

NUVEEN INSURED CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND
Form N-CSR
May 07, 2012

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 811-09449

Nuveen Insured California Dividend Advantage Municipal Fund
(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
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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: February 29

Date of reporting period: February 29, 2012

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,

In recent months the positive atmosphere in financial markets has reflected efforts by central banks in the US and Europe to provide liquidity to the financial system and keep interest rates low. At the same time, future economic growth in these countries still faces serious headwinds in the form of high energy prices, uncertainties about potential political leadership changes and increasing pressure to reduce government spending regardless of its impact on the economy. Together with the continuing political tensions in the Middle East, investors have many reasons to remain cautious.

Though progress has been painfully slow, officials in Europe have taken important steps to address critical issues. The European Central Bank has provided vital liquidity to the banking system. Similarly, officials in the Euro area finally agreed to an enhanced "firewall" of funding to deal with financial crises in member countries. These steps, in addition to the completion of another round of financing for Greece, have eased credit conditions across the Continent. Several very significant challenges remain with the potential to derail the recent progress but European leaders have demonstrated political will and persistence in dealing with their problems.

In the US, strong corporate earnings and continued progress on job creation have contributed to a rebound in the equity market and many of the major stock market indexes are approaching their levels before the financial crisis. The Fed's commitment to an extended period of low interest rates is promoting economic growth, which remains moderate but steady and raises concerns about the future course of long term rates once the program ends. Pre-election maneuvering has added to the highly partisan atmosphere in the Congress. The end of the Bush-era tax cuts and implementation of the spending restrictions of the Budget Control act of 2011, both scheduled to take place at year-end loom closer with little progress being made to deal with them.

During the last year investors have experienced a sharp decline and a strong recovery in the equity markets. Experienced investment teams keep their eye on a longer time horizon and use their practiced investment disciplines to negotiate through market peaks and valleys to achieve long term goals for investors. Monitoring this process is an important consideration for the Fund Board as it oversees your Nuveen funds on your behalf.

As always, I encourage you to contact your financial consultant if you have any questions about your investment in a Nuveen Fund. On behalf of the other members of your Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

Robert P. Bremner
Chairman of the Board
April 20, 2012

Portfolio Manager's Comments

Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC)
Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)
Nuveen California Premium Income Municipal Fund (NCU)
Nuveen California Dividend Advantage Municipal Fund (NAC)
Nuveen California Dividend Advantage Municipal Fund 2 (NVX)
Nuveen California Dividend Advantage Municipal Fund 3 (NZH)
Nuveen Insured California Dividend Advantage Municipal Fund (NKL)
Nuveen Insured California Tax-Free Advantage Municipal Fund (NKX)

Portfolio manager Scott Romans reviews economic and municipal market conditions at both the national and state levels, key investment strategies and the twelve-month performance of the Nuveen California Funds listed above. Scott, who joined Nuveen in 2000, has managed NCU, NAC, NVX, NZH, NKL and NKX since 2003 and NPC and NCL since 2005.

What factors affected the U.S. economic and municipal market environments during the twelve-month reporting period ended February 29, 2012?

During this period, the U.S. economy's progress toward recovery from recession remained modest. The Federal Reserve (Fed) maintained its efforts to improve the overall economic environment by continuing to hold the benchmark fed funds rate at the record low level of zero to 0.25% that it had established in December 2008. At its March 2012 meeting (shortly after the end of this reporting period), the central bank reaffirmed its opinion that economic conditions would likely warrant keeping this rate at "exceptionally low levels" at least through late 2014. The Fed also stated that it would continue its program to extend the average maturity of its holdings of U.S. Treasury securities by purchasing \$400 billion of these securities with maturities of six to thirty years and selling an equal amount of U.S. Treasury securities with maturities of three years or less. The goals of this program, which the Fed expects to complete by the end of June 2012, are to lower longer-term interest rates, support a stronger economic recovery, and help ensure that inflation remains at levels consistent with the Fed's mandates of maximum employment and price stability.

In the fourth quarter of 2011, the U.S. economy, as measured by the U.S. gross domestic product (GDP), grew at an annualized rate of 3.0%, the best growth number since the end of second quarter 2010 and the tenth consecutive quarter of positive growth. The Consumer Price Index (CPI) rose 2.9% year-over-year as of February 2012, while the core CPI (which excludes food and energy) increased 2.2% during the same period, edging above the Fed's unofficial objective of 2.0% or lower for this inflation measure. Labor market conditions have shown some signs of improvement, as national unemployment stood at 8.3% in February 2012, the lowest level in three years, down from 9.0% in February 2011. The housing market continued to be the major weak spot in the economy. For the twelve months ended January 2012 (most recent data available at the time this report was prepared), the average home price in the Standard & Poor's (S&P)/Case-Shiller Index of 20 major metropolitan areas lost 3.8%, as housing prices hit their lowest levels since early 2003. In addition, the U.S. economic picture continued to be clouded by concerns about the European debt crisis and efforts to reduce the federal deficit.

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.

Ratings shown 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. 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 a national rating agency.

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Municipal bond prices generally rallied over this period. Historically light issuance of new tax-exempt bonds served as a key driver of performance, as tight supply and strong demand combined to create favorable market conditions for municipal bonds. Concurrent with rising prices, yields declined across most maturities. The depressed level of municipal bond issuance was due in part to the continued impact of the taxable Build America Bonds (BAB) program. Even though the BAB program expired at the end of 2010, issuers had made extensive use of its favorable terms to issue almost \$190 billion in taxable BAB bonds during 2009 and 2010, representing approximately 25% of all municipal issuance during that period. Some borrowers accelerated issuance in order to take advantage of the program before its termination, fulfilling their capital program borrowing needs well into 2011 and 2012. This reduced the need for many borrowers to come to market with new tax-exempt issues during this period. The low level of municipal issuance during this period also reflected the current political distaste for additional borrowing by state and local governments and the prevalent atmosphere of municipal budget austerity.

