

Nuveen Mortgage Opportunity Term Fund 2  
Form N-CSR  
March 08, 2018

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 811-22374  
Nuveen Mortgage Opportunity Term 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)

Gifford R. Zimmerman

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: December 31

Date of reporting period: December 31, 2017

## Edgar Filing: Nuveen Mortgage Opportunity Term Fund 2 - Form N-CSR

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  
**Closed-End Funds**

**Annual Report** December 31, 2017

**JLS**  
Nuveen Mortgage Opportunity Term Fund

**JMT**  
Nuveen Mortgage Opportunity Term Fund 2

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**Chairman's Letter**

**to Shareholders**

**Dear Shareholders,**

Financial markets ended 2017 on a high note. Concurrent growth across the world's major economies, strong corporate profits, low inflation and accommodative central banks provided an optimal environment for rising asset prices with remarkably low volatility. Political risks, which were expected to be a wildcard in 2017, did not materialize. The Trump administration achieved one of its major policy goals with the passage of the Tax cuts and Jobs Act, the European Union (EU) member governments elected EU-friendly leadership, Brexit negotiations moved forward and China's 19<sup>th</sup> Party Congress concluded with no major surprises in its economic policy objectives.

Conditions have turned more volatile in 2018, but the positive fundamentals underpinning the markets' rise over the past year remain intact. In early February, fears of rising inflation, which could prompt more aggressive action by the Federal Reserve, triggered a widespread sell-off across U.S. and global equity markets. Yet, global economies are still expanding and corporate earnings look healthy.

We do believe volatility will feature more prominently in 2018. Interest rates continue to rise and inflation pressures are mounting and investors are uncertain about how markets will react amid tighter financial conditions. After the relative calm of the past few years, it's anticipated that price fluctuations will begin trending toward a more historically normal range. But we also note that signs foreshadowing recession are lacking at this point.

Maintaining perspective can be difficult with daily headlines focused predominantly on short-term news. Nuveen believes this can be an opportune time to check in with your financial advisor. Strong market appreciation such as that in 2017 may create an imbalance in a diversified portfolio. Your advisor can help you reexamine your investment goals and risk tolerance, and realign your portfolio's investment mix appropriately. On behalf of the other members of the Nuveen Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

William J. Schneider

Chairman of the Board

February 23, 2018

## Portfolio Manager s

### Comments

Nuveen Mortgage Opportunity Term Fund (JLS)

Nuveen Mortgage Opportunity Term Fund 2 (JMT)

*The investment adviser for both Funds is Nuveen Fund Advisors, LLC (NFA), an affiliate of Nuveen, LLC. NFA is responsible for determining each Fund s overall investment strategy and monitoring the performance of Wellington Management Company LLP (Wellington Management), the sub-adviser for both Funds. Wellington Management is responsible for implementing each Fund s direct investments in mortgage-backed securities and other permitted investments. Michael F. Garrett serves as portfolio manager for these Funds.*

*Here Michael reviews U.S. economic and financial markets, his management strategy and the performance of the Funds for the twelve-month reporting period ended December 31, 2017.*

### **What factors affected the U.S. economy and financial markets during the twelve-month reporting period ended December 31, 2017?**

The U.S. economy began the year at a sluggish pace but gained momentum mid-year, growing at an annualized rate above 3% in the second and third quarters of 2017. In the final three months of 2017, the economy slowed slightly to 2.6%, as reported by the Bureau of Economic Analysis advance estimate of fourth-quarter gross domestic product (GDP). GDP is the value of goods and services produced by the nation s economy less the value of the goods and services used up in production, adjusted for price changes.

Although the hurricanes temporarily weakened shopping and dining out activity, consumer spending remained the main driver of demand in the economy, as consumers benefited from employment and wage gains. Business investment, which had been lackluster in the recovery so far, accelerated in 2017, and hiring continued to boost employment. As reported by the Bureau of Labor Statistics, the unemployment rate fell to 4.1% in December 2017 from 4.7% in December 2016 and job gains averaged around 171,000 per month for the past twelve months. Higher energy prices, especially gasoline, helped drive a steady increase in inflation over this reporting period. The Consumer Price Index (CPI) increased 2.1% over the twelve-month reporting period ended December 31, 2017 on a seasonally adjusted basis, as reported by the Bureau of Labor Statistics. The core CPI (which excludes food and energy) increased 1.8% during the same period, slightly below the Federal Reserve s (Fed) unofficial longer term inflation objective of 2.0%.

