

Nuveen Mortgage Opportunity Term Fund
Form N-CSR
March 09, 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 811-22329

Nuveen Mortgage Opportunity Term 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
333 West Wacker Drive
Chicago, IL 60606
(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2011

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

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concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

Closed-End Funds

Nuveen Investments

Closed-End Funds

*Seeks Attractive Distribution and Return Potential from a Portfolio
Consisting Primarily of Mortgage-Backed Securities*

Annual Report

December 31, 2011

Nuveen Mortgage Opportunity Term Fund

JLS

Nuveen Mortgage Opportunity Term Fund 2

JMT

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Chairman's
Letter to Shareholders

Dear Shareholders,

These are perplexing times for investors. The global economy continues to struggle. The solutions being implemented in the eurozone to deal with the debt crises of many of its member countries are not yet seen as sufficient by the financial markets. The political paralysis in the U.S. has prevented the compromises necessary to deal with the fiscal imbalance and government spending priorities. The efforts by individual consumers, governments and financial institutions to reduce their debts are increasing savings but reducing demand for the goods and services that drive employment. These developments are undermining the rebuilding of confidence by consumers, corporations and investors that is so essential to a resumption of economic growth.

Although it is painfully slow, progress is being made. In Europe, the turnover of a number of national governments reflects the realization by politicians and voters alike that leaders who practiced business as usual had to be replaced by leaders willing to face problems and accept the hard choices needed to resolve them. The recent coordinated efforts by central banks in the U.S. and Europe to provide liquidity to the largest European banks indicates that these monetary authorities are committed to facilitating a recovery in the European banking sector.

In the U.S., the failure of the congressionally appointed Debt Reduction Committee was a blow to those who hoped for a bipartisan effort to finally begin addressing the looming fiscal crisis. Nevertheless, Congress and the administration cannot ignore the issue for long. The Bush era tax cuts are scheduled to expire on December 31, 2012, and six months later the \$1.2 trillion of mandatory across-the-board spending cuts under the Budget Control Act of 2011 begin to go into effect. Any legislative modification would require bipartisan support and the prospects for a bipartisan solution are unclear. The impact of these two developments would be a mixed blessing: a meaningful reduction in the annual budget deficit at the cost of slowing the economic recovery.

It is in these particularly volatile markets that professional investment management is most important. Skillful investment teams who have experienced challenging markets and remain committed to their investment disciplines are critical to the success of an investor's long-term objectives. In fact, many long-term investment track records are built during challenging markets when managers are able to protect investors against these economic crosscurrents. Experienced investment teams know that volatile markets put a premium on companies and investment ideas that will weather the short-term volatility and that compelling values and opportunities are opened up when markets overreact to negative developments. By maintaining appropriate time horizons, diversification and relying on practiced investment teams, we believe that investors can achieve their long-term investment objectives.

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
February 22, 2012

Nuveen Investments

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Portfolio Manager's Comments

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.

Nuveen Mortgage Opportunity Term Fund (JLS)
Nuveen Mortgage Opportunity Term Fund 2 (JMT)

The investment adviser for both Funds is Nuveen Asset Management, LLC, an affiliate of Nuveen Investments. Nuveen Asset Management, LLC is responsible for determining each Fund's overall investment strategy and monitoring the performance of Wellington Management Company, LLP, the sub-adviser for both Funds.

Wellington Management has responsibility for each Fund's direct investments in mortgage-backed securities and other permitted investments. Michael Garrett, serves as portfolio manager for the Funds. He has 21 years of corporate finance and investment management experience and joined Wellington Management in 1999.

Here Michael talks about general economic and market conditions, his management strategy and the performance of the Funds for the twelve-month period ending December 31, 2011.

What were the general market conditions for the reporting period?