Over the twelve months ended February 29, 2012, municipal bond issuance nationwide totaled \$307.4 billion, a decrease of 24% compared with issuance during the twelvemonth period ended February 28, 2011. During this period, demand for municipal bonds remained very strong, especially from individual investors.

How were the economic and market environments in California during this period?

The California economy has shown signs of gaining momentum, with job growth rebounding as increased demand for internet-based services and mobile device applications led to strengthening of the technology and other service sectors. This, in turn, produced improvement in the state's unemployment rate. As of February 2012, California's unemployment rate was 10.9%, its lowest level since April 2009, down from 12.0% in February 2011. However, housing, the primary driver of the state's most recent economic decline, remains a drag on the California economy, with foreclosures continuing to put downward pressure on prices. According to the S&P/Case-Shiller Index, home prices in San Diego, Los Angeles and San Francisco fell 5.3%, 5.4% and 5.9%, respectively, over the twelve months ended January 2012 (the most recent data available at the time this report was prepared). These rates compared with an average decline of 3.8% nationally for the same period. Statewide, home prices in California have lost almost 60% of their value since the peak in 2006. Overall, budget problems posed the largest threat to the state's economic outlook over the near term, as California continued to be burdened by persistent deficits and spending that outweighed the state's ability to generate revenues. However, the \$120.1 billion act remained structurally unbalanced, relying on revenue assumptions that, if not met, would trigger additional expenditure cuts. When those revenue assumptions were not realized, the state implemented almost \$1 billion in trigger cuts effective January 1, 2012, mainly affecting state universities, community colleges and human services. The \$137.3 billion budget proposal for fiscal 2013 closes an estimated \$9.2 billion gap and assumes additional revenues generated by a voter-approved, five-year temporary tax increase. The budget also calls for spending reductions mainly in the areas of welfare and child care for the poor. As of February 2012, California maintained credit ratings on its general obligation (GO) debt of A1, A-, and A-from Moody's Investors Service, S&P and Fitch, respectively. For the twelve months ended February 29, 2012, municipal issuance in California totaled \$38.5 billion, a

decrease of 33% from the previous twelve months. For this period, California was the second largest state issuer in the nation (behind New York), representing approximately 12.5% of total issuance nationwide.

What key strategies were used to manage the California Funds during this reporting period?

As previously discussed, municipal bond prices generally rallied nationally during this period, as the supply of tax-exempt bonds remained tight and yields continued to be relatively low. In this environment, we continued to take a bottom-up approach to discovering sectors that appeared undervalued as well as individual credits that had the potential to perform well over the long term and helped us keep our Funds fully invested.

Much of our investment activity during this period was opportunistic, with purchases driven by the timing of cash flows from called or maturing bonds. The Funds took advantage of attractive opportunities to add to their holdings in health care as well as California state GO bonds when they came to market in the fall of 2011. In addition, based on recent tobacco consumption data, NCU, NAC, NVX and NZH swapped some of their convertible zero-coupon tobacco holdings for tobacco bonds with better downside profiles in terms of credit outlook. These relative value swaps also benefited the Funds by maintaining yields and recognizing losses for tax purposes. (The insured Funds did not participate in the tobacco swaps because these four Funds cannot purchase sub-investment grade bonds.)

We also continued to actively add exposure to redevelopment agency (RDA) bonds, used to fund programs to improve deteriorated, blighted and economically depressed areas in California. In June 2011, two state bills amending the law that created RDAs were approved as part of cost-saving measures to close gaps in the California state budget. Assembly Bill (AB) 26 provided for the dissolution of all RDAs, while AB 27 would allow municipalities to keep their RDAs by committing to substantial community payments to the state. A lawsuit challenging the constitutionality of both bills was filed by an RDA lobbying group in July 2011. In late December 2011, the California Supreme Court ruled that AB 26 was constitutional and ordered the dissolution of all 400 RDAs in the state by February 1, 2012, creating successor agencies and oversight boards to manage obligations (e.g., contracts, bonds, leases) that were in place prior to the dissolution and take title to the RDAs' housing and other assets. However, the court struck down AB 27, concluding that the provisions that required community payments were not voluntary, and violated the state constitution. During this period, the uncertainty surrounding the fate of the state's RDAs caused spreads on RDA bonds to widen substantially and prompted RDAs to issue their remaining capacity of bonds. This resulted in heavy issuance of RDA bonds that came to market at attractive prices with higher coupons and very attractive structures, including 10-year call provisions. Consequently, we were able to add some exceptional bonds to our portfolios, purchasing new RDA bonds in the primary market during the first part of this period and buying additional RDA bonds, some of which were insured credits issued prior to 2008, in the secondary market during the last part of this period.

For the Funds with an insured mandate (NPC, NCL, NKL and NKX), finding appropriate insured municipal bonds, especially new insured issues, remained a challenge due to the continued severe decline in insured issuance. Over the past few years, most municipal bond insurers had their credit ratings downgraded, and only one insurer currently insures new municipal bonds. As a result, the supply of insured municipal securities has decreased dramatically. In 2011, issuance of new insured paper accounted for just over 5% of total municipal issuance (compared with a historical levels of 50%), down 43.5% from 2010. Even though NPC, NCL, NKL and NKX may now invest up to 20% of their net assets in uninsured investment-grade credits rated BBB- or higher, the combination of tight municipal supply, little insured issuance and relatively lower yields meant few attractive opportunities for these Funds during this period.