**This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy or sell securities, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor s objectives and circumstances and in consultation with his or her advisors.**



**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 manager 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.**

**For financial recording purposes, the ratings disclosed 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). This treatment of split-rated securities may differ from that used for other purposes as for Fund investment policies. 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. 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)

The housing market also continued to improve, with historically low mortgage rates and low inventory driving home prices higher. The S&P CoreLogic Case-Shiller U.S. National Home Price Index, which covers all nine U.S. census divisions, recorded a 6.2% annual gain in November 2017 (most recent data available at the time this report was prepared). The 10-City and 20-City Composites reported year-over-year increases of 6.1% and 6.4%, respectively.

With the U.S. economy delivering a sustainable growth rate and employment strengthening, the Fed's policy making committee raised its main benchmark interest rate in December 2016, March 2017, June 2017 and December 2017. These moves were widely expected by the markets, as were the Fed's decisions to leave rates unchanged at the July, September and October/November 2017 meetings. (There was no August meeting.) The Fed also announced it would begin reducing its balance sheet in October 2017 by allowing a small amount of maturing Treasury and mortgage securities to roll off without reinvestment. The market expects the pace to remain moderate and predictable, with minimal market disruption.

While the markets remained comfortable with the course of monetary policy during this reporting period, the political environment was frequently a source of uncertainty. Markets were initially highly optimistic about pricing in the new administration's pro-growth fiscal agenda after Donald Trump won the election. After stumbling with health care reform earlier in 2017, legislators passed a major tax overhaul at the end of December, which lowered individual and corporate tax rates. While the new tax law changes are expected to be stimulative to the economy, there are some concerns that it could pose challenges to the Fed's ability to manage interest rates in the future. Although incoming Fed Chairman Jerome Powell is expected to maintain the course established by outgoing Chair Janet Yellen, after her term expired in February 2018, markets may deem this as another source of uncertainty.

Geopolitical risks were prominent, but some concerns eased by the end of the period. Rhetoric surrounding U.S. trade with China and the renegotiation of the North American Free Trade Agreement (NAFTA) was toned down. After an uncertain start, the Brexit talks between the U.K. and European Union progressed to the next phase. Closely watched elections in the Netherlands, France and Germany yielded market friendly results. Tensions between the U.S. and North Korea intensified but did not have a lasting impact on the markets.

Commercial mortgage-backed securities (CMBS) posted positive absolute returns during the twelve-month reporting period ending December 31, 2017. Spreads on the Bloomberg Barclays CMBS index ended the reporting period 13 basis points tighter amid a positive macroeconomic backdrop and supportive technicals. In this environment, spread tightening was most pronounced in lower rated tranches, reflecting investors increased appetite for risk. Retail headlines emphasizing poor sales trends and store closures at some retailers persisted throughout the reporting period. Most sectors seemed to look past the news, implying that CMBS had already discounted a lot of the negative retail theme. However, synthetic CMBX subordinate indexes, especially series 6, came under significant pressure due to its exposure to lower quality Class B and Class C malls. Supply and demand dynamics were broadly positive throughout the reporting period. After a slowdown in the first quarter, new issuance picked up and maintained a healthy pace for the balance of the reporting period. Outside of the structural issues in the retail sector, commercial real estate fundamentals were generally strong. National property prices gained 8.9% year-to-date through November 2017 as the Real Capital Analytics National Commercial Property Price Index pushed to new highs.

The non-agency residential-backed mortgage securities (RMBS) sector generated some of the strongest returns among the major fixed income sectors during the reporting period. Strong housing market fundamentals and persistent demand for higher yielding assets fueled returns in the sector. Spreads in the Credit Risk Transfer (CRT) market compressed, with mezzanine tranches reaching their tightest levels since issuance began in 2013. The legacy RMBS sector also performed well as all collateral types (subprime, Alt-A, pay-option ARM, prime) generated strong excess

returns. Housing market indicators continued to point to a healthy sector overall. Sales and homebuilding activity weakened in the South, but rebounded strongly after the effects of the hurricanes faded. The low supply of existing homes combined with solid demand for housing continued to fuel year-over-year home prices gains, pushing the S&P CoreLogic Case-Shiller U.S. National Home Price Index to new highs.

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**What key strategies were used to manage the Funds during this twelve-month reporting period ended December 31, 2017?**

Both Funds seek to generate total returns by investing in a diverse portfolio of mortgage-backed securities (MBS), consisting primarily of non-agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). Under normal circumstances, both Funds will invest at least 80% of their managed assets in MBS, primarily non-agency RMBS and CMBS. Both JLS and JMT may be leveraged directly to a maximum effective leverage of 33% of total net asset value. Each Fund has a limited term of ten years from its inception, at which time all of their net assets will be distributed to shareholder of record. JLS' s since inception date is November 25, 2009 and JMT' s since inception date is February 23, 2010.

