NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-CSR
January 07, 2013

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 811-10345

Nuveen Dividend Advantage Municipal Fund 3
(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, 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,

Investors have many reasons to remain cautious. The challenges in the Euro area continue to cast a shadow over global economies and financial markets. The political support for addressing fiscal issues is eroding as the economic and social impacts become more visible. Despite strong action by the European Central Bank, member nations appear unwilling to surrender sufficient sovereignty to unify the Euro area financial system or strengthen its banks. The gains made in reducing deficits, and the hard-won progress on winning popular acceptance of the need for economic austerity, are at risk. To their credit, European political leaders press on to find compromise solutions, but there is increasing concern that time is running out.

In the U.S., the extended period of increasing corporate earnings that enabled the equity markets to withstand the downward pressures coming from weakening job creation and slower economic growth appears to be coming to an end. The Fed remains committed to low interest rates and announced a third phase of quantitative easing (QE3) scheduled to continue until mid-2015. The recent election results have removed a major element of uncertainty in the U.S. political picture, but it remains to be seen whether the outcome will reduce the highly partisan atmosphere in Congress and enable progress on the many pressing fiscal and budgetary issues that must be resolved in the coming months.

During the last twelve months, U.S. investors have experienced a solid recovery in the domestic equity markets with increasing volatility as the "fiscal cliff" approaches. The experienced investment teams at Nuveen 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. Experienced professionals pursue investments that will weather short-term volatility and at the same time, seek opportunities that are created by markets that overreact to negative developments. Monitoring this process is an important consideration for the Fund Board as it oversees your Nuveen Fund 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
December 20, 2012

Portfolio Managers' Comments

Nuveen Performance Plus Municipal Fund, Inc. (NPP)
Nuveen Municipal Advantage Fund, Inc. (NMA)
Nuveen Municipal Market Opportunity Fund, Inc. (NMO)
Nuveen Dividend Advantage Municipal Fund (NAD)
Nuveen Dividend Advantage Municipal Fund 2 (NXZ)
Nuveen Dividend Advantage Municipal Fund 3 (NZF)

Portfolio managers Tom Spalding and Paul Brennan discuss U.S. economic and municipal market conditions, key investment strategies and the twelve-month performance of these six national Funds. Tom has managed NXZ since its inception in 2001 and NPP, NMA, NMO and NAD since 2003. Paul assumed portfolio management responsibility for NZF in 2006.

What factors affected the U.S. economy and municipal market during the twelve-month reporting period ended October 31, 2012?

During this period, the U.S. economy's progress toward recovery from recession continued at a moderate pace. The Federal Reserve (Fed) maintained its efforts to improve the overall economic environment by holding the benchmark fed funds rate at the record low level of zero to 0.25% that it established in December 2008. Subsequent to the reporting period, the central bank decided during its December 2012 meeting to keep the fed funds rate at "exceptionally low levels" until either the unemployment rate reaches 6.5% or expected inflation goes above 2.5%. The Fed also affirmed its decision, announced in September 2012, to purchase $40 billion of mortgage-backed securities each month in an effort to stimulate the housing market. In addition to this new, open-ended stimulus program, the Fed plans to continue its program to extend the average maturity of its holdings of U.S. Treasury securities through the end of December 2012. The goals of these actions, which together will increase the Fed's holdings of longer term securities by approximately $85 billion a month through the end of the year, are to put downward pressure on longer term interest rates, make broader financial conditions more accommodative and support a stronger economic recovery as well as continued progress toward the Fed's mandates of maximum employment and price stability.