Cash for new purchases during this period was generated primarily by the proceeds from called and maturing bonds. An elevated number of bond calls provided a meaningful source of liquidity, which drove much of our activity as we worked to redeploy the proceeds to keep the Funds fully invested. In addition, we sold selected bonds with very short effective maturities on the occasions when we needed additional cash to take advantage of attractive opportunities.

As of February 29, 2012, all of these Funds 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. As part of our duration management strategies, NCL also used forward interest rate swaps to reduce price volatility risk to movements in U.S. interest rates relative to the Fund's benchmarks. The forward interest rate swaps were removed from NCL during the first half of this period as the Fund's duration approached our targeted range. Prior to their removal, these derivatives functioned as intended.

How did the Funds perform during the twelve-month period ended February 29, 2012?

Individual results for these Nuveen California Funds, as well as relevant index and peer group information, are presented in the accompanying table.

Average Annual Total Returns on Common Share Net Asset Value
For periods ended 2/29/12

| | 1-Year | 5-Year | 10-Year |
|--|--------|--------|---------|
| Uninsured Funds | | | |
| NCU | 25.65% | 6.45% | 6.66% |
| NAC | 25.30% | 5.66% | 6.53% |
| NVX | 22.90% | 6.25% | 6.69% |
| NZH | 22.89% | 4.66% | 6.06% |
| Standard & Poor's (S&P) California Municipal Bond Index* | 14.84% | 5.17% | 5.38% |
| Standard & Poor's (S&P) National Municipal Bond Index* | 12.87% | 5.19% | 5.36% |
| Lipper California Municipal Debt Funds Classification Average* | 25.87% | 4.71% | 6.17% |

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.

For additional information, see the Performance Overview page for your Fund in this report.

* Refer to Glossary of Terms Used in This Report for definitions.

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| | 1-Year | 5-Year | 10-Year |
|--|--------|--------|---------|
| Insured Funds | | | |
| NPC | 24.47% | 6.31% | 6.22% |
| NCL | 25.33% | 6.30% | 6.24% |
| NKL | 24.87% | 6.59% | N/A |
| NKX | 21.95% | 5.18% | N/A |
| Standard & Poor's (S&P) California Municipal Bond Index* | 14.84% | 5.17% | 5.38% |
| Standard & Poor's (S&P) Insured National Municipal Bond Index* | 13.78% | 5.24% | 5.41% |
| Lipper Single-State Insured Municipal Debt Funds Classification Average* | 21.81% | 5.94% | 6.06% |

For the twelve months ended February 29, 2012, the total returns on common share net asset value (NAV) for all of these Funds exceeded the return for the Standard & Poor's (S&P) California Municipal Bond Index. The uninsured Funds also outperformed the S&P National Municipal Bond Index, while the insured Funds outperformed the Standard & Poor's (S&P) Insured National Municipal Bond Index. For this same period, NCU and NAC trailed the return for the Lipper California Municipal Debt Funds Classification Average by a narrow margin, while NVX and NZH also lagged the Lipper group. All four of the insured Funds exceeded the Lipper Single-State Insured Municipal Debt Funds Classification Average return.

Key management factors that influenced the Funds' returns during this period included duration and yield curve positioning, credit exposure and sector allocation. The use of leverage also was an important positive factor affecting the Funds' performance. Leverage is discussed in more detail later in this report.

During this period, municipal bonds with longer maturities generally outperformed those with shorter maturities. Overall, credits at the longest end of the municipal yield curve posted the strongest returns, while bonds at the shortest end produced the weakest results. The Funds' duration and yield curve positionings were the most important determinants of performance during this period. On the whole, NAC and NCL, which had the longest durations among the uninsured and insured Funds, respectively, were the most advantageously positioned in terms of duration and yield curve exposure. The performance of the remaining six Funds benefited in proportion to their allocations along the longer end of the yield curve.

Credit exposure also played a role in performance during these twelve months, as lower-rated bonds, especially those rated BBB, generally outperformed higher-quality bonds rated AAA and AA. This outperformance was due in part to the greater demand for lower-rated bonds as investors looked for investments offering higher yields. All four of the uninsured Funds benefited from their credit exposure during this period. However, in accordance with their investment policies, the insured Funds have not had the same opportunities to invest in lower-rated credits until recently, and they tended to be underweighted in bonds rated BBB and overweighted in bonds rated AAA and AA. This combination detracted from their performance for the period.

Holdings that generally made positive contributions to the Funds' returns during this period included zero coupon bonds, health care, industrial development revenue (IDR), transportation and special tax credits. Leasing and education bonds also outpaced the general municipal market for the period, while water and sewer credits just edged past the municipal market average. All of the uninsured Funds were overweighted in health care, which boosted their performance, as did their overall sector allocations.

In contrast, pre-refunded bonds, which are often backed by U.S. Treasury securities, were the poorest performing market segment during this period. The underperformance of these bonds can be attributed primarily to their shorter effective maturities and higher credit quality. As of February 29, 2012, NPC had the heaviest weighting in pre-refunded bonds among all eight of these Funds, which hampered its performance, while NCL had the smallest allocation to these bonds. Among the uninsured Funds, NVX and NZH had heavier weightings in pre-refunded bonds than NCU and NAC. The electric utilities, housing and resource recovery sectors and California state GOs also lagged the performance of the general municipal market for this period. All of these Funds were underweighted to varying degrees in the tax-supported sector, especially California state GOs, relative to the California market, which lessened the negative impact of these holdings. This underweighting was due to the fact that California state GOs comprise such a large portion of the tax-supported sector in California that it is impossible to match the market weighting in our portfolios.

