

Nuveen Municipal Value Fund 2
Form N-CSR
January 07, 2011

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 811-22253

Nuveen Municipal Value Fund 2

(Exact name of registrant as specified in charter)

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

Kevin J. McCarthy
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: October 31

Date of reporting period: October 31, 2010

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.

NUVEEN INVESTMENTS ANNOUNCES STRATEGIC COMBINATION WITH FAF ADVISORS

On July 29, 2010, Nuveen Investments announced that U.S. Bancorp will receive a 9.5% stake in Nuveen Investments and cash consideration in exchange for the long-term asset business of U.S. Bancorp's FAF Advisors. Nuveen Investments is the parent of Nuveen Asset Management (NAM), the investment adviser for the Funds included in this report.

FAF Advisors, which currently manages about \$25 billion of long-term assets and serves as the advisor of the First American Funds, will be combined with NAM, which currently manages about \$75 billion in municipal fixed income assets. Upon completion of the transaction, Nuveen Investments, which currently manages about \$160 billion of assets across several high-quality affiliates, will manage a combined total of about \$185 billion in institutional and retail assets.

This combination will not affect the investment objectives, strategies or policies of the Funds in this report. Over time, Nuveen Investments expects that the combination will provide even more ways to meet the needs of investors who work with financial advisors and consultants by enhancing the multi-boutique model of Nuveen Investments, which also includes highly respected investment teams at Hyde Park, NWQ Investment Management, Santa Barbara Asset Management, Symphony Asset Management, Tradewinds Global Investors and Winslow Capital.

The transaction is expected to close late in 2010, subject to customary conditions.

Chairman's
Letter to Shareholders

Dear Shareholder,

Recent months have revealed the fragility and disparity of the global economic recovery. In the U.S., the rate of economic growth has slowed as various stimulus programs wind down, exposing weakness in the underlying economy. In contrast, many emerging market countries are experiencing a return to comparatively high rates of growth. Confidence in global financial markets has been undermined by concerns about high sovereign debt levels in Europe and the U.S. Until these countries can begin credible programs to reduce their budgetary deficits, market unease and hesitation will remain. On a more encouraging note, while the global recovery is expanding existing trade imbalances, policy makers in the leading economies are making a sustained effort to create a global framework through which various countries can take complimentary actions that should reduce those imbalances over time.

The U.S. economy is subject to unusually high levels of uncertainty as it struggles to recover from a devastating financial crisis. Unemployment remains stubbornly high, due to what appears to be both cyclical and structural forces. Federal Reserve policy makers are implementing another round of quantitative easing, a novel approach to provide support to the economy. However, the high levels of debt owed both by U.S. consumers and the U.S. government limit the Fed's ability to engineer a stronger economic recovery.

The U.S. financial markets reflect the crosscurrents now impacting the U.S. economy. Today's historically low interest rates reflect the Fed's intervention in the financial markets and the demand for U.S. government debt by U.S. and overseas investors looking for a safe haven for investment. The continued corporate earnings recovery and recent electoral results are giving a boost to equity markets. Encouragingly, financial institutions are rebuilding their balance sheets and the financial reform legislation enacted last summer has the potential to address many of the most significant contributors to the financial crisis, although the details still have to be worked out.

In this difficult environment your Nuveen investment team continues to seek sustainable investment opportunities and, at the same time, remains alert for potential risks that may result from a recovery still facing many headwinds. As your representative, the Nuveen Fund Board monitors the activities of each investment team to assure that all maintain their investment disciplines. 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

December 22, 2010

Nuveen Investments 1

Portfolio Managers' Comments

Nuveen Municipal Value Fund, Inc. (NUV)
Nuveen Municipal Value Fund 2 (NUW)
Nuveen Municipal Income Fund, Inc. (NMI)
Nuveen Enhanced Municipal Value Fund (NEV)

Recently, portfolio managers Tom Spalding and Johnathan Wilhelm discussed U.S. economic and municipal market conditions, key investment strategies and the performance of these four national Funds. With 34 years of investment experience at Nuveen, Tom has managed NUV since its inception in 1987, adding portfolio management responsibility for NUW at its inception in February 2009. Johnathan, who came to Nuveen in 2001 with 20 years of industry experience, served as co-portfolio manager of NMI beginning in 2007 and assumed full portfolio management responsibility for this Fund in March 2009. He added portfolio management responsibility for NEV at its inception in September 2009.

