve positioning, sector allocation and credit exposure. Keeping the Funds fully invested throughout the reporting period also was beneficial for performance. In addition, the use of regulatory leverage was an important positive factor affecting the performance of the Funds. Leverage is discussed in more detail later in the Fund Leverage section of this report.

In this reporting period, municipal bonds with intermediate and longer maturities generally outperformed those with shorter maturities. In general, the Funds' durations and yield curve positioning were positive for performance. Consistent with our long term strategy, these Funds tended to have longer durations than the municipal market in general, with overweightings in the longer parts of the yield curve that performed well and underweightings in the underperforming shorter end of the curve. Overall, duration and yield curve positioning was among the major drivers of performance and differences in positioning accounted for much of the differences in performance. NMY had the shortest duration of the six Funds, and it was among the bottom-performing Funds of the group for this reporting period. In contrast, NPV had the longest duration and was the top performer of the six Funds. NKG and NNC benefited most from their underweight positions in the shortest maturity categories. In NMS, the overweight allocation in bonds with maturities 10 years and higher had the largest positive impact – especially the Fund's overweight to the 15 years and up category.

During this reporting period, lower rated bonds generally outperformed higher quality bonds, as the municipal market rally continued and investors became more willing to accept risk. These Funds tended to have overweights in A rated and BBB rated bonds and underweights in the AAA rated and AA rated categories relative to their benchmark and credit exposure was generally positive for their performance, except in the case of NNC (described below). As with duration, differences in credit allocation accounted for some of the differences in performance. NKG benefited most from its underweight position in AAA rated bonds and overweight allocation in credits rated below investment grade. For NMY and NPV, exposures to A rated and BBB rated bonds were the largest contributors. NMS was underweight in AAA rated and AA rated bonds, and overweighted across the lower rated categories, all of which aided relative performance. NOM's overweight allocations to both BBB rated and non-rated bonds produced relative gains. However, NNC's relative performance was hurt by an underweight allocation in lower quality bonds. North Carolina is a state with low issuance of below investment grade paper, providing relatively fewer opportunities for NNC to invest in the lower quality segments.

Among the municipal market sectors, health care (especially hospitals) and industrial development revenue (IDR) were among the top-performing groups during this reporting period. Bonds in these sectors benefited from investor demand for lower rated credits, as well as the sectors' generally improving credit fundamentals. Hospital bonds received an additional boost from increasing merger and acquisition activity within the industry, which resulted in more pre-refundings in the sector. Overweight exposures to health care in NMY, NMS, NOM, NNC and NPV were strong contributors to relative performance. NMS further benefited from overweight allocations to charters schools and IDR bonds. NKG's underweight allocation to public power, a group which underperformed the overall municipal market during the period, was the most helpful to its performance.

Weaker performing municipal bond sectors during this reporting period included the pre-refunded and tax obligation sectors. The underperformance of pre-refunded bonds was driven by their short maturities and higher credit quality. Although the tax-supported sectors encompass a wide range of credit ratings, the underperformance of higher quality issues has been one of the main reasons the tax-supported sectors have tended to lag revenue sectors. NKG, NMY and NNC held overweight positions in pre-refunded issues,

Portfolio Managers' Comments (continued)

which detracted slightly from these Funds' relative returns. Conversely, NMS' underweight allocations in both pre-refunded bonds and state and local GOs added to relative performance, although gains were marginally offset by relatively weak performance from an overweight to public power credits.

As noted in the previous Shareholder Fund Report, we continue to monitor the ongoing economic problems of Puerto Rico for any impact on the Funds' holdings and performance. The Puerto Rico credits offered higher yields, added diversification and triple exemption (i.e., exemption from most federal, state and local taxes). However, Puerto Rico's continued economic weakening, escalating debt service obligations, and long-standing inability to deliver a balanced budget led to multiple downgrades on its debt over the past two years. Puerto Rico general obligation debt currently is rated Caa3/CCC-/CC (below investment grade) by Moody's, S&P and Fitch, respectively, with negative outlooks.

Puerto Rico's Governor, Alejandro García Padilla, recently announced a major shift in his administration's long-standing position on the government's commitment to debt repayment, declaring the Commonwealth's "debt is not payable" and Puerto Rico will no longer borrow to address annual budget deficits. The Commonwealth plans to meet with various creditors and bondholders over the next few months to attempt to negotiate a comprehensive debt restructuring or postponement of debt service payments. The likelihood of reaching consensus is questionable and the process will likely take several months to unfold. Puerto Rico commenced discussions with creditors with a public presentation in mid-July, but no details were provided. The governor has appointed a working group to develop a comprehensive five-year fiscal plan, which will include recommendations for fiscal adjustments (budget cuts), structural and institutional reforms and debt restructuring. The plan must be presented to the governor by August 30, 2015 and legislative measures to enact the plan are to be passed by October 1. A Puerto Rico public corporation failed to make a scheduled transfer on July 15, 2015 (subsequent to the close of this reporting period), for an annual appropriation debt service payment due August 1, 2015. The payment was not included in the FY2016 budget, so the failure to make the transfer was somewhat expected. The August 1 debt service payment from the trustee to bondholders is expected to be missed.

On July 12, 2015, a federal appeals court confirmed a lower court's decision finding Puerto Rico's Debt Recovery Act to be unconstitutional. This eliminates a path to debt restructuring the Commonwealth had hoped to be able to pursue. Puerto Rico's non-voting Representative in Congress introduced legislation that would make chapter 9 bankruptcy available to the Commonwealth's public corporations earlier this year and a congressional committee hearing was held on February 26, 2015. A companion bill was introduced in the U.S. Senate on July 15, 2015. Thus far, authorizing chapter 9 for Puerto Rico has gained support from Democrats in the House and Senate, but Republican support has not yet materialized.

In light of the evolving economic situation in Puerto Rico, Nuveen's credit analysis of the Commonwealth had previously considered the possibility of a default and restructuring of public corporations and we adjusted our portfolios to prepare for such an outcome, although no such default or restructuring has occurred to date. The Nuveen complex's entire exposure to obligations of the government of Puerto Rico and other Puerto Rico issuers totaled 0.34% of assets under management as of May 31, 2015. As of May 31, 2015, Nuveen's limited exposure to Puerto Rico generally was invested in bonds that were insured, pre-refunded (and therefore backed by securities such as U.S. Treasuries), or tobacco settlement bonds. Overall, other than as noted below, the small size of our exposures meant that our Puerto Rico holdings had a negligible impact on performance.

NMY, NOM and NPV were active sellers of Puerto Rico paper during the reporting period. NMY reduced its allocation by half, from 9.7% to 5.6% at period end. We trimmed NOM's exposure from 3.2% to 0.5%, which now consists of a single holding in an insured, senior lien COFINA (sales tax) bond. Puerto Rico was detrimental to NOM's performance, although by period end the bonds we sold were trading lower than our transaction price. NPV's weighting was cut from 7.8% to 4.9% by the end of the period. NKG, NMS and NNC did not hold any Puerto Rico bonds during the reporting period.