During this period, the U.S. economy continued to recover from the recent recession, but progress remained slow. The country's gross domestic product (GDP) grew in 2011, but at a slower rate than 2010 (1.7% vs. 3.0%). The unemployment picture showed some improvement, with the national unemployment rate standing at 8.5% as of December 2011, compared with 9.4% one year earlier. However, the housing market continued to be a weak spot. For the twelve months ended November 2011 (the 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 lost 1.3%, with 18 of the 20 major metropolitan areas reporting lower values. 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.

In an attempt to improve the overall economic environment, the Federal Reserve (Fed) continued to hold the benchmark fed funds rate at the record low level of zero to 0.25% that it had established in December 2008. In January 2012 (following the close of this reporting period), the central bank stated that economic conditions would likely warrant maintaining this low rate through 2014. The Fed also implemented a program to extend the average maturity of its U.S. Treasury holdings by purchasing \$400 billion of these

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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

Nuveen Investments

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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.

The U.S. equity markets experienced periods of extreme volatility over the twelve-month reporting period, and posted mixed results for the full year. The Dow Jones Industrial Average gained 8.38% in 2011, and the broader S&P 500 Index ended the year up 2.11%. The NASDAQ Composite Index finished in the red, posting a -0.83% return during 2011. The fixed-income markets generally did better, with the Barclays Capital U.S. Aggregate Bond Index producing a return of 7.84% for the year.

Market conditions for mortgage-backed securities (MBS) were volatile throughout the reporting period. Securities experienced a meaningful move in terms of price depreciation, particularly in the non-agency residential mortgage-backed securities (RMBS) sector. The catalyst for the price weakness was not associated with any fundamental change in the collateral performance, but rather it was a direct response to macro weakness and general investor aversion toward riskier assets for much of 2011. Importantly, the fundamental performance of non-agency RMBS collateral has been stable to improving in terms of delinquencies, defaults, and severities. Another positive is that longer-term technical factors remain supportive as the non-agency RMBS market is contracting rapidly with up to \$200 billion in annual net paydowns. A modest improvement in economic indicators, historically high affordability, and low mortgage rates were not enough to prevent further weakness in national home prices. One reason for the lack of demand is that the prepayment risk inherent in mortgage-backed securities remains significantly lower than in past years, in part due to tighter mortgage underwriting standards that continue to limit the ability of homeowners to refinance.

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

Both Funds seek to generate total returns by investing in a diverse portfolio of MBS, consisting primarily of non-agency RMBS and commercial mortgage-backed securities (CMBS). Under normal circumstances, both Funds will invest at least 80% of their managed assets in MBS, both directly and also indirectly through a private feeder fund that invests alongside the U.S. Treasury (UST) in a master fund organized to invest directly in MBS and other assets eligible under the UST's Public-Private Investment Program (PPIP). Both JLS and JMT are effectively leveraged through their investment in the PPIP fund, and may be leveraged directly as well up to a maximum effective leverage of 33% of total net assets. The Funds currently have a limited term of 10 years, at which time all net assets will be distributed to shareholders of record.

During this period, we remained constructive on CMBS, but continued to believe that the non-agency RMBS sector offered better relative value, and we positioned the Funds accordingly. The Funds continue to be conservatively positioned within RMBS, with a bias toward higher quality collateral to try to protect against downside risk in the event of a prolonged path toward economic recovery and further deterioration in the mortgage market.

CMBS performance was highly correlated with "risk-on" and "risk-off" posture of the overall market, and also highly correlated with equity markets. Despite the positive

* Maiden Lane II was created in 2008 to alleviate capital and liquidity pressures on AIG stemming from its securities lending program by purchasing \$20.5 billion in private label RMBS from several of AIG's U.S. insurance subsidiaries. In March 2011, it was announced that the Fed would begin a process of selling the assets over time in the open market.

performance of the CMBS market towards the end of the year as the appetite for riskier investments improved, we experienced tighter capital markets and increasingly negative data releases in terms of collateral performance, reversing some of the recently emerging positive fundamental trends. Overall, our views on commercial real estate fundamentals have not changed materially; however, we broadly reduced exposure to the sector due to market volatility and forward looking return expectations. Until there is a sustained improvement in the job market, we believe we are likely to continue to see the commercial real estate market have an uneven recovery.

