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Investments

Mutual Funds

Nuveen Municipal Bond Funds

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Semi-Annual Report
August 31, 2009

Nuveen California High Yield Municipal Bond Fund

Nuveen California Municipal Bond Fund

Nuveen California Insured Municipal Bond Fund

August

Portfolio Managers' Comments

Portfolio managers John Miller and Scott Romans examine key investment strategies and the Funds' performance during the six months ending August 31, 2009. John Miller, who has 16 years of investment experience, has managed the Nuveen California High Yield Municipal Bond Fund since its inception in 2006, while Scott Romans, who has nine years of investment experience, has managed the Nuveen California Municipal Bond Fund since 2003 and the Nuveen California Insured Municipal Bond Fund since 2005.

How did the Funds perform during the six-month reporting period?

The chart on page five provides total return performance information for the Funds for the six-month, one-year, five-year and ten-year periods ended August 31, 2009. It compares that performance with each Fund's corresponding Lipper peer fund average as well as the appropriate national and California-specific Standard & Poor's (S&P) indexes and the Barclays Capital Municipal Bond Index.

Nuveen California High Yield Municipal Bond Fund

In contrast to the very challenging market backdrop last fall and in early 2009, this six-month period offered an extremely positive environment for investors in high-yield municipal securities. During the six months ended August 31, 2009, the Class A Shares at net asset value of the Nuveen California High Yield Municipal Bond Fund outpaced the Lipper California Municipal Debt Funds Average, the Barclays Capital Municipal Bond Index, the Standard & Poor's (S&P) Municipal Bond Index and the S&P California Municipal Bond Index.

Several broad trends helped the municipal market as well as the Fund during the six-month period. As the economic prospects of states and municipalities improved, liquidity returned to the municipal bond market and credit spreads – meaning the amount of additional income paid to investors for taking on credit risk – narrowed dramatically from historically wide levels. As spreads narrowed, the prices of lower-rated bonds rose sharply. Secondly, the new "Build America" bond program is a new class of taxable municipal debt created as part of the February 2009 economic stimulus package. They provide municipal issuers with a federal subsidy equal to 35% of the security's interest payments and therefore offer issuers an attractive alternative to traditional tax-exempt debt.

As investors became more confident about the economy and credit risk, lower-rated, higher-yielding bonds ended up being the market's best-performing securities as credit spreads narrowed. Throughout the period, the vast majority of the Fund's assets were held in bonds with credit ratings of BBB and below. These were the securities that did the

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.

worst in the downturn, and they also enjoyed the strongest recovery when conditions turned much more favorable during the six-month period.

Other factors added to performance as well. The Fund benefited from having a relatively long duration compared to our benchmark, meaning that the portfolio had greater price sensitivity to changes in interest rates. This positioning magnified our gains in an environment in which municipal bond investors were willing to assume greater interest rate risk in exchange for higher levels of income.

In addition, roughly 25% of the portfolio was held in land-secured bonds – also called community-development district or "dirt" deals. These bonds make up a significant portion of the California high-yield municipal market. Although many of these development projects continued to underperform as the housing market remained depressed, the ones we chose for the portfolio did considerably better than average – in part because they were recovering off of very low price levels, and in part because they restored investor confidence by continuing to make their interest payments throughout the downturn. In short, the bonds had been priced at significantly distressed levels that never materialized. Once liquidity became more widely available and investors' risk-aversion abated, our holdings in these land-secured bonds ended up performing very well.

Of final note, health care bonds were a positive source of performance for the Fund. The sector's credit quality proved more resilient than many investors expected, and our focus on lower-rated health care bonds with stable financial positions added to total returns.

Nuveen California Municipal Bond Fund

Over the six-month period, the Class A Shares at net asset value of the Nuveen California Municipal Bond Fund outperformed the Lipper California Municipal Debt Funds Average, the Barclays Capital Municipal Bond Index, the Standard & Poor's (S&P) National Municipal Bond Index and the S&P California Municipal Bond Index.