During the reporting period, we maintained our constructive outlook for CMBS, and continued to believe that the non-agency RMBS sector offered better relative value, and we positioned the Funds accordingly. The Funds continue to be conservatively positioned within RMBS, with a bias toward higher quality collateral to try to protect the downside. The Funds' portfolio' s exposure to credit risk transfer (CRT) securities increased, as that market continues to grow and we find attractive opportunities to invest. We divested some of the legacy holdings, as the loan count and size of the deals declined.

**How did the Funds perform during this twelve-month reporting period ended December 31, 2017?**

The tables in the Performance Overview and Holding Summaries section of this report provide total returns for the one-year, five-year and since inception periods ended December 31, 2017. Each Fund' s total returns at net asset value (NAV) are compared with the performance of a corresponding market index. For the twelve-month reporting period, JLS and JMT outperformed the Barclays U.S. Aggregate Bond Index. This index reflects the general performance of the bond market over these periods, but not the specific MBS market in which the Funds primarily invest. The total returns of the Funds were positive, as the broader securitized sectors generated positive returns for the twelve-month reporting period.

Within the Funds, returns for the reporting period were positive across the broad sectors. The primary contributor to the Funds' returns was the allocation to residential credit, particularly CRT and the legacy sectors (Alt-A, Prime, and Subprime). An allocation to CMBS also positively impacted performance over the reporting period, particularly in multi-family credit bonds, post-crisis CMBS, and single borrower deals. Lastly, the Funds allocation to asset-backed securities (ABS), particularly autos, and collateralized loan obligations (CLOs), was modestly additive.

There were select bonds that underperformed throughout the reporting period but collateralized mortgage obligation (CMOs) was the only sector which posted a negative excess return.

Our approach to sector allocation has remained consistent since the Funds' launch. Both Funds seek to generate total returns by investing in a diverse portfolio of MBS consisting primarily of non-agency RMBS and CMBS. While we are constructive on CMBS in the near term, we continue to favor residential credit from a relative value perspective, and have a bias to the higher quality collateral types within each sector. With an emphasis on the long-term, we continue to focus on finding opportunities to add securities we feel are best positioned to provide stability of principal and attractive income over the duration of the Funds' limited terms.

**Fund****Leverage****IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE**

One important factor impacting the return of the Funds relative to their comparative 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 shareholders. However, the use of leverage also can expose shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on NAV and total return is magnified by the use of leverage. Conversely, leverage may enhance returns during periods when the prices of securities held by a Fund generally are rising. Each Fund's use of leverage had a positive effect on performance during this reporting period.

As of December 31, 2017, the Funds' percentages of leverage are as shown in the accompanying table.

	<b>JLS</b>	<b>JMT</b>
Effective Leverage*	27.28%	28.43%
Regulatory Leverage*	27.28%	28.43%

\*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. A Fund, however, may from time to time borrow on a typically transient basis in connection with its day-to-day operations, primarily in connection with the need to settle portfolio trades. Such incidental borrowings are excluded from the calculation of a Fund's effective leverage ratio. Regulatory leverage is subject to asset coverage limits set forth in the Investment Company Act of 1940.

**THE FUNDS' REGULATORY LEVERAGE***Bank Borrowings*

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

<b>Fund</b>	<b>Current Reporting Period</b>				<b>Subsequent to the Close of the Reporting Period</b>			
	<b>January 1, 2017</b>	<b>Drawn</b>	<b>Paydown</b>	<b>December 31, 2017</b>	<b>Average Balance Outstanding</b>	<b>Drawn</b>	<b>Paydown</b>	<b>February 27, 2018</b>
JLS	\$ 147,200,000	\$	\$	\$ 147,200,000	\$ 147,200,000	\$	\$	\$ 147,200,000
JMT	\$ 46,200,000	\$	\$	\$ 46,200,000	\$ 46,200,000	\$	\$	\$ 46,200,000

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

**Share****Information****DISTRIBUTION INFORMATION**

The following information regarding the Funds' distributions is current as of December 31, 2017, each Fund's fiscal year end (FYE) and tax year end, and may differ from previously issued distribution notifications.

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

The figures in the table below provide the sources (for financial reporting purposes) of each Fund's distributions as of December 31, 2017. These sources include amounts attributable to realized gains and/or returns of capital. The Funds attribute these non-income sources equally to each regular distribution throughout the fiscal year. The information shown below is for the distributions paid on common shares for all prior months in the current fiscal year. These amounts should not be used for tax reporting purposes, and the distribution sources may differ for financial reporting than for tax reporting. The final determination of the tax characteristics of all distributions paid in 2017 will be made in early 2018 and reported to you on Form 1099-DIV. More details about the tax characteristics of each Fund's distributions are available on [www.nuveen.com/CEFdistributions](http://www.nuveen.com/CEFdistributions).