In the third quarter of 2012, the U.S. economy, as measured by the U.S. gross domestic product (GDP), grew at an annualized rate of 2.7%, up from 1.3% in the second quarter, marking 13 consecutive quarters of positive growth. The Consumer Price Index (CPI) rose 2.2% year-over-year as of October 2012, while the core CPI (which excludes food and energy) increased 2.0% during the period, staying just within the Fed's unofficial

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's, 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 these national rating agencies.

objective of 2.0% or lower for this inflation measure. As of November 2012 (subsequent to this reporting period), the national unemployment rate was 7.7%, the lowest unemployment rate since December 2008 and below the 8.7% level recorded in November 2011. The slight decrease in umemployment from 7.9% in October 2012 was primarily due to workers who are no longer counted as part of the work force. The housing market, long a major weak spot in the economic recovery, showed signs of improvement, with the average home price in the S&P/Case-Shiller Index of 20 major metropolitan areas rising 3.0% for the twelve months ended September 2012 (most recent data available at the time this report was prepared). This marked the largest annual percentage gain for the index since July 2010, although housing prices continued to be off approximately 30% from their mid-2006 peak. The outlook for the U.S. economy remained clouded by uncertainty about global financial markets as well as the impending "fiscal cliff," the combination of tax increases and spending cuts scheduled to take effect beginning January 2013 and their potential impact on the economy.

Municipal bond prices generally rallied during this period, as strong demand and tight supply combined to create favorable market conditions for municipal bonds. Although the total volume of tax-exempt supply improved over that of the same period a year earlier, the issuance pattern remained light compared with long-term historical trends, and new money issuance was relatively flat. This supply/demand dynamic served as a key driver of performance. Concurrent with rising prices, yields continued to decline across most maturities, especially at the longer end of the municipal yield curve, and the curve flattened. In addition to the lingering effects of the Build America Bonds (BAB) program, which expired at the end of 2010 but impacted issuance well into 2012, the low level of municipal issuance reflected the current political distaste for additional borrowing by state and local governments facing fiscal constraints and the prevalent atmosphere of municipal budget austerity. During this period, we saw an increased number of borrowers come to market seeking to take advantage of the low rate environment through refunding activity, with approximately 60% of municipal paper issued by borrowers that were calling existing debt and refinancing at lower rates.

Over the twelve months ended October 31, 2012, municipal bond issuance nationwide totaled $379.6 billion, an increase of 18.6% over the issuance for the twelve-month period ended October 31, 2011. As previously discussed, the majority of this increase was attributable to refunding issues, rather than new money issuance. During this period, demand for municipal bonds remained consistently strong, especially from individual investors, (as evidenced in part by flows into mutual funds) and also from banks and crossover buyers such as hedge funds.

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

In an environment characterized by tight supply, strong demand and lower yields, 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. During this period, the Funds found value in health care and broad based essential services bonds backed by taxes or other revenues. We also added to our holdings of tobacco credits when we found attractive valuation levels, which resulted in a slight increase in our allocations of these bonds, especially in NAD.

In general during this period, we emphasized bonds with longer maturities. This enabled us to take advantage of more attractive yields at the longer end of the municipal yield curve and also provided some protection for the Funds' duration and yield curve positioning. Our efforts in this area were somewhat constrained by the structure of bonds typically issued as part of refinancing deals, which tend to be characterized by shorter maturities. Across most of the Funds, our credit purchases focused on higher quality bonds with the goal of positioning the Funds slightly more defensively. In NZF, we also continued to purchase lower rated bonds when we found attractive opportunities, as we believed these bonds still offered relative value.

We also took advantage of short-term opportunities created by the supply/demand dynamics in the municipal market. While demand for tax-exempt paper remained consistently strong throughout the period, supply fluctuated widely. We found that periods of substantial supply provided good short-term buying opportunities not only because of the increased number of issues available, but also because some investors became more hesitant in their buying as supply grew, causing spreads to widen temporarily. At times when supply was more plentiful, we were proactive in focusing on anticipating cash flows from bond calls and maturing bonds and closely monitored opportunities for reinvestment.

Cash for new purchases during this period was generated primarily by the proceeds from an increased number of bond calls resulting from the growth in refinancings. During this period, we worked to redeploy these proceeds as well as those from maturing bonds to keep the Funds as fully invested as possible. In NZF, we also sold selected bonds with short call dates in advance of their call dates to take advantage of attractive purchase candidates as they became available in the market. Overall, selling was relatively limited because the bonds in our portfolios generally offered higher yields than those available in the current marketplace.

