NUVEEN PENNSYLVANIA QUALITY MUNICIPAL INCOME FUND
Form N-CSR
May 07, 2018

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 811-06265

Nuveen Pennsylvania Quality Municipal Income 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)

Gifford R. Zimmerman
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: February 28

Date of reporting period: February 28, 2018

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,

After a prolonged absence, volatility has returned to the markets in 2018. Last year, the markets seemed willing to shrug off any bad news. But in the first few months of 2018, a backdrop of greater economic uncertainty has made markets more reactive to daily headlines. Interest rates in the U.S. have started to move off of historic lows, inflation is expected to finally pick up and the tax reform passed in late December 2017 could extend, and possibly bolster, the economy's growth streak. How the U.S. Federal Reserve (Fed) will manage these conditions is under intense scrutiny, particularly in light of the Fed's leadership change in February 2018.

At the same time, trade protectionism could upend sentiment and growth assumptions for the global economy. Investors are also concerned about the potential for increased government regulation on technology companies, whose shares recently declined due to a data privacy scandal and other negative news. Trade and tech do merit watching, but with few policy specifics at the moment, the long-term implications remain difficult to assess.

While the risks surrounding trade, monetary and fiscal policy may have increased, there is still opportunity for upside. Recession risk continues to look low, global economies are still expanding and corporate profits have continued to be healthy. Fundamentals, not headlines, drive markets over the long term. And, it's easy to forget the relative calm over the past year was the outlier. A return to more historically normal volatility levels is both to be expected and part of the healthy functioning of the markets.

Context and perspective are important. If you're investing for long-term goals, stay focused on the long term, as temporary bumps may smooth over time. Individuals that have shorter timeframes could also benefit from sticking to a clearly defined investment strategy with a portfolio designed for short-term needs. Your financial advisor can help you determine if your portfolio is properly aligned with your goals, timeline and risk tolerance, as well as help you differentiate the noise from what really matters. On behalf of the other members of the Nuveen Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

William J. Schneider
Chairman of the Board
April 23, 2018

Portfolio Manager's Comments

Nuveen New Jersey Quality Municipal Income Fund (NXJ)
Nuveen New Jersey Municipal Value Fund (NJV)
Nuveen Pennsylvania Quality Municipal Income Fund (NQP)
Nuveen Pennsylvania Municipal Value Fund (NPN)

These Funds feature portfolio management by Nuveen Asset Management, LLC (NAM), an affiliate of Nuveen, LLC. Portfolio manager Paul L. Brennan, CFA, reviews U.S. economic and municipal market conditions at the national and state levels, key investment strategies and the twelve-month performance of the Nuveen New Jersey and Pennsylvania Funds. Paul assumed portfolio management responsibility for these four Funds in 2011.

What factors affected the U.S. economy and the national municipal bond market during the twelve-month reporting period ended February 28, 2018?

The U.S. economy began 2017 at a sluggish pace but gained momentum mid-year, growing at an annualized rate above 3% in the second and third quarters of 2017. In the final three months of 2017, the economy slowed slightly to 2.9%, as reported by the Bureau of Economic Analysis "third" estimate of fourth-quarter gross domestic product (GDP). GDP is the value of goods and services produced by the nation's economy less the value of the goods and services used up in production, adjusted for price changes.

Consumer spending, boosted by employment and wage gains, continued to drive the economy. The Atlantic coast hurricanes in September and October 2017 temporarily weakened shopping and dining out activity, but rebuilding efforts had a positive impact on the economy. Business investment, which had been lackluster in the recovery so far, accelerated in 2017, and hiring continued to boost employment. As reported by the Bureau of Labor Statistics, the unemployment rate fell to 4.1% in February 2018 from 4.7% in February 2017 and job gains averaged around 190,000 per month for the past twelve months. While the jobs market has continued to tighten, wage growth has remained lackluster during this economic recovery. However, the January jobs report revealed an unexpected pick-up in wages, which triggered a broad sell-off in equities, despite tame inflation readings. The Consumer Price Index (CPI) increased 2.2% over the twelve-month reporting period ended February 28, 2018 on a seasonally adjusted basis, as reported by the Bureau of Labor Statistics. The core CPI (which excludes food and energy) increased 1.8% during the same period, slightly below the Federal Reserve's (Fed) unofficial longer term inflation objective of 2.0%.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy or sell securities, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her advisors.

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.