**Data as of December 31, 2017**

<b>Fund</b>	<b>Fiscal YTD Percentage of the Distribution</b>			<b>Fiscal YTD Per Share Amounts</b>			
	<b>Net Investment Income</b>	<b>Realized Gains</b>	<b>Return of Capital</b>	<b>Total Distributions</b>	<b>Net Investment Income</b>	<b>Realized Gains</b>	<b>Return of Capital</b>
JLS (FYE 12/31)	58.58%	41.42%	0.00%	\$ 3.3182	\$ 1.9439	\$ 1.3743	\$ 0.0000
JMT (FYE 12/31)	56.76%	43.24%	0.00%	\$ 3.1051	\$ 1.7626	\$ 1.3425	\$ 0.0000

The following table provides information regarding Fund distributions and total return performance over various time periods. This information is intended to help you better understand whether Fund returns for the specified time periods were sufficient to meet Fund distributions.

**Data as of December 31, 2017**

<b>Fund</b>	<b>Inception Date</b>	<b>Latest Monthly Distribution Per Share</b>	<b>Current Fund Distribution on</b>	<b>Annualized 1-Year Return on</b>	<b>5-Year Return on</b>	<b>Cumulative Fiscal YTD</b>	<b>Fiscal</b>
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		<b>Distribution</b>	<b>NAV</b>	<b>NAV</b>	<b>Distributions on NAV</b>	<b>Distributions on NAV</b>	<b>YTD Return on NAV</b>
JLS (FYE 12/31)	11/25/2009	\$ 0.1135	5.51%	12.21%	7.14%	7.87%	12.21%
JMT (FYE 12/31)	2/23/2010	\$ 0.1125	5.65%	12.01%	6.91%	7.38%	12.01%

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**Share Information** (continued)**SHARE REPURCHASES**

During August 2017, 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 December 31, 2017, and since the inception of the Funds' repurchase programs, the Funds have cumulatively repurchased and retired their outstanding shares as shown in the accompanying table.

	<b>JLS</b>	<b>JMT</b>
Shares cumulatively repurchased and retired	0	0
Shares authorized for repurchase	1,590,000	485,000

**OTHER SHARE INFORMATION**

As of December 31, 2017, and during the current reporting period, the Funds' share prices were trading at a premium/(discount) to their NAVs as shown in the accompanying table.

	<b>JLS</b>	<b>JMT</b>
NAV	\$ 24.70	\$ 23.88
Share price	\$ 24.69	\$ 23.74
Premium/(Discount) to NAV	(0.04)%	(0.59)%
12-month average premium/(discount) to NAV	(3.68)%	(3.97)%



## 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.

#### **Nuveen Mortgage Opportunity Term Fund (JLS)**

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Investing in **mortgage-backed securities** entails credit risk, the risk that the servicer fails to perform its duties, liquidity risks, interest rate risks, structure risks, pre-payment risk, and geographical concentration risks. **Leverage** increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. These and other risk considerations including the Fund's **limited term** are described in more detail on the Fund's web page at [www.nuveen.com/JLS](http://www.nuveen.com/JLS).

#### **Nuveen Mortgage Opportunity Term Fund 2 (JMT)**

Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Investing in **mortgage-backed securities** entails credit risk, the risk that the servicer fails to perform its duties, liquidity risks, interest rate risks, structure risks, pre-payment risk, and geographical concentration risks. **Leverage** increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. These and other risk considerations including the Fund's **limited term** are described in more detail on the Fund's web page at [www.nuveen.com/JMT](http://www.nuveen.com/JMT).

**JLS****Nuveen Mortgage Opportunity Term Fund****Performance Overview and Holding Summaries as of December 31, 2017**

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

**Average Annual Total Returns as of December 31, 2017**

	<b>Average Annual</b>		
	<b>1-Year</b>	<b>5-Year</b>	<b>Since Inception</b>
JLS at NAV	12.21%	7.14%	9.05%
JLS at Share Price	16.79%	7.21%	8.85%
Bloomberg Barclays U.S. Aggregate Bond Index	3.54%	2.10%	3.41%

Since inception returns are from 11/25/09. 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.

**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.**

For financial reporting purposes, the ratings disclosed are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. This treatment of split-rated securities may differ from that used for other purposes, such as for Fund investment policies. 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. Holdings designated N/R are not rated by these national rating agencies.