As of October 31, 2012, all six 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.

How did the Funds perform?

Individual results for these 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 10/31/12

Fund	1-Year	5-Year	10-Year
NPP	18.89%	8.17%	6.97%
NMA	17.99%	7.90%	7.01%
NMO	19.09%	7.18%	6.73%
NAD	18.67%	8.03%	7.13%
NXZ	19.46%	7.64%	7.59%
NZF	17.33%	8.02%	7.48%
S&P Municipal Bond Index*	9.56%	5.83%	5.35%
Lipper General & Insured Leveraged Municipal Debt Funds Classification Average*	18.77%	7.73%	6.99%

For the twelve months ended October 31, 2012, the total returns on common share net asset value (NAV) for all six of these Nuveen Funds exceeded the return for the S&P Municipal Bond Index. For this same period, NPP, NMO and NXZ outperformed the average return for the Lipper General & Insured Leveraged Municipal Debt Funds Classification Average, NAD performed in line with this Lipper classification and NMA and NZF lagged the Lipper average.

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

In an environment of declining rates and a flattening yield curve, municipal bonds with longer maturities generally outperformed those with shorter maturities during this period. 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. For this period, duration and yield curve positioning was a major positive contributor to the performance of these Funds, with the net impact varying according to each Fund's individual weightings along the yield curve. Overall, NXZ and NMO were the most advantageously positioned in terms of duration and yield curve, while NMA's positioning somewhat constrained its participation in the market rally. In particular, the Funds benefited from their holdings of long duration bonds, many of which had zero percent coupons, which generally outperformed the market during this period. This was especially true in NPP, NMA, NMO, NAD and NXZ, all of which were overweight in zero coupon bonds.

Credit exposure was another important factor in the Funds' performance during these twelve months, as lower quality bonds generally outperformed higher quality bonds.

> 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 the Glossary of Terms Used in this Report for definitions. Indexes and Lipper averages are not available for direct investment.

This outperformance was due in part to the greater demand for lower rated bonds as investors looked for investment vehicles offering higher yields. As investors became more comfortable taking on additional investment risk, credit spreads or the difference in yield spreads between U.S. Treasury securities and comparable investments such as municipal bonds, narrowed through a variety of rating categories. As a result of this spread compression, these Funds benefited from their holdings of lower rated credits, especially NXZ, which had the largest allocation of bonds rated BBB as of October 31, 2012. NZF, on the other hand, had the heaviest weighting of bonds rated AAA and the smallest weighting of BBB bonds, which detracted from its performance.

During this period, revenue bonds as a whole outperformed the general municipal market. Holdings that generally made positive contributions to the Funds' returns included health care (together with hospitals), transportation, education and water and sewer bonds. All of these Funds, particularly NMA and NXZ, had strong weightings in health care, which added to their performance. Tobacco credits backed by the 1998 master tobacco settlement agreement also performed extremely well, helped in part by their longer effective durations. These bonds also benefited from market developments, including increased demand for higher yielding investments by investors who had become less risk averse. In addition, based on recent data showing that cigarette sales had fallen less steeply than anticipated, the 46 states participating in the agreement stand to receive increased payments from the tobacco companies. As of October 31, 2012, all of these Funds, especially NXZ, were overweight in tobacco bonds, which benefited their performance as tobacco credits rallied. NZF had the smallest allocation of these bonds, which limited the positive impact of these holdings.

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 October 31, 2012, NPP held the heaviest weighting of pre-refunded bonds, which detracted from its performance during this period. General obligation bonds and housing and utilities (e.g., resource recovery, public power) credits also lagged the performance of the general municipal market for this period.

Fund Leverage and
Other Information

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of all these Funds relative to the comparative indexes 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 made a positive contribution to the performance of these Funds over this reporting period.