Capital markets are open, but with a bias towards higher quality properties and we believe bifurcation in the CMBS market is likely to become more pronounced in the near term. We think institutional properties may garner investor support while non-institutional quality properties could continue to have limited and more expensive access to capital. Low levels of supply and a lack of new construction could provide strong technical support to the CMBS market. Net supply of CMBS was negative during 2011 and is projected to remain negative once again in 2012. We continued to believe the up-in-quality trade continued to offer value without principal at risk.

The non-agency RMBS market performed well in the first quarter when sentiment for riskier assets was positive, but experienced considerable price weakness for the remainder of the year. The prolonged volatility and price weakness of the non-agency RMBS market was driven by a confluence of exogenous events (e.g., the Fed's unwinding of Maiden Lane II*, the earthquake and tsunami in Japan, the U.S. sovereign debt downgrade, a worsening financial situation in Europe). Because the non-agency universe is relatively small, and shrinking due to a lack of new issuance, and predominately rated below investment grade by the rating agencies, the natural buyer base for these assets is limited. As a result, the demand for the sector has been limited and that was reflected in depressed valuations. On a positive note, in our opinion current valuations do not reflect the fundamental value of the assets and while residential housing fundamentals are still weak, the performance of the collateral is largely tracking our base-case expectations for the sector. We continue to believe that, in the long run, spreads in the non-agency RMBS sector may move tighter as the economy improves, but that this will take longer than in previous business cycles. We expect that security pricing will prove to be volatile (as recent history indicates), however, the total return of the sector is very attractive and returns over the long term may be stabilized to a degree by the high income generated by these assets.

How did the Funds perform over this twelve-month period?

Performance for the Funds, as well as for their comparative indexes, are presented in the accompanying table.

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.

** Since inception returns for JLS and its comparative index are from 11/25/09. Since inception returns for JMT and its comparative index are from 2/23/10.

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

Average Annual Total Returns on Net Asset Value

For periods ended 12/31/11

Fund	1-Year	Since Inception**
JLS	-6.90%	3.78%
Barclays Capital U.S. Aggregate Bond Index***	7.84%	6.21%
JMT	-7.48%	2.52%
Barclays Capital U.S. Aggregate Bond Index***	7.84%	6.94%

For the twelve-month reporting period, JLS and JMT underperformed the Barclays Capital U.S. Aggregate Bond Index. The Barclays Capital index reflects the general performance of the bond market over these periods, but not the specific MBS market in which the Funds invest. On the whole, the MBS market performed poorly during this reporting period.

The Funds' allocation to the UST's Public-Private Investment Program (PPIP) was a primary detractor to returns, and the impact on the Funds' returns was exacerbated by the leveraging effect of PPIP position. The Funds' non-agency RMBS holdings, including Prime, Alternative-A loans (Alt-A) and subprime holdings, also underperformed. Importantly, we believe recent price weakness among these securities was not a direct reflection of a change in their fundamental performance (i.e., defaults and delinquencies are tracking our expectations), rather it was driven primarily by macroeconomic weakness and general risk aversion. With an emphasis on the long-term, we continue to focus on finding opportunities to add securities we feel are best positioned to provide stability of principal and attractive income over the duration of the Funds' limited term.

The Funds' allocation to agency collateralized mortgage obligations (CMOs) was a positive contributor to performance as low rates and slow pre-payments resulted in relative outperformance. The Funds' allocation to agency MBS pass-throughs also contributed positively as the sector benefited from excellent liquidity, low risk based capital charges, and favorable supply-demand trends.

The Fund also took short positions in U.S. Treasury futures to hedge against interest rate risk.

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 Risk. The possible loss of the entire principal amount that you invest.

Price Risk. Shares of closed-end investment companies like the Funds frequently trade at a discount to their net asset value (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. The Funds' use of leverage creates the possibility of higher volatility for each 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.

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.