### Fund Allocation

(% of net assets)

Mortgage-Backed Securities	130.6%
Asset-Backed Securities	13.6%
Other Assets Less Liabilities	(6.7)%
<b>Net Assets Plus Borrowings</b>	<b>137.5%</b>
Borrowings	(37.5)%
<b>Net Assets</b>	<b>100%</b>

### Credit Quality

(% of total investments)

U.S. Treasury/Agency	9.8%
AAA	0.7%
AA	3.7%
A	3.9%
BBB	24.9%
BB or Lower	34.7%
N/R (not rated)	22.3%
<b>Total</b>	<b>100%</b>

**JMT****Nuveen Mortgage Opportunity Term Fund 2****Performance Overview and Holding Summaries as of December 31, 2017**

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

**Average Annual Total Returns as of December 31, 2017**

	<b>Average Annual</b>		
	<b>1-Year</b>	<b>5-Year</b>	<b>Since Inception</b>
JMT at NAV	12.01%	6.91%	9.01%
JMT at Share Price	16.34%	7.23%	8.78%
Bloomberg Barclays U.S. Aggregate Bond Index	3.54%	2.10%	3.49%

Since inception returns are from 2/23/10. 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.

**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.**

For financial reporting purposes, the ratings disclosed are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. This treatment of split-rated securities may differ from that used for other purposes, such as for Fund investment policies. 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. Holdings designated N/R are not rated by these national rating agencies.

### Fund Allocation

(% of net assets)

Mortgage-Backed Securities	132.4%
Asset-Backed Securities	13.5%
Other Assets Less Liabilities	(6.2)%
<b>Net Assets Plus Borrowings</b>	<b>139.7%</b>
Borrowings	(39.7)%
<b>Net Assets</b>	<b>100%</b>

### Credit Quality

(% of total investments)

U.S. Treasury/Agency	10.7%
AAA	0.7%
AA	3.9%
A	4.1%
BBB	23.8%
BB or Lower	35.6%
N/R (not rated)	21.2%
<b>Total</b>	<b>100%</b>

**Report of**

**Independent Registered Public Accounting Firm**

**To the Board of Trustees and Shareholders of**

**Nuveen Mortgage Opportunity Term Fund and**

**Nuveen Mortgage Opportunity Term Fund 2**

***Opinion on the Financial Statements***

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Mortgage Opportunity Term Fund and Nuveen Mortgage Opportunity Term Fund 2 (the Funds ) as of December 31, 2017, the related statements of operations and of cash flows for the year ended December 31, 2017, the statements of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (collectively referred to as the financial statements ). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as of December 31, 2017, the results of each of their operations and each of their cash flows for the year then ended, the changes in each of their net assets for each of the two years in the period ended December 31, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the Funds management. Our responsibility is to express an opinion on the Funds financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ( PCAOB ) and are required to be independent with respect to the Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Chicago, Illinois

February 27, 2018

We have served as the auditor of one or more investment companies in Nuveen Funds since 2002.

JLS

**Nuveen Mortgage Opportunity Term Fund**  
**Portfolio of Investments**

December 31, 2017

<b>Principal Amount (000)</b>	<b>Description (1)</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Ratings (2)</b>	<b>Value</b>
<b>LONG-TERM INVESTMENTS 144.2% (100.0% of Total Investments)</b>					
<b>MORTGAGE-BACKED SECURITIES 130.6% (90.6% of Total Investments)</b>					
\$ 3,200	280 Park Avenue Mortgage Trust, Series 2017-280P, 144A, (1-Month LIBOR reference rate + 2.119% spread), (3)	3.363%	9/15/34	BB	\$ 3,192,023
2,117	Angel Oak Mortgage Trust, Series 2016-1, 144A	3.500%	7/25/46	N/R	2,126,372
874	Angel Oak Mortgage Trust, Series 2016-1, 144A	3.644%	1/25/47	A	876,561
1,539	Angel Oak Mortgage Trust, Series 2017-2, 144A	2.478%	7/25/47	AAA	1,524,832
1,616	Banc of America Alternative Loan Trust, Pass-Through Certificates, Series 2006-6	6.000%	7/25/46	Caa3	1,427,547
3,125	Banc of America Merrill Lynch Large Loan Inc., Commercial Mortgage Pass-Through Certificates, Series 2015-200P, 144A	3.716%	4/14/33	BB	2,995,899
1,405	Banc of America Mortgage Securities Inc., Mortgage Pass-Through Certificates, Series 2007-1	6.000%	3/25/37	Caa3	1,342,144
5,330	Bank of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates, Series 2015-UBS7	3.167%	9/15/48	BBB	4,366,816
2,305	Bank of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates, Series 2015-UBS7, 144A	3.261%	9/15/48	BB	1,481,398
4,397	Bank of America Funding Trust, 2007-A 2A1, (1-Month LIBOR reference rate + 0.160% spread), (3)	1.443%	2/20/47	CCC	4,238,413
2,990	Bayview Opportunity Master Fund Trust, 2016-CRT1, 144A, (1-Month LIBOR reference rate + 1.750% spread), (3)	3.097%	10/27/27	A	2,990,432
5,478	Bayview Opportunity Master Fund Trust, 2017-CRT1, 144A, (1-Month LIBOR reference rate + 2.150% spread), (3)	3.497%	10/25/28	BBB	5,486,495
2,584		3.347%	11/25/27	BBB	2,583,617