THE FUNDS' REGULATORY LEVERAGE

As of October 31, 2012, the Funds have issued and outstanding MuniFund Term Preferred (MTP) Shares, Variable Rate MuniFund Term Preferred (VMTP) 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
NAD	2015	$	144,300,000	2.70%	NAD PrC
NZF	2016	$	70,000,000	2.80%	NZF PrC

VMTP Shares

Fund	Series		VMTP Shares Issued at Liquidation Value
NPP	2014	$	421,700,000
NAD	2014	$	120,400,000
NZF	2014	$	169,200,000

VRDP Shares

Fund		VRDP Shares Issued at Liquidation Value
NMA	$	296,800,000
NMO	$	350,900,000
NXZ	$	196,000,000

Subsequent to the close of this reporting period, NPP successfully exchanged of all of its outstanding 4,217 Series 2014 VMTP Shares for 4,217 Series 2015 VMTP Shares. Concurrent with this exchange, the Fund also issued an additional 1,133 Series 2015 VMTP Shares. Both of these transactions were completed in privately negotiated offerings.

The Fund completed the exchange offer in which it refinanced its existing VMTP Shares with new VMTP Shares at a reduced cost and with a term redemption date of December 1, 2015. The proceeds from the additional VMTP Shares will be used to take advantage of opportunities in the current municipal market. Dividends on the VMTP Shares will be set weekly at a fixed spread to the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA).

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

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 Funds, 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 may 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 a Fund could lose more than its original principal investment.

Derivatives Risk. The funds may use derivative instruments which involve a high degree of financial risk, including the risk that the loss on a derivative may be greater than the principal amount investment.

Common Share Dividend
and Price Information

DIVIDEND INFORMATION

During the twelve-month period ended October 31, 2012, the monthly dividends of NPP and NAD remained stable throughout the period, while the monthly dividends of NXZ and NZF were each reduced once, and the dividends of NMA and NMO were each reduced twice.

Due to normal portfolio activity, common shareholders of the following Funds received capital gains and 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)
NMA	$ 0.1340	$ 0.0307
NAD	$ 0.0417	$ 0.0061
NXZ	$ 0.1809	$ 0.0045
NZF	$ 0.0380	—

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, 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

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

As of October 31, 2012, and during the twelve-month reporting period, the Funds' common share prices were trading at (-) discounts to their common share NAVs as shown in the accompanying table.

Fund	10/31/12 (-)Discount	Twelve-Month Average (-)Discount
NPP	(-)1.44%	(-)1.72%
NMA	(-)0.57%	(-)1.39%
NMO	(-)2.16%	(-)2.20%
NAD	(-)1.81%	(-)3.08%
NXZ	(-)2.86%	(-)1.67%
NZF	(-)1.63%	(-)2.07%

NPP Performance OVERVIEW

Nuveen Performance Plus Municipal Fund, Inc.

as of October 31, 2012

Fund Snapshot

Common Share Price	$ 16.44
Common Share Net Asset Value (NAV)	$ 16.68
Premium/Discount to NAV	-1.44%
Market Yield	5.84%
Taxable Equivalent Yield1	8.11%
Net Assets Applicable to Common Shares ($000)	$ 1,000,790

Leverage

Regulatory Leverage	29.65%
Effective Leverage	32.19%

Average Annual Total Returns
(Inception 6/22/89)

	On Share Price	On NAV
1-Year	21.59%	18.89%
5-Year	10.65%	8.17%
10-Year	7.96%	6.97%

States3
(as a % of total investments)

Illinois	19.0%
California	14.1%
Colorado	6.9%
Texas	5.8%
Florida	5.5%
Ohio	4.3%
New Jersey	4.0%
Michigan	3.2%
Massachusetts	2.7%
Nevada	2.5%
New York	2.5%
Pennsylvania	2.5%
Washington	2.4%
Puerto Rico	2.4%
Indiana	2.3%
Virginia	2.2%
Louisiana	1.9%
South Carolina	1.7%
Other	14.1%

Portfolio Composition3
(as a % of total investments)