For financial reporting purposes, the ratings disclosed are the highest rating given by one of the following national rating agencies: Standard & Poor's Group (S&P), Moody's Investors Service, Inc. (Moody's) or Fitch, Inc. (Fitch). This treatment of split-rated securities may differ from that used for other purposes, such as for Fund investment policies.

Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings, while BB, B, CCC, CC, C and D are below investment grade ratings. Holdings designated N/R are not rated by these national rating agencies.

Bond insurance guarantees only the payment of principal and interest on the bond when due, and not the value of the bonds themselves, which will fluctuate with the bond market and the financial success of the issuer and the insurer. Insurance relates specifically to the bonds in the portfolio and not to the share prices of a Fund. No representation is made as to the insurers' ability to meet their commitments.

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this section.

Portfolio Manager's Comments (continued)

The housing market also continued to improve, with historically low mortgage rates and low inventory driving home prices higher. The S&P CoreLogic Case-Shiller U.S. National Home Price Index, which covers all nine U.S. census divisions, recorded a 6.2% annual gain in January 2018 (most recent data available at the time this report was prepared). The 10-City and 20-City Composites reported year-over-year increases of 6.0% and 6.4%, respectively.

With the U.S. economy delivering a sustainable growth rate and employment strengthening, the Fed's policy making committee continued to incrementally raise its main benchmark interest rate. The most recent increase, in March 2018 (after the close of this reporting period), was the sixth rate hike since December 2015. In addition, in October 2017, the Fed began reducing its balance sheet by allowing a small amount of maturing Treasury and mortgage securities to roll off without reinvestment. The market expects the pace to remain moderate and predictable, with minimal market disruption.

Investors carefully watched the transition of leadership from outgoing Fed Chair Janet Yellen, whose term expired in February 2018, to the new Chairman Jerome Powell. While Chairman Powell was largely expected to stay on the path set by his predecessor, his first public address was perceived as somewhat more hawkish than the market expected, which led to some near-term volatility at the end of the reporting period.

Investors also sought to gauge the Fed's reaction to the Tax Cuts and Jobs Act, which was signed into law in late December 2017. While it is still too early to know the full impact of the tax reform, which lowers the tax rates on individuals and corporations, investors worried about the Fed stepping up the pace of rate increases to temper a potentially overheating economy.

With the tax overhaul accomplished, the Trump administration resumed focus on some of its other policies. The surprise announcement of steel and aluminum tariffs sparked fears of a trade war and added uncertainty to the ongoing North American Free Trade Agreement (NAFTA) negotiations. Protectionist rhetoric also garnered attention across Europe, as anti-European Union sentiment featured prominently (although did not win a majority) in the Dutch, French, German and Italian elections held in 2017 and early 2018. In the U.K., Brexit talks have progressed but uncertainties remain.

The municipal bond market produced a positive return over this reporting period, although not without volatility. For most of the reporting period, municipal bonds continued to rebound from the post-election sell-off in the fourth quarter of 2016. After President Trump's surprising win, bond markets repriced his reflationary fiscal agenda, driving interest rates higher. Municipal bonds suffered a surge in investor outflows due to speculation that the Trump administration's tax reform proposals could adversely impact municipal bonds.

However, the economy sustained its moderate growth with low inflation, an improving jobs market and modest wage growth, and progress on the White House's agenda was slow. This backdrop helped municipal bond yields and valuations return to pre-election levels and reverse the trend of outflows. Fundamental credit conditions continued to be favorable overall, while the ongoing high-profile difficulties in Puerto Rico, Illinois and New Jersey were contained.

After the new administration's health care and immigration reforms met obstacles, Congress refocused on tax reform initiatives in the latter months of 2017. Early drafts of the bill fostered significant uncertainty about the impact on the municipal bond market, leading municipal bonds to underperform taxable bonds in December and provoking issuers to rush bond offerings ahead of the pending tax law. Issuance in December reached an all-time high of $62.5 billion, exacerbating the market's price decline during the month. However, all of the supply was absorbed and municipal bond valuations subsequently returned to more typical levels.

The final tax reform legislation signed on December 27, 2017 largely spared municipal bonds and was considered neutral to positive for the municipal market overall. Notably, a provision that would have eliminated the tax-preferred status of 20 to 30% of the municipal bond market was not included in the final bill. Moreover, investors were relieved that the adopted changes apply only to newly issued municipal bonds and also could be beneficial from a technical standpoint. Because new issue advance refunding bonds are no longer tax exempt, the total supply of municipal bonds will decrease going forward, boosting the scarcity value of existing municipal bonds. The new tax law also caps the state and local tax (SALT) deduction for individuals, which will likely increase demand for tax-exempt municipal bonds, especially in states with high income and/or property taxes.