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

Below-Investment Grade Risk. Investments in securities below investment grade quality are predominantly speculative and subject to greater volatility and risk of default.

Mortgage-Backed Securities Risk. Investing in MBS entails various risks, including credit risks inherent in the underlying collateral, the risk that the servicer fails to perform its duties, liquidity risks, interest rate risks, structure risks, and geographical concentration risks.

Limited Term Risk. Both Funds' assets will be liquidated in connection with its termination and with the termination of the feeder PPIP fund. As a result, each Fund may be required to sell portfolio securities when it otherwise would not.

Risks Related to the Role of the U.S. Treasury (UST) in the Master PPIP Fund. Because the UST provides equity capital and debt financing to the master PPIP funds, the UST will be able to exercise certain rights and powers in regard to the master PPIP funds that may not be in the interest of the Funds or their common shareholders.

Share Distribution
and Price Information**Distribution Information**

The following information regarding each Fund's distributions is current as of December 31, 2011, and likely will vary over time based on each Fund's investment activities and portfolio investment value changes.

During the twelve-month reporting period, JLS's monthly distributions to shareholders remained stable. JMT's monthly distributions to shareholders increased in September.

During certain periods, the Funds may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Funds 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 earnings, the excess constitutes negative UNII that is likewise reflected in a Funds' NAV. As of December 31, 2011, JLS had a positive UNII balance and JMT had a negative UNII balance for financial reporting purposes. Both Funds had zero balances for tax purposes.

The following table provides information regarding each Fund's distributions and total return performance for the fiscal year ended December 31, 2011 (which is the calendar year for each Fund). This information is intended to help you better understand whether the Funds' returns for the specified time period were sufficient to meet each Fund's distributions.

As of 12/31/11	JLS	JMT
Inception date	11/25/09	2/23/10
Fiscal year (calendar year) ended December 31, 2011:		
Per share distribution:		
From net investment income	\$ 1.87	\$ 1.92
From long-term capital gains	0.00	0.00
From short-term capital gains	0.00	0.07
Return of capital	0.20	0.04
Total per share distribution	\$ 2.07	\$ 2.03
Distribution rate on NAV	9.46%	9.32%
Average annual total returns:		
1-Year on NAV	-6.90%	-7.48%
Since inception on NAV	3.78%	2.52%

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Share Repurchases and Price Information

As of December 31, 2011, and since the inception of the Funds' repurchase programs, the Funds have not repurchased any of their outstanding shares.

As of December 31, 2011, the Funds' share prices were trading at (-) discounts to their NAVs as shown in the accompanying table.

Fund	12/31/11 (-) Discount	Twelve-Month Average (-) Discount
JLS	-7.04%	-5.14%
JMT	-6.34%	-6.31%

Nuveen Investments

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Fund Snapshot

Share Price	\$	20.35
Net Asset Value (NAV)	\$	21.89
Premium/(Discount) to NAV		-7.04%
Current Distribution Rate ¹		10.17%
Net Assets (000)	\$	346,832

Leverage

Effective Leverage	19.56%
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Average Annual Total Returns

(Inception 11/25/09)

	On Share Price	On NAV
1-Year	-12.68%	-6.90%
Since Inception	-1.70%	3.78%

Key Portfolio Statistics

Average Coupon	4.14%
Average Life (Years)	6.07
Spread Duration (Years) ²	2.83

Portfolio Allocation(as a % of total Fund investments)⁴

Mortgage-Backed Securities	75.1%
PPIP Limited Partnership ³	23.9%
Short-Term Investments	1.0%
JLS	

Performance

OVERVIEW

(Unaudited)

Nuveen Mortgage Opportunity Term Fund

as of December 31, 2011

Aggregate Sector Allocation (as a % of total investment exposure)^{4,5}

2011 Monthly Distributions Per Share

Share Price Performance Weekly Closing Price

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 Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a return of capital for tax purposes.