By far, the portfolio was helped the most during this period by its credit-quality make-up. In most market environments, we prefer to be somewhat overweighted in lower-rated bonds to take advantage of what we see as Nuveen's credit-research advantage. Specifically, we had a higher allocation to bonds with credit ratings of BBB and also, at period end, had more than 11% of the portfolio allocated to non-rated bonds whose financial strength we had thoroughly investigated. As investors became more willing to assume credit risk throughout the period, these lower-rated positions ended up performing quite well. At the same time, the Fund was underweighted in AAA-rated and AA-rated bonds. Both categories also earned positive returns, but their gains were significantly less than those of their lower-rated counterparts.

The Fund's duration positioning also contributed to positive results, though to a lesser extent than our credit-quality allocations. Our duration was slightly longer than our benchmark, enabling us to benefit to a greater extent from the more-favorable interest rate environment. Allocations to individual bonds in the health care and utility sectors further helped our performance, while an underexposure to toll road bonds – whose long durations typically outperform in market rallies – had a corresponding negative impact on results.

Nuveen California Insured Municipal Bond Fund

Over the six-month period, the Nuveen California Insured Municipal Bond Fund Class A Shares at net asset value outperformed the Lipper Single-State Insured Municipal Debt Funds Average, the national Barclays Capital Municipal Bond index, and the Standard & Poor's (S&P) National Municipal Bond Index. The Fund lagged the S&P California Municipal Bond Index during the same time frame.

The Fund's relatively long duration was a positive factor for performance. Owning a greater portion of the portfolio in longer-dated holdings, which are more sensitive to interest rate changes, was helpful during an environment of increasing investor comfort with interest rate risk.

In keeping with our investment mandate, the vast majority of the Fund's assets were held in insured municipal bonds. By prospectus, however, we can own up to 20% of the portfolio in uninsured issues, which outperformed insured debt during the past six months. To the extent that we did own uninsured bonds, the Fund's performance was positively affected, as securities with more credit risk outperformed their higher-quality counterparts. We saw especially strong results from some of our health care investments.

Class A Shares – Average Annual Total Returns
As of 8/31/09

	Cumulative	Average Annual		
	Six-Month	1-Year	5-Year	10-Year
Nuveen California High Yield Municipal Bond Fund				
A Shares at NAV	15.69%	-9.03%	N/A	N/A
A Shares at Offer	10.76%	-12.89%	N/A	N/A
Lipper California Municipal Debt Funds Average[1]	6.83%	0.78%	2.43%	4.03%
Standard & Poor's (S&P) California Municipal Bond Index[2]	5.77%	3.47%	3.84%	5.19%
Standard & Poor's (S&P) National Municipal Bond Index[2]	6.49%	4.68%	4.00%	5.30%
Barclays Capital Municipal Bond Index[3]	5.61%	5.67%	4.16%	5.40%
Nuveen California Municipal Bond Fund				
A Shares at NAV	7.45%	0.75%	2.51%	3.84%
A Shares at Offer	2.96%	-3.49%	1.64%	3.39%
Lipper California Municipal Debt Funds Average[1]	6.83%	0.78%	2.43%	4.03%
Standard & Poor's (S&P) California Municipal Bond Index[2]	5.77%	3.47%	3.84%	5.19%
Standard & Poor's (S&P) Municipal Bond Index[2]	6.49%	4.68%	4.00%	5.30%
Barclays Capital Municipal Bond Index[3]	5.61%	5.67%	4.16%	5.40%
Nuveen California Insured Municipal Bond Fund				
A Shares at NAV	5.67%	0.33%	2.17%	4.00%
A Shares at Offer	1.25%	-3.84%	1.30%	3.56%
Lipper Single-State Insured Municipal Debt Funds Average[1]	4.81%	4.07%	2.94%	4.30%
Standard & Poor's (S&P) California Municipal Bond Index[2]	5.77%	3.47%	3.84%	5.19%
Standard & Poor's (S&P) Municipal Bond Index[2]	6.49%	4.68%	4.00%	5.30%
Barclays Capital Municipal Bond Index[3]	5.61%	5.67%	4.16%	5.40%

Returns quoted represent past performance, which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Returns less than one year are cumulative. Current performance may be higher or lower than the performance shown. Returns at NAV would be lower if the sales charge were included. Class A Shares have a 4.2% maximum sales charge. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of shares. For the most recent month-end performance, visit www.nuveen.com or call (800) 257-8787.