Following the issuance surge in late 2017, issuance remained sharply lower in early 2018. However, the overall balance of municipal bond supply and demand remained advantageous for prices. Municipal bond issuance nationwide totaled $453.6 billion in this reporting period, an 8.8% drop from the issuance for the twelve-month reporting period ended February 28, 2017. The robust pace of issuance seen since the low volume depths of 2011 began to moderate in 2017 as interest rates moved higher. Despite the increase, the overall level of interest rates still remained low, encouraging issuers to continue to actively refund their outstanding debt. In these transactions the issuers are issuing new bonds and taking the bond proceeds and redeeming (calling) old bonds. These refunding transactions have ranged from 40%-60% of total issuance over the past few years. Thus, the net issuance (all bonds issued less bonds redeemed) is actually much lower than the gross issuance. So, while gross issuance volume has been strong, the net has not, and this was an overall positive technical factor on municipal bond investment performance in recent years. Although the pace of refundings is slowing, net negative issuance is expected to continue.

Despite the volatility surrounding the potential tax law changes, demand remained robust and continued to outstrip supply. Low global interest rates have continued to drive investors toward higher after-tax yielding assets, including U.S. municipal bonds. As a result, municipal bond fund inflows steadily increased in 2017 overall.

How were the economic and market environments in New Jersey and Pennsylvania during the reporting period ended February 28, 2018?

New Jersey’s economic recovery from the recession continues to be slow. The state has several characteristics that position it to do quite well, such as its proximity to New York City’s extensive job market, a shoreline along the Atlantic coast that benefits from a strong tourism industry and two large transportation hubs in the Port of New York and New Jersey and Newark airport. However, for years following the recession, the state’s recovery fell short of many of its peers. New Jersey had the slowest job growth rate in the Northeast until the middle of 2015. In 2017, the construction, information and professional and business services sectors lost jobs, while a number of industries including health care, transportation, leisure and hospitality, and manufacturing reported job gains. As of February 2018, the state’s unemployment rate registered 4.6%, flat from a year prior, and higher than the national rate of 4.1%. Maintaining and upgrading infrastructure is key to economic growth. To address the dire need to finance infrastructure projects, the New Jersey legislature voted to raise the per-gallon tax on gas and diesel effective November 1, 2016. Prior to this, all revenues coming into the transportation trust fund were needed to cover debt service. While resources dedicated to transportation funding are set to increase, the state reduced its sales tax rate and phased out the estate tax, so general operating revenues are projected to decline. However, Governor Murphy’s proposed Fiscal Year 2019 budget restores the sales tax rate, institutes a millionaire’s tax, and counts on legalizing marijuana and closing loopholes in the corporate tax model to generate new revenues. The sluggishness of the state’s recovery exacerbated fiscal pressures caused by growing pension, health care and debt service payments. In the proposed Fiscal Year 2019 budget, expenditures on these three line items constitute 25% of expenses. The $3.2 billion pension payment in the Fiscal Year 2019 budget proposed by Governor Murphy funds only 60% of the actuarially recommended contribution. The state has been downgraded several times in recent years and now carries an A- rating by S&P, A3 by Moody’s and A by Fitch, all with stable outlooks. For the twelve months ending February 28, 2018, the state issued $11.8 billion in tax exempt debt, a gross issuance, year-over-year decrease of 9.1%.

Pennsylvania is the fifth-largest state by population and sixth-largest by gross state product. The commonwealth’s economy did well in 2017. Pennsylvania’s unemployment rate remained steady at 4.8% as of February 28, 2018. Job growth in Pennsylvania, at 1.5% year-over-year as of December 2017, was stronger than in other Northeast states. The slump in the mining sector that was brought on by low oil and gas prices is over. Large pipeline projects in development should bode well for the Pennsylvania economy in the near term. The education and health services sector represents 20.7% of total employment in the commonwealth. Job growth in this sector was a strong 3.3% in December 2017. On the fiscal front, Pennsylvania continues to have trouble balancing its general fund budget. Late budget passage has become an almost annual occurrence as the governor and the legislature cannot agree on basic budget fundamentals. Pennsylvania drew down all of its rainy day funds years ago and has failed to replenish those funds. The Fiscal Year 2018 budget was balanced with a number of one-time measures, including borrowing $2 billion from the state's future tobacco

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settlement revenues. Pennsylvania's debt burden is considered moderate. The $17 billion of net tax-supported debt is equal to 2.7% of personal income, ranking Pennsylvania 22nd among the 50 states. The commonwealth's pension liabilities are above average. The unfunded pension liability is estimated at more than $65 billion, split between the State Employees Retirement System and the Public School Employees Retirement System. As of February 2018, Pennsylvania's general obligation (GO) debt was rated Aa3 by Moody's and A+ by S&P. For the twelve months ended February 28, 2018, $19.6 billion in new municipal bonds were issued in the commonwealth, a gross issuance decrease of 9.4% from the previous twelve months.