In addition, NCU and NKX each held individual credits that impacted their performance during this period. In NCU, the Fund's holdings of Downey Regional Medical Center began the period as a distressed credit. Following an acquisition near the end of the period, the hospital bonds were refunded at par. NCU held a significant position in these credits, and their recovery benefited its performance. In NKX, the Fund's holdings of lease revenue bonds issued by the Stockton Public Finance Authority had a negative impact on the Fund's performance after news of the city of Stockton's financial problems became public and the city's credit ratings were cut. Stockton has now entered a new state-mandated mediation program where municipalities work with creditors to address fiscal challenges rather than declaring bankruptcy. It is also important to note that the Stockton lease revenue bonds are insured by National Public Finance Guarantee, which has stated that it will make payments on the bonds if there is any interruption in payments from the issuer.

APPROVED FUND MERGERS

After the close of this reporting period, the Funds' shareholders approved a series of reorganizations and changes to certain investment policies for the four Nuveen California insured closed-end Funds.

The approved changes to each Fund's investment policies were intended to increase the Funds' flexibility regarding the types of securities available for investment.

The investment policy changes are summarized as follows:

- Each Fund eliminated the investment policy requiring it, under normal circumstances, to invest at least 80 percent of its managed assets in municipal securities that are covered by insurance which currently guarantees the timely payment of principal and interest.
- Each Fund adopted a new investment policy requiring it, under normal circumstances, to invest at least 80 percent of its managed assets in municipal securities that pay interest exempt from federal and California income tax.

- Each Fund eliminated the old fundamental loan policy and adopted a new fundamental loan policy, which states that each Fund may not make loans, except as permitted by the Investment Company Act of 1940, as amended, and exemptive orders granted under the Investment Company Act of 1940, as amended.
- Each Fund will continue to invest substantially all (at least 80 percent) of its managed assets in investment grade quality municipal securities.
- Nuveen Insured California Tax-Free Advantage Municipal Fund (NKX) will continue its policy of investing, under normal circumstances, at least 80% of its assets in AMT-free municipal securities.

In addition shareholders approved the reorganization of the Funds as follows:

| Acquired Funds | Acquiring Fund |
|---|---|
| <ul style="list-style-type: none"> • Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC) • Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL) • Nuveen Insured California Dividend Advantage Municipal Fund (NKL) | <p>Nuveen California AMT Free Municipal Income Fund (NKX)</p> |

The reorganizations will be consummated before the opening of business on May 7, 2012. Upon the closing of the reorganizations, the Acquired Funds will transfer substantially all of their assets to the Acquiring Fund in exchange for common and preferred shares of the Acquiring Fund, and the assumption by the Acquiring Fund of the liabilities of the Acquired Funds. The Acquired Funds will then be liquidated, dissolved and terminated in accordance with their Declaration of Trust. The Acquiring Fund will change its name to Nuveen California AMT Free Municipal Income Fund (NKX).

Shareholders of the Acquired Funds will become shareholders of the Acquiring Fund. Holders of common shares will receive newly issued common shares of the Acquiring Fund, the aggregate net asset value of which will be equal to the aggregate net asset value of the common shares of the Acquired Funds held immediately prior to the reorganizations (including for this purpose fractional Acquiring Fund shares to which shareholders would be entitled). Fractional shares will be sold on the open market and shareholders will receive cash in lieu of such fractional shares. Holders of VRDP Shares of each Acquired Fund will receive on a one-for-one basis newly issued VRDP Shares of the Acquiring Fund, in exchange for VRDP Shares of the Acquired Fund held immediately prior to the reorganization, with such new Acquiring Fund VRDP Shares having substantially the same terms as the exchanged VRDP Shares of the Acquired Funds.

Fund Leverage and
Other Information

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the return of the Funds relative to their benchmarks was the Funds' use of leverage. The Funds use leverage because their managers believe that, over time, leveraging provides opportunities for additional income and total return for common shareholders. However, use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on common share net asset value and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by a Fund generally are rising. Leverage had a positive impact on the performance of the Funds over this reporting period.

THE FUNDS' REGULATORY LEVERAGE

As of February 29, 2012, each of the Funds has redeemed all of their outstanding auction rate preferred shares (ARPS) at liquidation value.

As of February 29, 2012, the Funds have issued and outstanding MuniFund Term Preferred (MTP) Shares and Variable Rate Demand Preferred (VRDP) Shares as shown in the accompanying tables.

MTP Shares

| Fund | Series | MTP Shares Issued at Liquidation Value | Annual Interest Rate | NYSE Ticker |
|------|--------|--|-------------------------|----------------|
| NCU | 2015 | \$ 35,250,000 | 2.00% | NCU PrC |
| NVX | 2014 | \$ 42,846,300 | 2.35% | NVX PrA |
| NVX | 2015 | \$ 55,000,000 | 2.05% | NVX PrC |
| NZH | 2014 | \$ 27,000,000 | 2.35% | NZH PrA |
| NZH | 2014-1 | \$ 46,294,500 | 2.25% | NZH PrB |
| NZH | 2015 | \$ 86,250,000 | 2.95% | NZH PrC |

VRDP Shares

| Fund | VRDP Shares Issued at Liquidation Value |
|------|--|
| NPC | \$ 42,700,000 |
| NCL | \$ 74,000,000 |
| NAC | \$ 136,200,000 |
| NKL | \$ 104,400,000 |
| NKX | \$ 35,500,000 |

(Refer to Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies and Footnote 4 – Fund Shares for further details on MTP and VRDP Shares.)