Tax Obligation/Limited	17.8%
Transportation	15.0%
Health Care	14.8%
Tax Obligation/General	13.4%
U.S. Guaranteed	12.1%
Consumer Staples	7.8%
Utilities	6.7%
Other	12.4%

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 federal income tax rate of 28%. 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 regarding as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

3 Holdings are subject to change.

NMA Performance OVERVIEW

Nuveen Municipal Advantage Fund, Inc.

as of October 31, 2012

Fund Snapshot

Common Share Price	$ 15.67
Common Share Net Asset Value (NAV)	$ 15.76
Premium/Discount to NAV	-0.57%
Market Yield	5.78%
Taxable Equivalent Yield1	8.03%
Net Assets Applicable to Common Shares ($000)	$ 688,803

Leverage

Regulatory Leverage	30.11%
Effective Leverage	34.79%

Average Annual Total Returns
(Inception 12/19/89)

	On Share Price	On NAV
1-Year	20.05%	17.99%
5-Year	9.81%	7.90%
10-Year	7.64%	7.01%

States4
(as a % of total investments)

California	16.5%
Illinois	10.2%
Texas	7.6%
Louisiana	7.2%
Colorado	7.2%
New York	5.2%
Puerto Rico	5.0%
Ohio	4.7%
Nevada	3.2%
Pennsylvania	3.2%
Florida	2.9%
Indiana	2.8%
Michigan	2.6%
South Carolina	2.1%
Arizona	2.1%
Oklahoma	1.8%
Tennessee	1.6%
Other	14.1%

Portfolio Composition4
(as a % of total investments)

Health Care	21.8%

Tax Obligation/General	17.0%
Tax Obligation/Limited	15.4%
Transportation	14.3%
U.S. Guaranteed	8.3%
Utilities	7.4%
Consumer Staples	7.1%
Other	8.7%

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2 The Fund paid shareholders a net ordinary income distribution and a long-term capital gains distribution in December 2011 of $0.0307 and $0.1340 per share, respectively.

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 regarding as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

4 Holdings are subject to change.

NMO	Nuveen Municipal
Performance	Market Opportunity
OVERVIEW	Fund, Inc.

as of October 31, 2012

Fund Snapshot

Common Share Price	$	14.92
Common Share Net Asset Value (NAV)	$	15.25
Premium/Discount to NAV		-2.16%
Market Yield		5.67%
Taxable Equivalent Yield1		7.88%
Net Assets Applicable to Common Shares ($000)	$	699,360

Leverage

Regulatory Leverage	33.41%
Effective Leverage	36.79%

Average Annual Total Returns
(Inception 3/21/90)

	On Share Price	On NAV
1-Year	20.34%	19.09%
5-Year	8.93%	7.18%
10-Year	7.38%	6.73%

States3
(as a % of total investments)

California	15.7%
Illinois	10.3%
Texas	8.8%
Colorado	5.8%
Ohio	5.3%
Washington	3.9%
Puerto Rico	3.9%
New York	3.8%
North Carolina	3.7%
Nevada	3.6%
Pennsylvania	3.6%
South Carolina	3.2%
Michigan	3.1%
Florida	2.7%
Alaska	2.2%
Virginia	2.0%
Indiana	2.0%
Louisiana	2.0%
Other	14.4%

Portfolio Composition3
(as a % of total investments)

Health Care	19.4%
Transportation	19.2%
Tax Obligation/General	16.6%
Tax Obligation/Limited	11.8%
U.S. Guaranteed	8.9%
Utilities	7.3%
Consumer Staples	6.9%
Other	9.9%

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 federal income tax rate of 28%. 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 regarding as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

3 Holdings are subject to change.

NAD Performance OVERVIEW

Nuveen Dividend Advantage Municipal Fund

as of October 31, 2012

Fund Snapshot		
Common Share Price	$	15.76
Common Share Net Asset Value (NAV)	$	16.05
Premium/Discount to NAV		-1.81%
Market Yield		5.79%
Taxable Equivalent Yield1		8.04%
Net Assets Applicable to Common Shares ($000)	$	630,515