2 Nominal spread duration is a measure of a mortgage-backed security's or fund's susceptibility to price changes resulting from changes in interest rates in the open market for that type of security or fund. The Fund's average spread duration is the market value weighted average of the spread duration of each fund portfolio investment, excluding cash equivalents, leverage and investments in derivatives. A bond's spread duration is defined as the projected percent price change of the bond given a 100 basis point move in its yield spread relative to a comparable maturity Treasury security. Spreads can "widen" or "tighten" relative to comparable duration Treasury securities. A "widening" occurs when spreads increase and would likely result in a price decline for a security (or portfolio) with positive spread duration. A "tightening" occurs when spreads decrease and would likely result in a price increase for a security (or portfolio) with positive spread duration. The Fund relies on holding-specific spread durations as projected and reported by the Fund's sub-adviser, Wellington Management Company, LLP ("Wellington Management"). The Fund's average spread duration reflects the spread durations of bonds held in the master fund (the "Master PPIP Fund"), in which the Fund has indirectly invested. Spread duration is merely a projection and may not accurately reflect a bond's or a fund's actual price changes as a result of changes in market interest rates.

3 The Fund is a limited partner in a private feeder fund (the "Feeder PPIP Fund") organized by Wellington Management. The Feeder PPIP Fund invests all of its assets in the Master PPIP Fund that has been organized by Wellington Management to invest directly in mortgage-backed securities and other assets eligible for purchase under the Public-Private Investment Program ("PPIP") established by the U.S. Department of Treasury.

4 Excluding investments in derivatives.

5 Investment exposure includes the Fund's pro rata investments in the Feeder PPIP Fund.

JMT

Performance

OVERVIEW

(Unaudited)

Nuveen Mortgage Opportunity Term Fund 2

as of December 31, 2011

Aggregate Sector Allocation (as a % of total investment exposure)^{4,5}

2011 Monthly Distributions Per Share

Share Price Performance Weekly Closing Price

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 Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a return of capital for tax purposes.

2 Nominal spread duration is a measure of a mortgage-backed security's or fund's susceptibility to price changes resulting from changes in interest rates in the open market for that type of security or fund. The Fund's average spread duration is the market value weighted average of the spread duration of each fund portfolio investment, excluding cash equivalents, leverage and investments in derivatives. A bond's spread duration is defined as the projected percent price change of the bond given a 100 basis point move in its yield spread relative to a comparable maturity Treasury security. Spreads can "widen" or "tighten" relative to comparable duration Treasury securities. A "widening" occurs when spreads increase and would likely result in a price decline for a security (or portfolio) with positive spread duration. A "tightening" occurs when spreads decrease and would likely result in a price increase for a security (or portfolio) with positive spread duration. The Fund relies on holding-specific spread durations as projected and reported by the Fund's

sub-adviser, Wellington Management Company, LLP ("Wellington Management"). The Fund's average spread duration reflects the spread durations of bonds held in the master fund (the "Master PPIP Fund"), in which the Fund has indirectly invested. Spread duration is merely a projection and may not accurately reflect a bond's or a fund's actual price changes as a result of changes in market interest rates.

3 The Fund is a limited partner in a private feeder fund (the "Feeder PPIP Fund") organized by Wellington Management. The Feeder PPIP Fund invests all of its assets in the Master PPIP Fund that has been organized by Wellington Management to invest directly in mortgage-backed securities and other assets eligible for purchase under the Public-Private Investment Program ("PPIP") established by the U.S. Department of Treasury.

4 Excluding investments in derivatives.

5 Investment exposure includes the Fund's pro rata investments in the Feeder PPIP Fund.

Fund Snapshot

Share Price	\$	20.40
Net Asset Value (NAV)	\$	21.78
Premium/(Discount) to NAV		-6.34%
Current Distribution Rate ¹		10.15%
Net Assets (000)	\$	104,621

Leverage

Effective Leverage	21.88%
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Average Annual Total Returns

(Inception 2/23/10)