Since the close of this reporting period, Johnathan Wilhelm has left Nuveen Asset Management and no longer manages NMI and NEV. Paul Brennan now is the portfolio manager for NMI. Paul has 20 years of investment experience, including 12 years with Nuveen. Steve Hlavin is the new portfolio manager for NEV. Steve's investment experience began with Nuveen seven years ago. Steve has been involved with the management of NEV since its inception.

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.

Any reference to credit ratings for portfolio holdings denotes the highest rating assigned by a Nationally Recognized Statistical Rating Organization (NRSRO) such as Standard & Poor's, Moody's or Fitch. AAA, AA, A and BBB ratings are investment grade; BB, B, CCC, CC, C and D ratings are below investment grade. Holdings and ratings may change over time.

What factors affected the U.S. economy and municipal market during the twelve-month reporting period ended October 31, 2010?

During this period, the U.S. economy remained under considerable stress, and both the Federal Reserve (Fed) and the federal government continued their efforts to improve the overall economic environment. For its part, the Fed held the benchmark fed funds rate in a target range of zero to 0.25% since cutting it to this record low level in December 2008. At its November 2010 meeting (shortly after the end of this reporting period), the central bank renewed its commitment to keeping the fed funds rate at "exceptionally low levels" for an "extended period." The Fed also announced a second round of quantitative easing, in which it plans to purchase \$600 billion in U.S. Treasury bonds by June 30, 2011. The goal of this plan is to lower long-term interest rates and thereby stimulate economic activity and create jobs. The federal government continued to focus on implementing the economic stimulus package passed in early 2009 and

Edgar Filing: Nuveen Municipal Value Fund 2 - Form N-CSR

aimed at providing job creation, tax relief, fiscal assistance to state and local governments, and expansion of unemployment benefits and other federal social welfare programs.

These and other measures to ease the economic recession produced some signs of economic improvement. In the third quarter of 2010, the U.S. economy, as measured by the U.S. gross domestic product (GDP), grew at an annualized rate of 2.5%, marking the

2 Nuveen Investments

first time the economy had strung together five consecutive quarters of growth since 2007-2008. Inflation remained relatively tame, as the Consumer Price Index (CPI) rose just 1.2% year-over-year as of October 2010. The core CPI (which excludes food and energy) rose 0.6% over this period, the smallest twelve-month increase in the 53-year history of this index. Housing prices also continued to recover from their April 2009 lows, although growth rates moderated from previous periods. For the twelve months ended September 2010 (the latest information available at the time this report was prepared), the average home price in the Standard & Poor's/Case-Shiller Index rose 0.6%. Unemployment remained persistently high, with the jobless rate hovering at or above 9.5% over the past 15 months. As of October 31, 2010, national unemployment stood at 9.6% for the third consecutive month, down from its 26-year high of 10.1% in October 2009.

Municipal bond prices generally rose during this period, as the combination of strong demand and tight supply of new tax-exempt issuance created favorable conditions. One reason for the decrease in new tax-exempt supply was the heavy issuance of taxable municipal debt under the Build America Bond program. Build America Bonds, which were created as part of the February 2009 economic stimulus package, currently offer municipal issuers a federal subsidy equal to 35% of a bond's interest payments, providing issuers with an alternative to traditional tax-exempt debt that often proves to be lower in cost. For the twelve months ended October 31, 2010, taxable Build America Bonds issuance totaled \$100.3 billion, accounting for 24% of new bonds issued in the municipal market.