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	Bayview Opportunity Master Fund Trust, 2017-CRT2, 144A, (1-Month LIBOR reference rate + 2.000% spread), (3)				
681	Bayview Opportunity Master Fund Trust, 2017-NPL1, 144A	3.598%	1/28/32	N/R	682,043
545	Bayview Opportunity Master Fund Trust, 2017-RN7, 144A	3.105%	9/28/32	N/R	543,651
4,079	Bayview Opportunity Master Fund Trust, 2017-RN8, 144A	3.352%	11/28/32	N/R	4,070,340
3,225	BB UBS Trust, Series 2012-SHOW, 144A	4.160%	11/5/36	Baa1	3,134,300
5,386	BCAP LLC Trust, Mortgage Pass-Through Certificates, Series 2006-AA2, (1-Month LIBOR reference rate + 0.170% spread), (3)	1.499%	1/25/37	Caa3	5,077,828
4,258	BCAP LLC Trust, Mortgage Pass-Through Certificates, Series 2007 AA1 2A1, (1-Month LIBOR reference rate + 0.180% spread), (3)	1.509%	3/25/37	Caa3	4,062,234
2,140	Bear Stearns Adjustable Rate Mortgage Trust, Pass-Through Certificates, Series 2007-1	3.440%	2/25/47	N/R	2,018,631
6,490	Carrington Mortgage Loan Trust, Asset Backed Pass-Through Certificates, Series 2005-NC5, (1-Month LIBOR reference rate + 0.480% spread), (3)	1.808%	10/25/35	BB	6,420,003
3,550	Chaseflex Trust Series 2007-2, (1-Month LIBOR reference rate + 0.280% spread), (3)	1.832%	5/25/37	CCC	3,354,303
730	Citigroup Commercial Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2015-GC29, 144A	3.110%	4/10/48	BBB	548,182
981	Citigroup Commercial Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2017-CD3, 144A	3.250%	2/10/50	BBB	810,038
2,275	Citigroup Commercial Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2017-CD4, 144A	3.300%	5/10/50	BBB	1,882,255
740	Citigroup Mortgage Loan Inc., Mortgage Pass Through Certificates, Series 2006-AR2	3.564%	3/25/36	Caa2	656,991
733	Citigroup Mortgage Loan Trust Inc., Mortgage Pass-Through Certificates, Series 2005-3	3.706%	8/25/35	Caa2	670,609
915	Citigroup Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2007-AR8	3.587%	7/25/37	Caa2	845,534
315	Commercial Mortgage Pass- Through Certificates 2012-CR3, 144A	4.755%	10/15/45	A	305,034
3,250	Commercial Mortgage Pass- Through Certificates, Series CR5 A4, 144A	4.478%	12/10/45	Baa3	2,922,153

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2,700	Commercial Mortgage Pass-Through Certificates, Series 2017-CR9, 144A	4.396%	7/10/45	BBB	2,321,367
1,130	Core Industrial Trust, Series 2015-CALW, 144A	3.979%	2/10/34	B	1,093,727
427	Countrywide Alternative Loan Trust, Mortgage Pass-Through Certificates, Series 2006-6CB	5.750%	5/25/36	Ca	315,766

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**JLS Nuveen Mortgage Opportunity Term Fund**  
**Portfolio of Investments (continued)**