Leverage	
Regulatory Leverage	29.57%
Effective Leverage	34.69%

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

	On Share Price	On NAV
1-Year	22.59%	18.67%
5-Year	9.90%	8.03%
10-Year	7.49%	7.13%

States4
(as a % of total municipal bonds)

Illinois	17.6%
California	7.2%
Florida	7.0%
Texas	6.2%
New York	5.9%
Washington	5.7%
Colorado	4.7%
Nevada	4.7%
Louisiana	4.5%
Wisconsin	4.0%
Puerto Rico	3.6%
New Jersey	3.2%
Ohio	3.0%
Rhode Island	2.8%
Indiana	2.7%
Michigan	2.3%
Other	14.9%

Portfolio Composition4
(as a % of total investments)

Health Care	20.1%
Tax Obligation/General	18.8%

Tax Obligation/Limited	18.6%
Transportation	16.1%
Consumer Staples	6.8%
U.S. Guaranteed	5.4%
Other	14.2%

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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 federal income tax rate of 28%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2 The Fund paid shareholders a net ordinary income distribution and a long-term capital gains distribution in December 2011 of $0.0061 and $0.0417 per share, respectively.

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 regarding as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

4 Holdings are subject to change.

NXZ Performance OVERVIEW

Nuveen Dividend Advantage Municipal Fund 2

as of October 31, 2012

Fund Snapshot

Common Share Price	$	15.63
Common Share Net Asset Value (NAV)	$	16.09
Premium/Discount to NAV		-2.86%
Market Yield		5.76%
Taxable Equivalent Yield1		8.00%
Net Assets Applicable to Common Shares ($000)	$	474,432

Leverage

Regulatory Leverage	29.23%
Effective Leverage	33.16%

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

	On Share Price	On NAV
1-Year	21.15%	19.46%
5-Year	7.27%	7.64%
10-Year	8.10%	7.59%

States4 (as a % of total investments)

Texas	17.4%
California	16.0%
Illinois	12.4%
Colorado	5.6%
Michigan	4.5%
New York	4.2%
Indiana	3.5%
Louisiana	3.1%
Nevada	3.1%
Florida	2.7%
Georgia	2.4%
Puerto Rico	2.3%
South Carolina	2.3%
Arizona	1.7%
Ohio	1.6%
West Virginia	1.5%
District of Columbia	1.5%
Other	14.2%

Portfolio Composition4 (as a % of total investments)

Tax Obligation/Limited	20.5%

Health Care	20.2%
Transportation	15.6%
Tax Obligation/General	10.7%
U.S. Guaranteed	7.9%
Consumer Staples	7.2%
Utilities	5.3%
Other	12.6%

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 federal income tax rate of 28%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2 The Fund paid shareholders a net ordinary income distribution and a long-term capital gains distribution in December 2011 of $0.0045 and $0.1809 per share, respectively.

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 regarding as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.

4 Holdings are subject to change.

NZF Performance OVERVIEW

Nuveen Dividend Advantage Municipal Fund 3

as of October 31, 2012

Fund Snapshot

Common Share Price	$	15.73
Common Share Net Asset Value (NAV)	$	15.99
Premium/Discount to NAV		-1.63%
Market Yield		5.76%
Taxable Equivalent Yield1		8.00%
Net Assets Applicable to Common Shares ($000)	$	645,993

Leverage

Regulatory Leverage	27.02%
Effective Leverage	32.71%

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

	On Share Price	On NAV
1-Year	18.48%	17.33%
5-Year	9.79%	8.02%
10-Year	8.39%	7.48%

States4
(as a % of total municipal bonds)

Texas	12.3%
Illinois	10.7%
California	9.7%
Michigan	6.1%
New York	6.0%
Louisiana	5.4%
Indiana	4.5%
Nevada	4.0%
New Jersey	4.0%
Colorado	3.6