	On Share Price	On NAV
1-Year	-8.51%	-7.48%
Since Inception	-3.12%	2.52%

Key Portfolio Statistics

Average Coupon	4.31%
Average Life (Years)	6.11
Spread Duration (Years) ²	2.66

Portfolio Allocation

(as a % of total Fund investments)⁴

Mortgage-Backed Securities	71.7%
PPIP Limited Partnership ³	27.5%

Short-Term Investments	0.8%
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Nuveen Investments

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Report of INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

**To the Board of Trustees and Shareholders of
Nuveen Mortgage Opportunity Term Fund
Nuveen Mortgage Opportunity Term Fund 2:**

In our opinion, the accompanying statements of assets and liabilities, including the portfolios of investments, and the related statements of operations, of changes in net assets, of cash flows, and the financial highlights present fairly, in all material respects, the financial position of Nuveen Mortgage Opportunity Term Fund and Nuveen Mortgage Opportunity Term Fund 2 (hereinafter referred to as the "Funds") at December 31, 2011, the results of their operations and of cash flows for the year then ended, the changes in their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Chicago, IL
February 28, 2012

Nuveen Investments

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JLS

Nuveen Mortgage Opportunity Term Fund

Portfolio of INVESTMENTS

December 31, 2011

Principal Amount (000)	Description (1)	Coupon	Maturity	Ratings (2)	Value
	Mortgage-Backed Securities	74.9%			
	Residential 74.9%				
\$ 3,899	ACE Securities Corporation, Asset Backed Pass-Through Certificates Series 2007-HE2	0.377%	12/25/36	Caa1	\$ 2,170,381
1,835	AmeriCredit Automobile Receivables Trust, Series 2010-2 Class E, 144A	8.660%	10/10/17	A+	2,017,255
1,000	Asset Backed Funding Corporation, Asset-Backed Certificates, Series 2006-OPT1	0.497%	9/25/36	B-	350,446
8,929	Asset Backed Funding Corporation, Asset Backed Certificates, Series 2006-OPT3	0.417%	11/25/36	Caa3	3,442,912
1,530	Banc of America Alternative Loan Trust, Pass Through Certificates, Series 2005-9	5.500%	10/25/35	Caa2	1,162,378
2,520	Banc of America Commercial Mortgage Inc. Commercial Mortgage Pass-Through Certificates, Series 2006-2	5.766%	5/10/45	BB+	1,911,813
2,130	Banc of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates, Series 2006-6	5.390%	10/10/45	A1	1,999,288
1,205	Banc of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates, Series 2007-4	5.791%	2/10/51	BBB	1,140,088
6,300		6.000%	3/25/37	Caa1	5,568,551

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	Banc of America Mortgage Securities Inc, Mortgage Pass-Through Certificates, Series 2007-1				
1,346	Bank of America Funding Corporation, Mortgage Pass-Through Certificates, Series 2007-C	2.737%	5/20/36	Caa2	946,497
7,735	Bear Stearns Adjustable Rate Mortgage Trust, Mortgage Pass-Through Certificate Series 2005-10	2.708%	10/25/35	CCC	5,999,799
6,588	Bear Stearns Adjustable Rate Mortgage Trust, Mortgage Pass-Through Certificate Series 2006-4	2.601%	10/25/36	CC	3,694,643
3,351	Bear Stearns Adjustable Rate Mortgage Trust, Mortgage Pass-Through Certificate Series 2007-4	5.682%	6/25/47	CCC	2,330,895
8,295	Bear Stearns Alt-A Trust, Mortgage Pass-Through Certificates, Series 2006-8	0.417%	6/25/46	Ca	2,832,677
5,201	Bear Stearns ARM Trust, Mortgage Pass Through Certificates, Series 2007-1	5.549%	2/25/47	D	2,759,370
3,300	Bear Stearns Commercial Mortgage Securities Trust, Commercial Mortgage Pass-Through Certificates, Series 2007-T25	5.835%	9/11/42	A-	3,434,251
9,320	Carrington Mortgage Loan Trust, Asset Backed Pass Through Certificates, Series 2005-NC5	0.737%	10/25/35	BBB	4,671,352
5,000	Carrington Securities LP, Mortgage Loan Trust Assset-Backed Pass-Through Certificates Series 2007-HE1	0.407%	6/25/37	CCC	3,049,310
3,938	Citigroup Mortgage Loan Trust Inc., Mortgage Pass-Through Certificates, Series 2007-AR4	5.325%	3/25/37	CCC	2,674,406
1,879	Citigroup Mortgage Loan Inc., Mortgage Pass Through Certificates,	2.783%	3/25/36	Caa3	1,304,970