Over the twelve months ended October 31, 2010, municipal bond issuance nationwide—both tax-exempt and taxable—totaled \$418.0 billion, an increase of 9% compared with the twelve-month period ended October 31, 2009. However, if taxable Build America Bond issuance were removed from the equation, the supply of tax-exempt bonds alone actually fell 15%. Since interest payments from Build America Bonds represent taxable income, we do not view these bonds as good investment opportunities for the tax-exempt Nuveen municipal closed-end funds.

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

As previously discussed, the supply of tax-exempt municipal bonds declined nationally during this period, due in part to the issuance of taxable municipal bonds under the Build America Bond program. In this environment of constrained issuance of tax-exempt municipal bonds, we continued to take a bottom-up approach to discovering undervalued sectors and individual credits with the potential to perform well over the long term. In NUV, we found value in several areas of the market, including health care and other revenue bonds offering longer maturities. In NMI, our focus during this period was largely on purchasing lower-rated bonds, specifically those rated BBB, to take advantage of the values we saw among these securities. In general, NUW and NEV saw less investment activity than NUV and NMI because these Funds just recently went through their initial investment processes. We did carry out some trading activity in NEV aimed at finalizing long-term allocations in terms of ratings and sectors.

Some of our investment activity resulted from opportunities created by the provisions of the Build America Bond program. For example, tax-exempt supply was more plentiful in the health care sector because, as 501(c)(3) (nonprofit) organizations, hospitals generally do not qualify for the Build America Bond program and must continue to issue bonds in

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 individual Performance Overview for your Fund in this report.

1 An inverse floating rate security, also known as an inverse floater, is a financial instrument designed to pay long-term interest at a rate that varies inversely with a short-term interest rate index. For the Nuveen Funds, the index typically used is the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, previously referred to as the Bond Market Association Index or BMA. Inverse floaters, including those inverse floating rate securities in which the Funds invested during this reporting period, are further defined within the Notes to Financial Statements and Glossary of Terms Used in this Report sections of this report.

2 Each Fund may invest in derivative instruments such as forwards, futures, options and swap transactions. For additional information on the derivative instruments in which each Fund was invested during and at the end of the reporting period, see the Portfolio of Investments, Financial Statements, and Notes to Financial Statements sections of this report.

3 The Standard & Poor's (S&P) National Municipal Bond Index is an unleveraged, market value-weighted index designed to measure the performance of the tax-exempt, investment-grade U.S. municipal bond market. This index does not reflect any initial or ongoing expenses and is not available for direct investment.

4 The Lipper General and Insured Unleveraged Municipal Debt Funds Average is calculated using the returns of all closed-end funds in this category for each period as follows: 1-year, 8 funds; 5-year, 7 funds; and 10-year, 7 funds. The Lipper General Leveraged Municipal Debt Funds Average is calculated using the returns of all leveraged closed-end funds in this category for each period as follows: 1-year, 46 funds; 5-year, 44 funds; and 10-year, 30 funds. Lipper returns account for the effects of management fees and assume reinvestment of dividends, but do not reflect any applicable sales charges. The Lipper averages are not available for direct investment.

5 NEV is a leveraged Fund through investments in inverse floating rate securities, as discussed in more detail on page six. The remaining three Funds in this report are unleveraged and use inverse floating rate securities for duration management and both income and total return enhancement.

the tax-exempt municipal market. Supply in the health care sector was also boosted in the early part of the period by hospitals issuing fixed rate bonds in order to refinance and retire outstanding debt that had initially been issued as variable rate debt. Bonds with proceeds earmarked for refundings, working capital, and private activities also are not covered by the Build America Bond program, and this resulted in attractive opportunities in various other sectors of the market.

Edgar Filing: Nuveen Municipal Value Fund 2 - Form N-CSR

The impact of the Build America Bond program was also evident in the area of longer-term issuance, as municipal issuers sought to take full advantage of the attractive financing terms offered by these bonds. Approximately 70% of Build America Bonds were issued with maturities of at least 30 years. Even though this significantly reduced the availability of tax-exempt credits with longer maturities and made locating appropriate longer bonds more challenging, we continued to find good opportunities to purchase attractive longer-term bonds for these Funds.