As of October 5, 2011, all 84 of the Nuveen closed-end municipal funds that had issued ARPS, approximately \$11.0 billion, have redeemed at liquidation value all of these shares.

For up-to-date information, please visit the Nuveen CEF Auction Rate Preferred Resource Center at:
<http://www.nuveen.com/arps>.

UPDATE ON LITIGATION REGARDING THE FUNDS' REDEMPTION OF AUCTION RATE PREFERRED SHARES

During 2011, certain funds (including NKX) were named in a consolidated complaint as nominal defendants in a putative shareholder derivative action captioned *Martin Safier, et al. v. Nuveen Asset Management, et al.* that was filed in the Circuit Court of Cook County, Illinois, Chancery Division (the "Cook County Chancery Court") on February 18, 2011 (the "Complaint"). The Complaint, filed on behalf of purported holders of each fund's common shares, also named Nuveen Fund Advisors, Inc. as a defendant, together with current and former Officers and interested Directors/Trustees of each of the funds (together with the nominal defendants, collectively, the "Defendants"). The Complaint contained allegations regarding breaches of fiduciary duties in connection with the redemption of auction rate preferred shares issued by the funds. The Defendants filed a motion to dismiss the suit and on December 16, 2011, the court granted that motion dismissing the Complaint. The plaintiffs failed to file an appeal of the court's decision within the required time period, resulting in the final disposition of the suit.

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. Past performance is no guarantee of future results. Fund common shares are subject to a variety of risks, including:

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

Price Risk. Shares of closed-end investment companies like these Funds frequently trade at a discount to their NAV. Your common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Leverage Risk. Each Fund's use of leverage creates the possibility of higher volatility for the Fund's per share NAV, market price, distributions and returns. There is no assurance that a Fund's leveraging strategy will be successful.

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

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

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

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

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

Inverse Floater Risk. The Funds invest in inverse floaters. Due to their leveraged nature, these investments can greatly increase a Fund's exposure to interest rate risk and credit risk. In addition, investments in inverse floaters involve the risk that the Fund could lose more than its original principal investment.

Common Share Dividend
and Price Information

DISTRIBUTION INFORMATION

During the twelve-month reporting period ended February 29, 2012, NCL, NAC, NKL and NKX each had one monthly dividend increase, while the dividends of NPC, NCU, NVX and NZH remained stable throughout the reporting period.

Due to normal portfolio activity, common shareholders of the following Funds received capital gains and/or net ordinary income distributions in December 2011 as follows:

| Fund | Long-Term Capital Gains (per share) | Short-Term Capital Gains and/or Ordinary Income (per share) |
|------|--|---|
| NPC | \$ 0.0780 | \$ 0.0240 |
| NCL | — | \$ 0.0118 |
| NAC | — | \$ 0.0045 |
| NKL | — | \$ 0.0053 |

All of the Funds in this report seek to pay stable dividends at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of February 29, 2012, all of the Funds in this report had positive UNII balances for both tax and financial reporting purposes.

COMMON SHARE REPURCHASES AND PRICE INFORMATION

As of February 29, 2012, and since the inception of the Funds' repurchase program, the following Funds have cumulatively repurchased and retired common shares as shown in the accompanying table. Since the inception of the Fund's repurchase programs, NAC and NKX have not redeemed any of their outstanding common shares.

| Fund | Common Shares Repurchased and Retired | % of Outstanding Common Shares |
|------|--|-----------------------------------|
| NPC | 17,700 | 0.3% |
| NCL | 55,700 | 0.4% |
| NCU | 44,500 | 0.8% |
| NAC | — | — |
| NVX | 50,700 | 0.3% |
| NZH | 12,900 | 0.1% |
| NKL | 32,700 | 0.2% |
| NKX | — | — |

During the twelve-month reporting period, the Funds did not repurchase any of their outstanding common shares.

As of February 29, 2012, the Funds' common share prices were trading at (+) premiums or (-) discounts to their common share NAVs as shown in the accompanying table.

| Fund | 2/29/12 (+)Premium/(-)Discount | Twelve-Month Average (-)Discount |
|------|-----------------------------------|-------------------------------------|
| NPC | (+)1.07% | (-)2.41% |
| NCL | (+)2.54% | (-)2.14% |
| NCU | (-)1.05% | (-)5.57% |
| NAC | (+)1.82% | (-)3.08% |
| NVX | (+)0.58% | (-)3.20% |
| NZH | (+)3.16% | (-)2.08% |
| NKL | (+)2.50% | (-)1.01% |
| NKX | (+)2.24% | (-)5.56% |

NPC Nuveen Insured California
 Performance Premium Income
 OVERVIEW Municipal Fund, Inc.

as of February 29, 2012

Fund Snapshot

| | | |
|--|----|---------|
| Common Share Price | \$ | 16.06 |
| Common Share Net Asset Value (NAV) | \$ | 15.89 |
| Premium/(Discount) to NAV | | 1.07% |
| Market Yield | | 5.42% |
| Taxable-Equivalent Yield ¹ | | 8.30% |
| Net Assets Applicable to Common Shares (\$000) | \$ | 102,481 |

Leverage

| | |
|---------------------|--------|
| Regulatory Leverage | 29.41% |
| Effective Leverage | 35.25% |

