NUVEEN CALIFORNIA SELECT TAX FREE INCOME PORTFOLIO
Form N-CSR
June 04, 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 811-06623

Nuveen California Select Tax-Free Income Portfolio
(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
(Address of principal executive offices) (Zip code)

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Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
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Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: March 31

Date of reporting period: March 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 begin to set expectations for a transition into tightening mode.

The economic story outside the U.S. continues to improve. Despite the drama over Greece's debt negotiations, the European economy appears to be stabilizing. Japan is on a moderate recovery path as it emerged from recession late last quarter. China's economy decelerated and, despite running well above the rate of other major global economies, investors feared it looked slow by China's standards. Some areas of concern were a surprisingly steep decline in oil prices, the U.S. dollar's rally and an increase in geopolitical tensions, including the Russia-Ukraine crisis and terrorist attacks across the Middle East and Africa, as well as more recently in Europe.

While a backdrop of healthy economic growth in the U.S. and the continuation of accommodative monetary policy (with the central banks of Japan and 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
May 22, 2015

Portfolio Managers' Comments

Nuveen Select Tax-Free Income Portfolio (NXP)
Nuveen Select Tax-Free Income Portfolio 2 (NXQ)
Nuveen Select Tax-Free Income Portfolio 3 (NXR)
Nuveen California Select Tax-Free Income Portfolio (NXC)
Nuveen New York Select Tax-Free Income Portfolio (NXN)

These Funds feature portfolio management by Nuveen Asset Management, LLC, an affiliate of Nuveen Investments, Inc. Portfolio managers Thomas C. Spalding, CFA, and Scott R. Romans, PhD, review U.S. economic and municipal market conditions, key investment strategies and the twelve-month performance of the Nuveen Select Portfolios (the "Funds"). Tom has managed NXP, NXQ and NXR since 1999, while Scott has managed NXC since 2003 and NXN since 2011.

What factors affected the U.S. economy and the national municipal bond market during the twelve-month reporting period ended March 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 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 markers' less optimistic view of the economy's overall health as well as downgraded their inflation projections. Many market watchers now believed that a June rate hike was likely off the table. Some analysts also began to lower their forecasts for first quarter gross

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)

domestic product (GDP) growth, particularly after the March jobs report revealed a surprising slowdown in hiring. No rate hike was expected at the Fed's April meeting (subsequent to the close of this reporting period), as the Fed said in March it would be "unlikely."

According to the government's advance estimate, the U.S. economy grew at a 0.2% annualized rate in the first quarter of 2015, as measured by GDP, compared with 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) fell 0.1% year-over-year as of March 2015. The core CPI (which excludes food and energy) increased 1.8% during the same period, below the Fed's unofficial longer term inflation objective of 2.0%. As of March 31, 2015, the national unemployment rate was 5.5%, the lowest level since May 2008 and the level considered "full employment" by some Fed officials, down from the 6.6% reported in March 2014. The housing market continued to post gains, although price growth has shown signs of deceleration in recent months. The average home price in the S&P/Case-Shiller Index of 20 major metropolitan areas rose 5.0% for the twelve months ended February 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. More municipal bonds left the market than were added in 2014, 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. A change in the supply-demand balance also hampered the municipal bond sector. Issuance was unusually strong in the first three months of 2015, up 64.1% compared to the same three-month period in 2014. Over the twelve months ended March 31, 2015, municipal bond issuance nationwide totaled $374.5 billion, an increase of 20.3% from the issuance for the twelve-month period ended March 31, 2014. At the same time, regulatory changes, increased risk aversion and expectations for rising interest rates and 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 have reinforced an interest rate differential that favors demand for U.S. Treasuries, maintaining downward pressure on yields.

How were the economic and market environments in California and New York during the twelve-month reporting period ended March 31, 2015?