Cash for new purchases during this period was generated primarily by the proceeds from called and maturing bonds, which we worked to redeploy to keep the Funds fully invested. NUV, in particular, had good cash flows from a number of bond calls. In NMI, we also sold some pre-refunded bonds in order to reduce our position and have the cash to take advantage of opportunities to purchase higher-yielding bonds at attractive prices.

As of October 31, 2010, all four of these Funds continued to use inverse floating rate securities.¹ We employ inverse floaters for a variety of reasons, including leverage, duration management and both income and total return enhancement. During this period, NEV also invested in additional types of derivative instruments² designed to help shorten its duration. These derivatives remained in place at period end.

How did the Funds perform?

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

Average Annual Total Returns on Net Asset Value

For periods ended 10/31/10

Fund	1-Year		5-Year		10-Year	
NUV	8.44	%	4.42	%	5.34	%
NUW	9.91	%	N/A		N/A	
NMI	10.12	%	5.07	%	5.21	%
Standard & Poor's (S&P) National Municipal Bond Index ³	8.06	%	4.98	%	5.58	%
Lipper General and Insured Unleveraged Municipal Debt Funds						
Average ⁴	6.11	%	3.96	%	4.65	%
NEV ⁵	14.73	%	N/A		N/A	
Standard & Poor's (S&P) National Municipal Bond Index ³	8.06	%	4.98	%	5.58	%
Lipper General Leveraged Municipal Debt Funds Average ⁴	13.81	%	4.87	%	6.36	%

⁴ Nuveen Investments

For the twelve months ended October 31, 2010, the total returns on net asset value (NAV) for NUV, NUW and NMI exceeded the return on the Standard & Poor's (S&P) National Municipal Bond Index as well as the average return for the Lipper General and Insured Unleveraged Municipal Debt Funds Average. For this same period, NEV outperformed both the Standard & Poor's (S&P) National Municipal Bond Index and the Lipper General Leveraged Municipal Debt Funds Average.

Key management factors that influenced the Funds' returns during this period included duration and yield curve positioning, the use of derivatives, credit exposure and sector allocation. In addition, NEV's use of leverage was an important positive factor in its performance and the chief reason behind NEV's outperformance of the other Funds in this report for the twelve-month period. The impact of leverage is discussed in more detail on page six.

During this period, municipal bonds with longer maturities generally outperformed those with shorter maturities, with credits at the longest end of the municipal yield curve posting the strongest returns. The outperformance of longer term bonds was due in part to the decline in interest rates, particularly in the intermediate and longer segments of the curve. The scarcity of tax-exempt bonds with longer maturities also drove up the prices of these bonds. In general, the greater a Fund's exposure to the outperforming longer part of the yield curve, the greater the positive impact on the Fund's return. Both NUW and NEV had the longer durations typically associated with newer Funds that have been recently invested, which benefited their returns. On the other hand, NUV and NMI had more exposure to bonds at the underperforming short end of the yield curve, including pre-refunded bonds with short call dates, which detracted from their relative performance during this period.

As mentioned earlier, our duration strategies in NEV included using derivative positions to synthetically reduce the duration of this Fund and moderate its interest rate risk. During this period, these derivatives performed poorly and had a negative impact on NEV's total return performance.

Credit exposure also played a role in performance. The demand for municipal bonds increased during this period driven by a variety of factors, including concerns about potential tax increases, the need to rebalance portfolio allocations and a growing appetite for higher yields and additional risk. At the same time, the supply of new tax-exempt municipal paper declined, due largely to Build America Bond issuance. As investors bid up municipal bond prices, bonds rated BBB or below generally outperformed those rated AAA. All of these Funds, especially NMI and NEV, benefited from their allocations to lower-rated bonds. However, this positive impact was offset to some degree in NUV by the relatively heavier weighting in bonds rated AAA.