Average Annual Total Returns
(Inception 11/19/92)

| | On Share Price | On NAV |
|---------|----------------|--------|
| 1-Year | 29.53% | 24.47% |
| 5-Year | 7.72% | 6.31% |
| 10-Year | 6.59% | 6.22% |

Portfolio Composition⁴

(as a % of total investments)

| | |
|------------------------|-------|
| Tax Obligation/Limited | 36.2% |
| Tax Obligation/General | 21.1% |
| U.S. Guaranteed | 18.4% |
| Water and Sewer | 14.6% |
| Other | 9.7% |

Insurers⁴

(as a % of total Insured investments)

| | |
|-------------------|-------|
| NPFG ⁵ | 28.5% |
| AMBAC | 25.5% |
| FGIC | 18.8% |
| AGM | 17.3% |
| AGC | 7.7% |
| SYNCORA GTY | 2.2% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.7%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2

The Fund intends to invest at least 80% of its managed assets in municipal securities that are covered by insurance guaranteeing the timely payment of principal and interest. See Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies, Insurance for more information. At the end of the reporting period, 82% of the Fund's total investments are invested in Insured securities.

- 3 Ratings shown 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. 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 a national rating agency.
- 4 Holdings are subject to change.
- 5 MBIA's public finance subsidiary.
- 6 The Fund paid shareholders a net ordinary income distribution and a capital gains distribution in December 2011 of \$0.024 and \$0.078 per share.

Nuveen Investments 17

NCL Nuveen Insured California
 Performance Premium Income
 OVERVIEW Municipal Fund 2, Inc.

as of February 29, 2012

Fund Snapshot

| | | |
|--|----|---------|
| Common Share Price | \$ | 15.76 |
| Common Share Net Asset Value (NAV) | \$ | 15.37 |
| Premium/(Discount) to NAV | | 2.54% |
| Market Yield | | 5.75% |
| Taxable-Equivalent Yield ¹ | | 8.81% |
| Net Assets Applicable to Common Shares (\$000) | \$ | 194,712 |

Leverage

| | |
|---------------------|--------|
| Regulatory Leverage | 27.54% |
| Effective Leverage | 36.48% |

Average Annual Total Returns
 (Inception 3/18/93)

| | On Share Price | On NAV |
|---------|----------------|--------|
| 1-Year | 35.03% | 25.33% |
| 5-Year | 8.41% | 6.30% |
| 10-Year | 6.78% | 6.24% |

Portfolio Composition⁴

(as a % of total investments)

| | |
|------------------------|-------|
| Tax Obligation/Limited | 44.3% |
| Tax Obligation/General | 21.4% |
| Water and Sewer | 14.0% |
| Utilities | 5.5% |
| Other | 14.8% |

Insurers⁴

(as a % of total Insured investments)

| | |
|-------------------|-------|
| AMBAC | 29.6% |
| AGM | 20.6% |
| FGIC | 19.0% |
| NPFG ⁵ | 17.9% |
| AGC | 12.3% |
| SYNCORA GTY | 0.6% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.7%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2

The Fund intends to invest at least 80% of its managed assets in municipal securities that are covered by insurance guaranteeing the timely payment of principal and interest. See Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies, Insurance for more information. At the end of the reporting period, 90% of the Fund's total investments are invested in Insured securities.

- 3 Ratings shown 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. 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 a national rating agency.
- 4 Holdings are subject to change.
- 5 MBIA's public finance subsidiary.
- 6 The Fund paid shareholders a net ordinary income distribution in December 2011 of \$0.0118 per share.

18 Nuveen Investments

NCU Nuveen California
 Performance Premium Income
 OVERVIEW Municipal Fund

as of February 29, 2012

Fund Snapshot

| | | |
|--|----|--------|
| Common Share Price | \$ | 15.15 |
| Common Share Net Asset Value (NAV) | \$ | 15.31 |
| Premium/(Discount) to NAV | | -1.05% |
| Market Yield | | 5.74% |
| Taxable-Equivalent Yield ¹ | | 8.79% |
| Net Assets Applicable to Common Shares (\$000) | \$ | 87,755 |

Leverage

| | |
|---------------------|--------|
| Regulatory Leverage | 28.66% |
| Effective Leverage | 36.79% |

Average Annual Total Returns
 (Inception 6/18/93)

| | On Share Price | On NAV |
|---------|----------------|--------|
| 1-Year | 31.68% | 25.65% |
| 5-Year | 7.64% | 6.45% |
| 10-Year | 7.12% | 6.66% |

Portfolio Composition³

(as a % of total investments)

| | |
|------------------------|-------|
| Tax Obligation/Limited | 28.8% |
| Health Care | 21.9% |
| Tax Obligation/General | 19.5% |
| U.S. Guaranteed | 7.0% |
| Water and Sewer | 5.0% |
| Consumer Staples | 4.3% |
| Other | 13.5% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.7%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown 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. 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 a national rating agency.
- 3 Holdings are subject to change.

NAC Nuveen California
 Performance Dividend Advantage
 OVERVIEW Municipal Fund

as of February 29, 2012

Fund Snapshot

| | | |
|--|----|---------|
| Common Share Price | \$ | 15.14 |
| Common Share Net Asset Value (NAV) | \$ | 14.87 |
| Premium/(Discount) to NAV | | 1.82% |
| Market Yield | | 6.10% |
| Taxable-Equivalent Yield ¹ | | 9.34% |
| Net Assets Applicable to Common Shares (\$000) | \$ | 349,203 |

Leverage

| | |
|---------------------|--------|
| Regulatory Leverage | 28.06% |
| Effective Leverage | 33.74% |

Average Annual Total Returns
(Inception 5/26/99)

| | On Share Price | On NAV |
|---------|----------------|--------|
| 1-Year | 32.82% | 25.30% |
| 5-Year | 6.16% | 5.66% |
| 10-Year | 7.43% | 6.53% |

Portfolio Composition³

(as a % of total investments)

| | |
|-----------------------------------|-------|
| Tax Obligation/Limited | 26.8% |
| Health Care | 20.6% |
| Tax Obligation/General | 17.5% |
| U.S. Guaranteed | 8.9% |
| Water and Sewer | 6.6% |
| Education and Civic Organizations | 5.4% |
| Other | 14.2% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.7%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown 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. 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 a national rating agency.
- 3 Holdings are subject to change.
- 4 The Fund paid shareholders a net ordinary income distribution in December 2011 of \$0.0045 per share.