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Series 2006- AR2

5,126	Citigroup Mortgage Loan Trust Inc., Mortgage Pass-Through Certificates, Series 2005-3	2.781%	8/25/35	Caa2	3,741,878
3,778	Citigroup Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2006-AR7	5.407%	11/25/36	D	1,887,298
4,775	Citigroup Mortgage Loan Trust, Mortgage Pass-Through Certificates, Series 2006-AR7	2.679%	11/25/36	D	2,525,556
2,821	Citigroup Mortgage Loan Trust, Mortgage Pass-Through Certificatesm Series 2007-AR8	5.216%	7/25/37	Caa3	1,755,026
1,416	Countrywide Alternative Loan Trust, Mortgage Pass-Through Certificates, Series 2005-J11	6.000%	10/25/35	CCC	932,250
469	Countrywide Alternative Loan Trust, Securitization Pass-Through Certificates Series 2007-HY5R	5.544%	3/25/47	CCC	442,802
3,320	Countrywide Asset-Backed Certificates Trust 2006-22	0.367%	5/25/47	BBB	3,196,794
7,178	Countrywide Asset-Backed Certificates Trust, Series 2006-17	0.407%	3/25/47	CCC	4,232,610
1,858	Countrywide CHL Mortgage Pass-Through Trust Series 2005-HY10	3.256%	2/20/36	Caa3	1,009,843
1,469	Countrywide Home Loans Mortgage Pass Through Trust Certificates Series 2007-HY5	5.872%	9/25/37	CCC	1,074,084
1,413	Countrywide Home Loans Mortgage Pass- Through Trust Certificates, Series 2006-HYB3	2.721%	5/20/36	Caa3	842,826
7,511	Countrywide Home Loans, Asset-Backed Certificates Trust, Series 2005-13	0.507%	4/25/36	BB-	6,426,020
380	CPS Auto Trust, 144A	7.500%	4/16/18	BB	377,648
5,053	Credit Suisse First Boston Mortgage Acceptance Corporation, Adjustable Rate	2.932%	3/25/36	CCC	2,958,634

Mortgage-Backed Pass
Through Certificates
Series 2005-12

Nuveen Investments
15

JLS

Nuveen Mortgage Opportunity Term Fund (continued)

Portfolio of Investments December 31, 2011

Principal Amount (000)	Description (1)	Coupon	Maturity	Ratings (2)	Value
	Residential (continued)				
\$ 1,811	Credit Suisse First Boston Mortgage Securities Corporation, Adjustable Rate Mortgage-Backed Pass-Through Certificates, Series 2006-2	5.430%	5/25/36	CC	\$ 1,300,598
4,940	Dominos Pizza Master Issuer LLC, Series 2007-1, 144A	5.261%	4/25/37	BBB-	4,959,760
8,670	Fannie Mae Real Estate Mortgage Investment Conduit, Pass Through Certificates	6.383%	12/25/36	Aaa	1,496,779
9,990	Fannie Mae Real Estate Mortgage Investment Conduit, Pass Through Certificates	6.143%	12/25/36	Aaa	1,610,167
18,249	Fannie Mae Real Estate Mortgage Investment Conduit, Pass Through Certificates	6.043%	8/25/37	Aaa	3,104,472
11,850	Fannie Mae REMIC Pass-Through Certificates	6.243%	1/25/40	Aaa	1,680,652
11,164	Federal Home Loan Mortgage Corporation, REMIC, (I/O)	6.372%	5/15/36	Aaa	1,611,001
22,970	Federal Home Loan Mortgage Corporation, REMIC, (I/O)	6.342%	7/15/36	Aaa	3,174,116
5,215	First Horizon Alternative Mortgage Securities Trust, Mortgage Pass-Through Certificates Series 2006-FA3	6.000%	7/25/36	CCC	3,577,460
4,705	First Horizon Alternative Mortgage Securities, Mortgage Pass-Through Certificates, Series 2006-FA3	6.000%	7/25/36	CCC	3,236,570