Please see each Fund's Spotlight Page later in this report for more complete performance data and expense ratios.

1 The Lipper averages shown represent the average annualized total return for all reporting funds in the respective categories for the period ended August 31, 2009. The Lipper California Municipal Debt Funds Average contained 124, 123, 100 and 78 funds and the Lipper Single-State Insured Municipal Debt Funds Average contained 61, 60, 57 and 56 funds for the six-month, one-, five- and ten-year periods, respectively, for the period ended August 31, 2009. The returns account for the effects of management fees and assume reinvestment of dividends, but do not reflect any applicable sales charges. You cannot invest directly in a Lipper Average.

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

3 The Barclays Capital (formerly Lehman Brothers) Municipal Bond Index is an unmanaged, unleveraged index comprised of a broad range of investment-grade municipal bonds. The index does not reflect any initial or ongoing expenses and is not available for direct investment.

What strategies were used to manage the Funds?

Nuveen California High Yield Municipal Bond Fund

Entering the reporting period, many high-yield bonds were trading at extremely depressed prices. In many cases, our research and credit analysis convinced us that the prices were much lower than warranted. We took advantage of the market's risk aversion to add to existing portfolio positions as well as purchase new bonds that we believed offered our shareholders a particularly favorable risk/reward tradeoff.

While we found more of these value opportunities early in the initial stages of the market's strong rally, they continued to be evident at various times throughout the past six months. After the market recovery was well underway, for example, we added a BBB-rated health care bond issue with coupon interest of 8.25% and priced at a discount – an extremely favorable structure for a bond issue with a stable financial picture, as our analysis convinced us was the case.

Another area of activity was to add natural gas pre-payment bonds to the portfolio. With these bonds, public utilities enter into financial instruments with Wall Street firms to pre-pay for natural gas supplies. During the financial crisis, the markets became increasingly concerned about Wall Street, causing these gas pre-payment bonds to lag badly. In our opinion, these securities provided very strong long-term values. While we recognized the risks involved, we also felt that those risks were being more than reflected in the extremely low prices at which the securities were trading. In retrospect, our participation in this sector proved helpful. As the market bounced back from its challenges and investors regained confidence in the underlying strength of many large financial institutions, credit spreads on the gas-oriented bonds narrowed and their prices rose, adding nicely to the Fund's performance.

Elsewhere, we continued to purchase land-secured bonds when we felt their low prices fully compensated investors for the risks involved. Because of problems associated with certain of these development projects, the entire sector has operated under a taint. That perception has started to ease, but to invest successfully in this area, it's necessary to evaluate individual purchase opportunities on a case-by-case basis, conducting exhaustive research to identify the most creditworthy projects. We did so and, as we mentioned earlier, enjoyed strong results from our investments in this sector.

To manage the portfolio's risk, we kept it well-diversified across economic sectors, credit quality and regions in the state. We also were cautious about investing in California general obligation (GO) debt, despite those securities' positive returns during the period, as we saw better value opportunities elsewhere in the market.

Nuveen California Municipal Bond Fund

Our management approach during the six-month period can be divided into two main themes – taking advantage of available opportunities to buy bonds at unusually attractive prices and yields, and monitoring the portfolio's liquidity in a highly volatile investment environment.

Overall, purchase activity was moderate compared to that in recent years, as investor inflows into the Fund slowed down and bonds regained some of their previously lost value. That said, we were still periodically able to add what we felt were good values to the portfolio. When possible, we continued our approach of opportunistic investing, buying very-low-priced bonds offering high income relative to their credit risk. Many of the best opportunities took place prior to the reporting period, as we wrote about in our last shareholder report. However, we were able to continue this opportunistic buying strategy to a lesser extent early in this six-month time frame. As the municipal market rebounded, many of our recently added positions ended up being very strong performers.