December 31, 2017

Principal Amount (000)	Description (1)	Coupon	Maturity	Ratings (2)	Value
<b>MORTGAGE-BACKED SECURITIES</b> (continued)					
\$ 3,734	Countrywide Alternative Loan Trust, Securitization Pass-Through Certificates Series 2007-HY7C A1, (1-Month LIBOR reference rate + 0.140% spread), (3)	1.468%	8/25/37	Caa2	\$ 3,351,577
1,339	Countrywide CHL Mortgage Pass-Through Trust 2006-HYB1	3.249%	3/20/36	Caa3	1,154,744
824	Countrywide CHL Mortgage Pass-Through Trust Series 2005-HY10	3.631%	2/20/36	Caa2	776,097
3,067	Countrywide Home Loans Mortgage Pass Through Certificates, Series 2005-HYB7	3.276%	11/20/35	Caa3	2,786,142
671	Credit Suisse First Boston Mortgage Securities Corporation, Adjustable Rate Mortgage-Backed Pass-Through Certificates, Series 2006-2	3.378%	5/25/36	D	628,601
3,910	CSAIL Commercial Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2015-C1, 144A	3.941%	4/15/50	BBB	3,435,129
4,700	CSAIL Commercial Mortgage Trust, Commercial Mortgage Pass-Through Certificates, Series 2015-C3	3.503%	8/15/48	BBB	3,661,483
1,804	Fannie Mae Connecticut Avenue Securities, Series 2014-C04, (1-Month LIBOR reference rate + 4.900% spread), (3)	6.228%	11/25/24	Baa1	2,064,496
2,600	Fannie Mae Connecticut Avenue Securities, Series 2016-C03, (1-Month LIBOR reference rate + 5.900% spread), (3)	7.228%	10/25/28	B	3,016,778
3,780	Fannie Mae Connecticut Avenue Securities, Series 2013-C01, (1-Month LIBOR reference rate + 5.250% spread), (3)	6.578%	10/25/23	BB+	4,388,028
2,223	Fannie Mae REMIC Pass-Through Certificates	0.000%	6/25/36	N/R	1,931,650
2,598	Fannie Mae, Connecticut Ave Securities, Series 2015-C04, (1-Month LIBOR reference rate + 5.550% spread), (3)	6.878%	4/25/28	BB	2,924,805

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474	Fannie Mae, Connecticut Ave Securities, Series 2015-C04, (1-Month LIBOR reference rate + 5.700% spread), (3)	7.028%	4/25/28	B	544,809
2,028	Fannie Mae, Connecticut Avenue Securities, Series 2015-C01, (1-Month LIBOR reference rate + 4.550% spread), (3)	5.878%	2/25/25	BB	2,167,994
576	Fannie Mae, Connecticut Avenue Securities, Series 2015-C03, (1-Month LIBOR reference rate + 5.000% spread), (3)	6.328%	7/25/25	B	649,732
3,070	Fannie Mae, Connecticut Avenue Securities, Series 2015-C03, (1-Month LIBOR reference rate + 5.000% spread), (3)	6.328%	7/25/25	BB	3,379,228
2,969	Fannie Mae, Connecticut Avenue Securities, Series 2016-C05, (1-Month LIBOR reference rate + 10.750% spread), (3)	12.078%	1/25/29	N/R	3,989,397
2,448	Fannie Mae, Connecticut Avenue Securities, Series 2016-C05, (1-Month LIBOR reference rate + 4.450% spread), (3)	5.778%	1/25/29	B	2,727,625
3,800	Fannie Mae, Connecticut Avenue Securities, Series 2016-C06, (1-Month LIBOR reference rate + 4.250% spread), (3)	5.578%	4/25/29	B+	4,322,758
1,675	Fannie Mae, Connecticut Avenue Securities, Series 2016-C07, (1-Month LIBOR reference rate + 9.500% spread), (3)	10.828%	5/25/29	N/R	2,160,318
6,445	Fannie Mae, Connecticut Avenue Securities, Series 2017-C02, (1-Month LIBOR reference rate + 5.500% spread), (3)	6.828%	9/25/29	N/R	7,149,703
4,100	Fannie Mae, Connecticut Avenue Securities, Series 2017-C03, (1-Month LIBOR reference rate + 4.850% spread), (3)	6.178%	10/25/29	N/R	4,482,834
3,235	Fannie Mae, Connecticut Avenue Securities, Series 2017-C03, (1-Month LIBOR reference rate + 0.950% spread), (3)	2.278%	10/25/29	Baa3	3,260,340
3,550	Fannie Mae, Connecticut Avenue Securities, Series 2017-C04, (1-Month LIBOR reference rate + 5.050% spread), (3)	6.378%	11/25/29	N/R	3,819,918
1,645	Fannie Mae, Connecticut Avenue Securities, Series 2017-C04, (1-Month LIBOR reference rate + 2.850%	4.178%	11/25/29	B	1,710,073