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345	First Horizon Mortgage Pass-Through Certificates Trust, Series 2007-AR1	5.741%	5/25/37	CC	203,935
3,210	First Horizon Mortgage Pass-Through Trust, Mortgage Pass-Through Certificate Series 2007-AR2	5.654%	8/25/37	D	2,118,744
11,988	Freddie Mac Collateralized Mortgage REMIC Series 3028	6.472%	9/15/35	Aaa	1,849,013
14,978	Freddie Mac Multi-Class Certificates, (I/O)	6.022%	8/15/35	Aaa	1,935,274
4,037	Freddie Mac Multi-Class Certificates, (I/O)	6.872%	6/15/36	Aaa	554,520
9,655	Freddie Mac Multi-Class Certificates, (I/O)	6.722%	8/15/36	Aaa	1,325,858
14,670	Freddie Mac Multi-Class Certificates, (I/O)	6.452%	12/15/36	Aaa	2,390,294
5,944	Freddie Mac Multi-Class Certificates, (I/O)	6.392%	12/15/36	Aaa	678,612
12,435	Freddie Mac Multi-Class Certificates, (I/O)	6.122%	6/15/39	Aaa	1,664,116
10,237	Freddie Mac Multi-Class Certificates, (I/O)	5.922%	10/15/39	Aaa	1,448,384
25,069	Freddie Mac Multi-Class Certificates, (I/O)	5.942%	1/15/40	Aaa	3,601,946
10,041	Freddie Mac Multi-Class Certificates, (I/O)	6.172%	2/15/40	Aaa	1,745,660
505	Freddie Mac Multifamily Structured Pass-Through Certificates, Series K013, (I/O)	2.885%	1/25/43	Aaa	83,322
13,675	Freddie Mac Multifamily Structures Pass- Through Certificates, Series 2011-K012, (I/O)	2.366%	1/25/41	Aaa	1,875,908
2,870	Freddie Mac Structured Pass Through Certificates Series 2010-K006, 144A	5.533%	12/26/46	Aaa	2,656,125
4,395	GMAXM Mortgage Loan Trust, Mortgage Pass-Through Certificates Series 2005-AF2	6.000%	12/25/35	D	2,916,877
4,088	Goldman Sachs Mortgage Securities Corporation, Home Equity Asset-Backed Certificates Trust 2007-1	0.337%	2/25/37	CCC	1,591,349
2,760	Goldman Sachs Mortgage Securities Corporation,	0.487%	11/25/36	CCC	837,736

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	Mortgage Pass-Through Certificates, Series 2006-FM3					
1,698	Government National Mortgage Association Pool, (I/O)	4.500%	10/20/39	Aaa		378,884
1,000	Greenwich Capital Commercial Funding Corporation, Commercial Mortgage Pass- Through Certificates, Series 2005-GG5	5.224%	4/10/37	Aaa		1,070,683
4,243	GSR Mortgage Loan Trust, Mortgage Pass- Through Certificates, Series 2006-AR2	2.635%	4/25/36	CC		2,576,717
5,697	GSR Mortgage Securities Corporation, Mortgage Pass-Through Certificates, Series 2007-AR2	5.398%	5/25/47	D		3,362,508
5,118	HSI Asset Securitization Corporation, Mortgage Pass-Through Certificates, Series 2006-HE1	0.367%	10/25/36	CCC		1,694,812
2,654	IndyMac INDA Mortgage Loan Trust, Series 2006-AR1	5.566%	8/25/36			