NVX Nuveen California
 Performance Dividend Advantage
 OVERVIEW Municipal Fund 2

as of February 29, 2012

Fund Snapshot

| | | |
|--|----|---------|
| Common Share Price | \$ | 15.58 |
| Common Share Net Asset Value (NAV) | \$ | 15.49 |
| Premium/(Discount) to NAV | | 0.58% |
| Market Yield | | 6.16% |
| Taxable-Equivalent Yield ¹ | | 9.43% |
| Net Assets Applicable to Common Shares (\$000) | \$ | 228,474 |

Leverage

| | |
|---------------------|--------|
| Regulatory Leverage | 29.98% |
| Effective Leverage | 37.66% |

Average Annual Total Returns
(Inception 3/27/01)

| | On Share Price | On NAV |
|---------|----------------|--------|
| 1-Year | 30.01% | 22.90% |
| 5-Year | 7.11% | 6.25% |
| 10-Year | 7.36% | 6.69% |

Portfolio Composition³

(as a % of total investments)

| | |
|-----------------------------------|-------|
| Health Care | 17.4% |
| Tax Obligation/General | 16.9% |
| Tax Obligation/Limited | 14.3% |
| U.S. Guaranteed | 13.7% |
| Water and Sewer | 7.2% |
| Education and Civic Organizations | 6.4% |
| Transportation | 6.0% |
| Utilities | 5.9% |
| Consumer Staples | 5.1% |
| Other | 7.1% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.7%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown 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. 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 a national rating agency.

3 Holdings are subject to change.

Nuveen Investments 21

NZH Nuveen California
 Performance Dividend Advantage
 OVERVIEW Municipal Fund 3

as of February 29, 2012

Fund Snapshot

| | | |
|--|----|---------|
| Common Share Price | \$ | 14.35 |
| Common Share Net Asset Value (NAV) | \$ | 13.91 |
| Premium/(Discount) to NAV | | 3.16% |
| Market Yield | | 6.27% |
| Taxable-Equivalent Yield ¹ | | 9.60% |
| Net Assets Applicable to Common Shares (\$000) | \$ | 335,830 |

Leverage

| | |
|---------------------|--------|
| Regulatory Leverage | 32.21% |
| Effective Leverage | 39.27% |

Average Annual Total Returns
(Inception 9/25/01)

| | On Share Price | On NAV |
|---------|----------------|--------|
| 1-Year | 31.93% | 22.89% |
| 5-Year | 5.63% | 4.66% |
| 10-Year | 6.93% | 6.06% |

Portfolio Composition³

(as a % of total investments)

| | |
|-----------------------------------|-------|
| Tax Obligation/Limited | 29.9% |
| Health Care | 22.1% |
| U.S. Guaranteed | 11.3% |
| Tax Obligation/General | 9.2% |
| Consumer Staples | 5.7% |
| Education and Civic Organizations | 4.4% |
| Water and Sewer | 4.3% |
| Other | 13.1% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.7%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown 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. 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 a national rating agency.
- 3 Holdings are subject to change.

NKL Nuveen Insured California
 Performance Dividend Advantage
 OVERVIEW Municipal Fund

as of February 29, 2012

Fund Snapshot

| | | |
|--|----|---------|
| Common Share Price | \$ | 16.42 |
| Common Share Net Asset Value (NAV) | \$ | 16.02 |
| Premium/(Discount) to NAV | | 2.50% |
| Market Yield | | 6.07% |
| Taxable-Equivalent Yield ¹ | | 9.30% |
| Net Assets Applicable to Common Shares (\$000) | \$ | 244,521 |

Leverage

| | |
|---------------------|--------|
| Regulatory Leverage | 29.92% |
| Effective Leverage | 35.05% |

Average Annual Total Returns
(Inception 3/25/02)

| | On Share Price | On NAV |
|-----------------|----------------|--------|
| 1-Year | 34.78% | 24.87% |
| 5-Year | 7.74% | 6.59% |
| Since Inception | 7.35% | 7.29% |

Portfolio Composition⁴

(as a % of total investments)

| | |
|------------------------|-------|
| Tax Obligation/Limited | 32.1% |
| Tax Obligation/General | 27.3% |
| Water and Sewer | 11.8% |
| U.S. Guaranteed | 11.3% |
| Health Care | 5.3% |
| Utilities | 5.2% |
| Other | 7.0% |

Insurers⁴

(as a % of total Insured investments)

| | |
|-------------------|-------|
| AGM | 31.2% |
| AMBAC | 24.7% |
| FGIC | 15.8% |
| NPFG ⁵ | 14.8% |
| SYNCORA GTY | 6.6% |
| AGC | 6.6% |
| ACA | 0.3% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.7%.