California's economy is the largest in the United States and ranks eighth in the world according to the International Monetary Fund and continues to strengthen with employment growth driven by high technology, international trade and tourism but also supplemented by better residential construction and real estate conditions. The state's labor force participation rate saw a large rebound, reducing the risk to recovery. As of March 2015, California's preliminary unemployment rate was 6.5%. According to the S&P/Case-Shiller Index, home prices in San Diego, Los Angeles and San Francisco rose 4.7%, 5.8% and 9.8%, respectively, over the twelve months ended February 2015 (most recent data available at the time this report was prepared) compared with an average increase of 5.5% nationally. California entered its fourth straight year of drought conditions resulting in the Governor issuing mandatory water cuts. Cities and towns must reduce their water use by 25%, though the mandatory cuts will not extend to farms. In looking at the impact of the drought more broadly, the non-partisan Legislative Analyst Office says the drought is not likely to have a significant effect on California's economy or state government revenues in the short term. Agriculture is exempt from the mandate though farms consume 80% of California's water but only generate 2% of the state's economic activity. California's most significant economic risk would be a slowdown in the home building industry, which is a major part of the state's economy. On the fiscal front, the Fiscal 2014 general fund budget totaled $97.1 billion and did not require major expenditure cuts and revenue raising. Fiscal Year 2015 is projected to transfer excess revenue to the rainy day fund for the first time since Fiscal Year 2008. The enacted Fiscal 2015 budget continues to pay down budgetary deferrals; implements a funding plan for California State Teachers Retirement System (teachers' pension system); transfers funds to the rainy day fund; and provides funds for deferred maintenance and infrastructure projects. Strong revenue growth due to a recovering economy and the passage of Proposition 30 (increases state sales and personal income taxes temporarily) have aided in the State's fiscal recovery. For Fiscal 2015-2016, the proposed General Fund Governor's Budget totals $113.3 billion (up 1.4% over the forecast in the 2014 Budget Act). The proposed budget is expected to be again balanced, add to reserves, continue to pay down the "Wall of Debt" (education funding deferrals and budgetary obligations) and proposes to address the state's retiree health liabilities over the next few decades. In November 2014, S&P upgraded its rating on California general obligation (GO) debt to A+ from A and revised the outlook to stable from positive. Moody's upgraded the State GO to Aa3 with stable outlook from A1 in June 2014. During the twelve months ended March 31, 2015, municipal issuance in California totaled $54 billion, an increase of 23.6% for the twelve months ended March 31, 2014. For this reporting period, California was the largest state issuer in the nation, representing approximately 14.4% of total issuance nationwide.

New York State's $1.3 trillion economy represents 7.8% of U.S. gross domestic product and, according to the International Monetary Fund, would be the 14th largest economy in the world on a stand-alone basis. As of March 2015, the state's unemployment rate registered 5.7%, above the national rate of 5.5%. According to the S&P/Case-Shiller Index of 20 major metropolitan areas, housing prices in New York City rose 2.5% over the twelve months ended February 2015 (most recent data available at the time this report was prepared), compared with an average increase of 5.5% nationally. The state's budget picture has improved considerably over the past few years. Revenues have been increased through tax hikes and expenditures have been more tightly controlled. New York State has collected approximately $5 billion in various settlements and assessments from the financial industry through March 2015, and additional settlement monies are possible. The adopted $142 billion budget for Fiscal 2016 is 3% higher than the adopted Fiscal 2015 budget. The Fiscal 2016 budget contains no new taxes. Approximately $850 million of the $5 billion of settlements will go into a reserve fund. Another $1.5 billion will go towards economic development upstate. Another $1.3 billion would go to the Tappan Zee Bridge project. The budget also includes a $1.1 billion increase in education spending. New York is a high-income state, with per-capita income at 122% of the U.S. average, fourth-highest among the 50 states. New York is a heavily indebted state. According to Moody's, New York ranked fifth in the nation in debt per capita in 2013 (NY: $3,204; median: $1,054), sixth in debt per capita as a percentage of personal income (NY: 6.0%; median: 2.6%) and sixth in debt to gross state domestic product (NY: 5.2%; median: 2.4%). The state's pensions have traditionally been well funded, though they did decline with the stock market financial crisis. As of March 2015, Moody's rates New York Aa1 with a stable outlook. Moody's upgraded New York State from Aa2 to Aa1 on June 16, 2014 citing the State's sustained improvements in fiscal governance. S&P rates the state AA+ with a stable outlook. S&P upgraded New York State from AA to AA+ on July 23, 2014, citing the State's improved budget framework. New York municipal bond supply totaled $40.8 billion for the twelve-month reporting period ended March 31, 2015, a year-over-year increase of 15.6%. This ranked New York third among state issuers behind California and Texas.