Holdings that generally contributed positively to the Funds' returns during this period included industrial development revenue and health care bonds. In general, all of these Funds had strong weightings in health care, which added to their performances. Revenue bonds as a whole performed well, with transportation, housing, leasing and special tax credits among the other sectors that outperformed the general municipal market. Zero coupon bonds and credits backed by the 1998 master tobacco settlement agreement also were among the strongest performers. As of October 31, 2010, these Funds held approximately 4% to 6% of their portfolios in lower-rated tobacco bonds.

In contrast, pre-refunded bonds, which are often backed by U.S. Treasury securities continued to perform poorly during this period. While these securities continued to provide attractive tax-free income, the underperformance of these bonds can be attributed primarily to the price declines associated with their shorter effective maturities and higher credit quality. Although allocations of pre-refunded bonds fell in both NUV and NMI over the period due to bond calls and sales, NUV continued to hold a heavier weighting of pre-refunded bonds than NMI. (As relatively new Funds, NUW held less than 0.1% of its portfolio in pre-refunded bonds, while NEV did not hold any of these bonds at period end.) Among the revenue sectors, resource recovery trailed the overall municipal market by the widest margin, and water and sewer bonds turned in a relatively weaker performance. General obligation and other tax-supported bonds also struggled to keep pace with the overall municipal market return during these twelve months.

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the return of NEV relative to the comparative indexes was the Fund's use of financial leverage through investments in inverse floating rate securities. This Fund uses leverage because its managers believe that, over time, leveraging provides opportunities for additional income and total return for shareholders. However, use of leverage also can expose shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on net asset value and total return is magnified by the use of leverage. Conversely, leverage may enhance returns during periods when the prices of securities held by a Fund generally are rising.

Leverage made a positive contribution to the performance of NEV over this reporting period.

6 Nuveen Investments

Dividend and Share Price Information

During the twelve-month reporting period ended October 31, 2010, NMI had one monthly dividend increase, while the dividends of NUV, NUW and NEV remained stable throughout the period.

Due to normal portfolio activity, shareholders of the following Funds received capital gains and/or net ordinary income distributions at the end of December 2009 as follows:

Fund	Short-Term Capital Gains	
	Long-Term Capital Gains and/or Ordinary Income	(per share)
NUV	\$0.0051	\$0.0019
NUW	—	\$0.0097
NEV	—	\$0.0009

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 October 31, 2010, NUV, NMI and NEV had positive UNII balances for both financial reporting and tax purposes, while NUW had a positive UNII balance for tax purposes and a negative UNII balance for financial reporting purposes.

SHARE REPURCHASES AND SHARE PRICE INFORMATION

Since the inception of the Funds' repurchase program, the Funds have not repurchased any of their outstanding shares.

Shelf Equity Program

On December 8, 2010, a registration statement filed by NUV with the Securities and Exchange Commission became effective authorizing the Fund to issue 19,600,000 shares through a shelf offering. Under this equity shelf program, the Fund, subject to market conditions, may raise additional equity capital from time to time in varying amounts and offer methods at a net price at or above the Fund's NAV per share.

As of October 31, 2010, the Funds' share prices were trading at (+) premiums or (-) discounts to their NAVs as shown in the accompanying table.

Edgar Filing: Nuveen Municipal Value Fund 2 - Form N-CSR

Fund	10/31/10 (+)Premium/(-)Discount	12-Month Average (+)Premium/(-)Discount
NUV	+2.04%	+2.37%
NUW	+4.27%	+1.30%
NMI	+3.69%	+5.13%
NEV	-1.49%	-0.47%

Nuveen Investments 7

NUV

Nuveen Municipal
Value Fund, Inc.

Performance
OVERVIEW

as of October 31, 2010

Fund Snapshot	
Share Price	\$10.02
Net Asset Value (NAV)	\$9.82
Premium/(Discount) to NAV	2.04%
Market Yield	4.67%
Taxable-Equivalent Yield ¹	6.49%
Net Assets (\$000)	