When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

- 2 The Fund intends to invest at least 80% of its managed assets in municipal securities that are covered by insurance guaranteeing the timely payment of principal and interest. See Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies, Insurance for more information. At the end of the reporting period, 83% of the Fund’s total investments are invested in Insured securities.
- 3 Ratings shown 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. 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 a national rating agency.
- 4 Holdings are subject to change.
- 5 MBIA’s public finance subsidiary.
- 6 The Fund paid shareholders a net ordinary income distribution in December 2011 of \$0.0053 per share.

Nuveen Investments 23

NKX Nuveen Insured California
 Performance Tax-Free Advantage
 OVERVIEW Municipal Fund

as of February 29, 2012

Fund Snapshot

| | | |
|--|----|--------|
| Common Share Price | \$ | 15.06 |
| Common Share Net Asset Value (NAV) | \$ | 14.73 |
| Premium/(Discount) to NAV | | 2.24% |
| Market Yield | | 5.66% |
| Taxable-Equivalent Yield ¹ | | 8.67% |
| Net Assets Applicable to Common Shares (\$000) | \$ | 86,731 |

Leverage

| | |
|---------------------|--------|
| Regulatory Leverage | 29.04% |
| Effective Leverage | 34.05% |

Average Annual Total Returns
(Inception 11/21/02)

| | On Share Price | On NAV |
|-----------------|----------------|--------|
| 1-Year | 36.10% | 21.95% |
| 5-Year | 6.54% | 5.18% |
| Since Inception | 5.98% | 6.01% |

Portfolio Composition⁴

(as a % of total investments)

| | |
|------------------------|-------|
| Tax Obligation/Limited | 34.1% |
| Health Care | 17.4% |
| U.S. Guaranteed | 14.5% |
| Tax Obligation/General | 8.8% |
| Water and Sewer | 7.7% |
| Transportation | 5.9% |
| Long-Term Care | 5.0% |
| Other | 6.6% |

Insurers⁴

(as a % of total Insured investments)

| | |
|-------------------|-------|
| AMBAC | 42.7% |
| NPFG ⁵ | 18.9% |
| AGM | 14.7% |
| AGC | 9.2% |
| FGIC | 8.1% |
| BHAC | 5.4% |
| SYNCORA GTY | 1.0% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 34.7%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

- 2 The Fund intends to invest at least 80% of its managed assets in municipal securities that are covered by insurance guaranteeing the timely payment of principal and interest. See Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies, Insurance for more information. At the end of the reporting period, 78% of the Fund’s total investments are invested in Insured securities.
- 3 Ratings shown 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. 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 a national rating agency.
- 4 Holdings are subject to change.
- 5 MBIA’s public finance subsidiary.

24 Nuveen Investments

NPC Shareholder Meeting Report

NCL

NCU

The annual meeting of shareholders for NCU, NAC, NVX and NZH was held in the offices of Nuveen Investments on November 15, 2011; at this meeting the shareholders were asked to vote on the election of Board Members, the elimination of Fundamental Investment Policies and the approval of new Fundamental Investment Policies. The meeting was subsequently adjourned to December 16, 2011. The meeting for NVX was additionally adjourned to January 31, 2012. The annual meeting of shareholders for NPC, NCL, NKL and NKX was held in the offices of Nuveen Investments on February 24, 2012; at this meeting the shareholders were asked to vote on the election of Board Members, the elimination of Fundamental Investment Policies, the approval of new Fundamental Investment Policies and the approval of an Agreement and Plan of Reorganization. The meeting was subsequently adjourned to March 30, 2012.

| | NPC | | NCL | | NCU | |
|--|--|---|--|---|--|---|
| | Common and Preferred shares voting together as a class | Preferred shares voting together as a class | Common and Preferred shares voting together as a class | Preferred shares voting together as a class | Common and Preferred shares voting together as a class | Preferred shares voting together as a class |
| To approve the Agreement and Plan of Reorganization. | | | | | | |
| For | 3,291,576 | 427 | 6,573,781 | 740 | — | — |
| Against | 130,991 | — | 420,457 | — | — | — |
| Abstain | 125,488 | — | 269,671 | — | — | — |
| Broker Non-Votes | 1,029,943 | — | 2,208,503 | — | — | — |
| Total | 4,577,998 | 427 | 9,472,412 | 740 | — | — |
| To approve the issuance of additional common shares. | | | | | | |
| For | — | — | — | — | — | — |
| Against | — | — | — | — | — | — |
| Abstain | — | — | — | — | — | — |
| Broker Non-Votes | — | — | — | — | — | — |
| Total | — | — | — | — | — | — |
| To approve the elimination of the existing fundamental investment policy related to the Fund's investment of at least 80% of its | | | | | | |

assets in insured
municipal
securities.

| | | | | | | |
|------------------|-----------|-----|-----------|-----|---|---|
| For | 3,140,564 | 427 | 6,453,010 | 740 | — | — |
| Against | 286,637 | — | 536,813 | — | — | — |
| Abstain | 120,854 | — | 274,086 | — | — | — |
| Broker Non-Votes | 1,029,943 | — | 2,208,503 | — | — | — |
| Total | 4,577,998 | 427 | 9,472,412 | 740 | — | — |

To approve a new
fundamental
investment policy
related to the Fund's
investment of at
least 80% of its
assets in municipal
securities.

| | | | | | | |
|------------------|-----------|-----|-----------|-----|---|---|
| For | 3,240,899 | 427 | 6,506,979 | 740 | — | — |
| Against | 182,188 | — | 505,824 | — | — | — |
| Abstain | 124,968 | — | 251,106 | — | — | — |
| Broker Non-Votes | 1,029,943 | — | 2,208,503 | — | — | — |