Portfolio Managers' Comments (continued)

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

A backdrop of supportive technical and fundamental factors helped the municipal market rally for most of the reporting period. For the reporting period as a whole, municipal bond prices generally rose, while interest rates declined. California municipal paper as a whole slightly outperformed the national market, due in part to increased demand triggered by recent changes in the state tax code as well as improving economic conditions in the state. The New York municipal market performed roughly in line with the national market. 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.

In NXP, NXQ and NXR, we were focused on finding bonds that could enhance our efforts to achieve overall portfolio objectives. Duration management was also a focus, as short-term bonds, including pre-refunded credits, rolled off earlier in the reporting period and we purchased bonds with longer maturities to help maintain the Funds' longer durations. As the reporting period progressed, we became more selective about longer duration credits and bought lower duration bonds to keep the Funds within their appropriate duration bands. These three Funds purchased zero coupon bonds, which provided long maturities and additional income from the accretion of bond discounts to support their dividends, including zero coupon bonds issued by municipal entities in Arkansas, California and Texas. We also added to existing holdings when we found attractive opportunities. Overall, the majority of our purchases for these three Funds were high quality issues featuring low volatility.

For NXC and NXN, we continued to find opportunities to purchase bonds in both the primary and secondary markets that helped us keep the Funds fully invested. As the municipal market improved over the course of the reporting period, we increasingly positioned our portfolios more defensively by focusing on higher grade bonds that offered good liquidity and that were positioned in the longer-intermediate part of the yield curve, (i.e., 18 to 22 years, rather than 25 to 30 years). At the same time, we became more selective within the lower credit quality segments of the market, as yield spreads on lower rated bonds began to tighten. One exception to our longer duration focus was our trading in tobacco bonds, which moved toward the shorter end of the yield curve during the reporting period.

Overall, our emphasis in purchase activity was on relative value and credit quality, rather than sector. That is, when considering the purchase of a lower rated bond or a slightly less liquid issue, we looked carefully at the compensation offered by the bond in question relative to its credit quality and to other opportunities available in the market.

For NXN, we added some higher quality sales tax revenue and higher education credits, as well as bonds issued as part of the restructuring of Long Island Power Authority (LIPA), which were used to refinance a portion of LIPA's lower rated debt. We also selectively added to our positions in lower rated bonds, including some newly issued credits for the redevelopment of 3 World Trade Center in Lower Manhattan.

Our purchases for NXC of high grade, liquid bonds during the reporting period included California general obligation (GO) bonds as well as California State Public Works credits, both of which we bought until the credit upgrade on California GOs (see next paragraph). As spreads on these bonds tightened following the upgrade, we shifted our focus to other bonds in the high-grade end of the spectrum. In the second half of the reporting period, notable additions included school district GOs, community college GOs, local sales tax bonds, health care credits, and water and electric utilities credits, all of which were from the higher-rated segments of the market.

In June 2014, Moody's upgraded its credit rating on California GO debt to Aa3 from A1, the highest level since 2001, citing California's rapidly improving financial position, high but declining debt metrics, adjusted net pension liability ratios and robust employment growth. S&P had revised its outlook for the state to positive from stable, while affirming an A rating. Fitch continued to rate the state at A with a stable outlook. Also during this reporting period, S&P upgraded its credit rating on National Public Finance Guarantee Corp. (NPFG), the insurance subsidiary of MBIA, to AA- rated from A rated, citing NPFG's strong operating performance and competitive position in the financial guarantee market. As a result, the ratings on the Funds' holdings of bonds backed by insurance from NPFG were similarly upgraded to AA- as of mid-March 2014. This action produced an increase in the percentage of our portfolios held in the AA-rated credit quality category (and a corresponding decrease in the A rated category), improving the overall credit quality of the Funds. During this reporting period, S&P also upgraded its rating on Assured Guaranty Municipal (AGM) as well as AGM's municipal-only insurer Municipal Assurance Corp. to AA from AA-.