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	spread), (3)				
3,745	Fannie Mae, Connecticut Avenue Securities, Series 2017-C05, (1-Month LIBOR reference rate + 3.600% spread), (3)	4.928%	1/25/30	N/R	3,730,750
3,380	Fannie Mae, Connecticut Avenue Securities, Series 2017-C05, (1-Month LIBOR reference rate + 2.200% spread), (3)	3.528%	1/25/30	B3	3,414,721
3,400	Fannie Mae, Connecticut Avenue Securities, Series 2017-C06, (1-Month LIBOR reference rate + 4.450% spread), (3)	5.778%	2/25/30	N/R	3,507,486
1,180	Fannie Mae, Connecticut Avenue Securities, Series 2017-C06, (1-Month LIBOR reference rate + 4.150% spread), (3)	5.478%	2/25/30	N/R	1,227,950
2,100	Fannie Mae, Connecticut Avenue Securities, Series 2017-C07, (1-Month LIBOR reference rate + 4.000% spread), (3)	5.243%	5/25/30	N/R	2,177,518
1,815	Fannie Mae, Connecticut Avenue Securities, Series 2017-C07, (1-Month LIBOR reference rate + 2.500% spread), (3)	3.743%	5/25/30	B	1,868,707
2,506	First Horizon Alternative Mortgage Securities Trust, Mortgage Pass-Through Certificates Series 2006-FA3	6.000%	7/25/36	Ca	2,139,878
1,562	First Horizon Alternative Mortgage Securities Trust, Mortgage Pass-Through Certificates Series 2006-FA3	6.000%	7/25/36	Ca	1,333,167
2,126	First Horizon Alternative Mortgage Securities Trust, Pass-Through Certificates Series 2005-A7	3.186%	9/25/35	Caa2	2,047,676

Principal Amount (000)	Description (1)	Coupon	Maturity	Ratings (2)	Value
<b>MORTGAGE-BACKED SECURITIES (continued)</b>					
\$ 17,710	Freddie Mac Collateralized Mortgage REMIC Series 4338, (I/O)	2.490%	6/25/42	N/R	\$ 2,355,205
4,045	Freddie Mac Mortgage Trust, 144A	3.389%	7/25/22	Baa3	3,884,872
1,305	Freddie Mac Mortgage Trust, 144A	3.976%	8/25/27	Baa2	1,220,778
665	Freddie Mac Mortgage Trust, 144A	4.079%	9/25/49	A3	667,895
4,435	Freddie Mac Mortgage Trust, 144A	3.365%	5/25/45	AA	4,441,136
1,531	Freddie Mac Mortgage Trust, 144A	3.742%	7/25/46	Baa1	1,505,397
980	Freddie Mac Mortgage Trust, 144A	3.487%	11/25/23	BBB	977,723
1,740	Freddie Mac Mortgage Trust, 144A	4.012%	2/25/24	BBB	1,687,979
2,300	Freddie Mac Mortgage Trust, 144A, (1-Month LIBOR reference rate + 3.250% spread), (3)	4.493%	3/25/27	N/R	2,299,579
1,790	Freddie Mac Mortgage Trust, 144A, (1-Month LIBOR reference rate + 2.550% spread), (3)	3.793%	6/25/27	N/R	1,789,977
1,388	Freddie Mac Mortgage Trust, 144A	5.278%	9/25/43	N/R	1,467,595
1,400	Freddie Mac Mortgage Trust, 144A	3.966%	7/25/49	BBB	1,375,475
3,250	Freddie Mac Multifamily Aggregation Period Risk Transfer Trust, Series 2017-KT01, 144A	4.566%	2/25/20	N/R	3,225,077
3,175	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, 144A	3.951%	8/25/47	A3	3,205,465
2,000	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2014-K715, 144A	4.125%	2/25/46	A3	2,031,791
3,160	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2015-K44, 144A	3.810%	1/25/48	BBB	3,023,114
1,295	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2015-K714, 144A	3.980%	1/25/47	Baa1	1,297,957
1,688	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2015-K721, 144A	3.681%	11/25/47	Baa1	1,707,073
1,288	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2016-K54, 144A	4.189%	4/25/48	BBB	1,249,497
1,299	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2016-K56, 144A	4.073%	6/25/49	BBB	1,253,988
905	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2017-K728, 144A	3.647%	9/25/24	BBB	867,557
1,095		3.726%	10/25/49	BBB	1,043,027

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	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2017-K728, 144A				
1,320	Freddie Mac Multifamily Mortgage Trust, Structured Pass-Through Certificates, Series 2017-KF40, 144A, (1-Month LIBOR reference rate + 2.700% spread), (3)	4.072%	11/25/27	N/R	1,319,998
580	Freddie Mac MultiFamily Mortgage Trust, Structured Pass-Through Certificates, Series 2016-K59, 144A	3.695%	11/25/49	A	573,602
6,745	Freddie Mac Multifamily Structured Pass-Through Certificates FHMS K068, (I/O)	1.996%	10/25/44	N/R	1,031,567
4,406	Freddie Mac Multifamily Structured Pass-Through Certificates FHMS K068, (I/O)	2.130%	10/25/47	N/R	686,190
17,405	Freddie Mac Multifamily Structured Pass-Through Certificates, Series K025, (I/O)	1.811%	11/25/40	N/R	1,281,934
22,841	Freddie Mac Multifamily Structured Pass-Through Certificates, Series K031, (I/O)	1.714%	7/25/41		