Many of the Fund's recent purchases were health care bonds, which were widely available during the period because of the sector's ineligibility to participate in the federal Build America bond program. This ineligibility led to increased health care bond supply, which in turn put downward pressure on prices. Many of the issues available were names that we have long followed and in whose credit quality we had confidence. We believe these bonds can add substantial long-term value for our shareholders.

Given the volatility we have observed in the municipal market, we felt it was prudent to keep the portfolio highly liquid. We were seeing some signs that California investors were diversifying away from bonds in their home state and increasingly toward those in other parts of the country. Accordingly, purchase activity during the period was focused on high-quality, highly liquid bonds – such as water district issues – expected to benefit from strong investor demand, and which we felt would be relatively easy to sell quickly if volatile market conditions demanded it.

Nuveen California Insured Municipal Bond Fund

Portfolio activity was quite limited in the California Insured Fund during the six-month period. As in the uninsured California Fund, we were focused on owning highly liquid bonds just in case investors sought to diversify away from in-state issuers. As we mentioned, we saw preliminary signs that this was occurring. While we weren't necessarily expecting the trend to accelerate, we saw it as a possibility and wanted to ready the portfolio for increased market volatility.

Accordingly, we avoided selling our pre-refunded bonds, among the most liquid in the portfolio, because of their very strong credit quality and relatively high levels of income. Other sales during the period focused on bonds with structures that have historically seen strong demand from individual investors – typically, those with coupons around 5% and selling at modest discounts – and we were able to obtain decent prices in exchange for these issues.

In the past several years, following the credit rating downgrade of most major municipal bond insurers, it has become increasingly difficult to find suitable AAA-rated insured bonds, which, by prospectus, must make up 80% of the portfolio. Given this criterion, we found no appropriate purchase opportunities during the period but continue to monitor the municipal market for attractively valued bonds we believe can accomplish our portfolio-management objectives.

Recent Developments Regarding Bond Insurance Companies

Another factor that had an impact on the performance of these Funds was their positions in bonds backed by municipal bond insurers that experienced downgrades in their credit ratings. During the period covered by this report, all bond insurers experienced one or more rating reductions by at least one or more rating agencies. At the time this report was prepared, there are no longer any bond insurers rated AAA by more than one of the major rating agencies (Moody's Investor Service, S&P and Fitch) and at least one rating agency has placed each insurer on "negative credit watch," "credit outlook/watch developing" "credit outlook/watch negative," "credit watch evolving," "rating withdrawn" or "regulatory supervision" which may presage one or more rating reductions for any insurer in the future. As concern increased about the balance sheets of insurers, prices on insured bonds – especially those bonds issued by weaker underlying credits – declined, detracting from the Funds' performances. By the end of this period, most insured bonds were being valued according to their fundamentals as if they were uninsured. On the whole, the holdings of all of these Funds continued to be well diversified and it is important to note that municipal bonds historically have had a very low rate of default.

Dividend Information

During the reporting period, the Class I Shares of the Nuveen California High Yield Municipal Bond Fund experienced one dividend increase in August 2009. There were no other dividend changes to any of the Funds.

Each Fund seeks to pay dividends at a rate that reflects the past and projected performance of the Fund. To permit a Fund to maintain a more stable monthly dividend, the 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 the Fund has cumulatively earned more than it has paid in dividends, it will hold the excess in reserve as undistributed net investment income (UNII) as part of the Fund's net asset value. Conversely, if the Fund has cumulatively paid in dividends more than it has earned, the excess will constitute a negative UNII that will likewise be reflected in the Fund's net asset value. Each Fund will, over time, pay all its net investment income as dividends to shareholders. As of August 31, 2009, all three Funds had a positive UNII balance, based upon our best estimate, for tax purposes and positive UNII balances for financial reporting purposes.