Cash for purchases was generated primarily by proceeds from called and matured bonds, which we worked to redeploy to keep the Funds fully invested and support their income streams. The decline in municipal yields and the flattening of the municipal yield curve relative to the Treasury curve helped to make refunding deals more attractive and we saw an increase in this activity during the reporting period, as bond issuers sought to lower costs through refinancings. This provided ample cash for purchases and drove most of our trading activity for the reporting period.

As of March 31, 2015, NXP, NXQ, NXR and NXN 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. For duration management purposes, we added interest rate swaps to NXP and NXR in April 2014. These interest rate swaps worked as intended to shorten the durations of these two Funds and bring them within our target range. However, as interest rates declined, the swaps slightly detracted from the performance of NXP and NXR.

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

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

For the twelve months ended March 31, 2015, the total returns on common share NAV for these five Funds outperformed the returns for their respective state's S&P Municipal Bond Index as well as that of the national S&P Municipal Bond Index. For this same period, NXP, NXQ and NXR outperformed the average return for the Lipper General and Insured Unleveraged Municipal Debt Funds Classification Average, while NXC and NXN trailed the Lipper California Municipal Debt Funds and the Lipper New York Municipal Debt Funds classification average returns, respectively.

Key management factors that influenced the Funds' returns during this reporting period included duration and yield curve positioning and credit exposure. Sector allocation produced mixed results among the Funds, slightly detracting from NXC's performance, contributing positively to NXN and having a relatively muted impact on the other three Funds' performance. In addition, the use of leverage was a factor in performance. NXP, NXQ, NXR and NXN benefited from the use of leverage during the reporting period and NXC does not use leverage. Leverage is discussed in more detail later in this report.

Given the combination of declining interest rates and a flattening yield curve during this reporting period, municipal bonds with longer maturities generally outperformed those with shorter maturities. Overall, credits with maturities of 15 years or more, especially those at the longest end of the municipal yield curve, outperformed the general municipal market, while bonds at the shortest end of the curve produced the weakest results. In general, the Funds' durations and yield curve positioning were positive for their performance. Consistent with our long-term strategy, all of these Funds tended to be overweighted in the longer parts of the yield curve that performed best and underweighted in the underperforming shorter end of the curve. NXP, NXQ, NXR and NXC also benefited from their overweightings in zero coupon bonds, which generally outperformed the market due to their longer durations. In NXC, this overweighting was substantial.

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. All five Funds tended to be underweight in higher rated segments and overweight in the lower rated segments during the reporting period, which was generally beneficial to performance. Overall, NXN had the smallest weighting of BBB rated bonds and the largest weighting of AAA rated bonds.

Sector allocation was a modestly negative influence on performance for NXC. Although positions in the stronger performing tobacco, health care and IDR/PCR (industrial development revenue/pollution control revenue) sectors added to returns, underperformance from the Fund's positions in pre-refunded bonds (which are dominated by higher quality and shorter-term issues) and higher quality,

Portfolio Managers' Comments (continued)

tax supported sectors such as state GOs, water and sewer, and public power dampened overall performance. NXN's sector positioning was a positive contributor during the reporting period. Gains from the New York Fund's holdings in the tobacco, health care, and IDR/PCR sectors more than offset weakness from its exposure to tax supported sectors and pre-refunded bonds.

We also continue to monitor ongoing economic developments in Puerto Rico for any impact on the Funds' holdings and performance. Shareholders should note that NXC and NXN had no exposure to Puerto Rico debt during this reporting period, while, NXP, NXQ and NXR had allocations of 1.3%, 0.8% and 1.9%, respectively, at the end of the reporting period. 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 is rated Caa1/CCC+/B (below investment grade) by Moody's, S&P and Fitch, respectively, with negative outlooks.

On February 6, 2015 a federal court found Puerto Rico's Recovery Act to be unconstitutional. Though the Commonwealth is pursuing an appeal of the ruling, the outcome is uncertain. Puerto Rico's non-voting Representative in Congress recently introduced legislation that would make chapter 9 bankruptcy available to the Commonwealth's public corporations. A congressional committee hearing was held on February 26, 2015, but the bill has not advanced out of committee.

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 0.37% of assets under management as of March 31, 2015. As of March 31, 2015, the Funds' 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, the small size of our exposures meant that our Puerto Rico holdings had a negligible impact on performance.

The second situation that we continued to monitor was the City of Detroit's filing for chapter 9 in federal bankruptcy court in July 2013. Burdened by decades of population loss, changes in the auto manufacturing industry and significant tax base deterioration, Detroit had been under severe financial stress for an extended period prior to the filing. Before Detroit could exit bankruptcy, issues surrounding the city's complex debt portfolio, numerous union contracts, significant legal questions and more than 100,000 creditors had to be resolved. By October 2014, all of the major creditors had reached an agreement on the city's plan to restructure its $18.5 billion of debt and emerge from bankruptcy on November 7, 2014. The U.S. Bankruptcy Court approved the city's bankruptcy exit plan, erasing approximately $7 billion in debt. The settlement plan also provided for $1.7 billion to be reinvested in the city for improved public safety, blight removal and upgraded basic services.

In August 2014, Detroit announced a tender offer for the city's water and sewer bonds, aimed at replacing some of the $5.2 billion of existing debt with lower cost bonds. Approximately $1.5 billion in existing water and sewer bonds were returned to the city by investors under the tender offer, which enabled Detroit to issue new water and sewer bonds, resulting in savings of $250 million over the life of the bonds. The city also raised about $150 million to finance sewer system improvements. As part of the deal, Detroit water and sewer bonds also were permanently removed from the city's bankruptcy case, which led to a rally in the bonds' price. Shareholders of NXP, NXQ and NXR should note that these Funds have small exposures to Detroit water and sewer bonds, almost all of which is insured. NXC and NXN do not have any Detroit exposure. Detroit water and sewer credits performed well for the reporting period, as they rallied following the positive developments described earlier.

Fund Leverage

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of the Funds relative to their comparative benchmarks was the Funds' use of leverage through investments in inverse floating rate securities, which represent leveraged investments in underlying bonds. The Funds use leverage because our research has shown that, over time, leveraging provides opportunities for additional income, particularly in the recent market environment where short-term market rates are at or near historical lows, meaning that the short-term rates the Fund has been paying on its leveraging instruments have been much lower than the interest the Fund has been earning on its portfolio of long-term bonds that it has bought with the proceeds of that leverage. However, use of leverage also can expose the Fund to additional price volatility. When a Fund uses leverage, the Fund will experience a greater increase in its net asset value if the municipal bonds acquired through the use of leverage increase in value, but it will also experience a correspondingly larger decline in its net asset value if the bonds acquired through leverage decline in value, which will make the Fund's net asset value more volatile, and its total return performance more variable over time. In addition, income in levered funds will typically decrease in comparison to unlevered funds when short-term interest rates increase and increase when short-term interest rates decrease. Leverage had a positive impact on the performance of the Funds during the current reporting period, where applicable.

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

	NXP	NXQ	NXR	NXC	NXN
Effective Leverage*	1.30%	1.82%	0.52%	—%**	8.44%

* 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. Currently, the leverage effects of Tender Option Bond (TOB) inverse floater holdings are included in effective leverage values.

** NXC did not invest in inverse floating rate securities during the current reporting period.

Share Information

DISTRIBUTION INFORMATION

The following information regarding the Funds' distributions is current as of March 31, 2015. Each Fund's distribution levels may vary over time based on each Fund's investment activity and portfolio investment value changes.

During the current reporting period, each Fund's monthly distributions to shareholders were as shown in the accompanying table.