What key strategies were used to manage these Funds during the twelve-month reporting period ended February 28, 2018?

Municipal bonds benefited from a generally favorable macroeconomic backdrop, despite the uncertainties surrounding the tax reform bill. Credit spreads narrowed, as sentiment improved after the fourth-quarter sell-off and municipal bond fund flows reversed from net negative to net positive. While yields on the short end of the yield curve moved higher with the Fed's rate hikes, rates on the long end declined slightly amid low inflation, resulting in a flatter yield curve over this reporting period. New Jersey's municipal market outperformed the national market, propelled by an upgraded outlook from S&P announced midway through the reporting period. Pennsylvania's municipal market also outpaced the national market but by a much narrower margin than New Jersey's.

We also note that New Jersey is among the states with the highest personal income and property taxes, which will be more meaningfully affected by the new limits on SALT deductions (as discussed in the market conditions section of this commentary). While individual taxpayers in New Jersey could see an increased tax burden, we also expect municipal bond demand to remain robust. Instate issues, which offer both state and federal tax advantages, are likely to be especially attractive to taxpayers in high income states. For state and local governments, the ability to raise taxes in the future may be more politically challenging. Bonds backed by tax revenues could face headwinds going forward, and state and local credit profiles could suffer if delays in tax increases hurt pension funding, capital investment or other government spending priorities.

Our trading activity continued to focus on pursuing the Funds' investment objectives. We continued to seek bonds in areas of the market that we expected to perform well as the economy continued to improve. In this reporting period, we opportunistically sought to buy bonds offering better relative value and long-term total return potential. The Funds' positioning emphasized intermediate and longer maturities, lower rated credits and sectors offering higher yields. Additionally, with both Pennsylvania and New Jersey facing ongoing fiscal challenges, we continued to limit exposure to state-supported obligations in all four Funds.

To fund these purchases, we reinvested the proceeds primarily from called and maturing bonds. We also selectively sold positions with short maturities such as pre-refunded bonds or positions that could be swapped for more attractive relative long-term opportunities. Some of these trades generated tax efficiencies, as the loss on the depreciated bonds we sold can be used to offset capital gains in the future. Additionally, we sought to diversify some of the call risk in NPN and NJV, which hold meaningful exposure to bonds with 2019 call dates. In fact, NJV had an elevated level of advance refundings in its portfolio in this reporting period. NPN and NJV were launched in 2009 when interest rates were higher. We should note these trades have had a negative impact on the two Funds' earnings in the short term. To keep the Funds fully invested, the older bonds, which were issued when prevailing interest rates were higher, are being replaced with the lower-yielding bonds available in the current market.

As of February 28, 2018, all of these Funds continued to use inverse floating rate securities. We employ inverse floaters for a variety of reasons, including duration management, income enhancement and total return enhancement. As part of our duration management strategies, NQP and NXJ also invested in forward interest rates swaps to help reduce price volatility risk to movements in U.S. interest rates relative to the Funds' benchmark. NQP added another swap position during the reporting period, which increased the amount of hedging. NXJ's swap position rolled off during the reporting period, and the Fund did not hold any swaps as of the end of the reporting period. These swaps had a positive impact to the performance of NQP and a negligible impact to the performance of NXJ during this reporting period.

How did the Funds perform during the twelve-month reporting period ended February 28, 2018?

The tables in each Fund's Performance Overview and Holding Summaries section of this report provide the Funds' total returns for the one-year, five-year, ten-year and since inception periods ended February 28, 2018. Each Fund's total returns at common share net asset value (NAV) are compared with the performance of corresponding market indexes.

For the twelve-month reporting period ended February 28, 2018, the total returns on common share NAV for these four Funds outperformed that of the national S&P Municipal Bond Index, NXJ and NQP beat their respective state's S&P Municipal Bond Index, and NJV and NPN trailed their respective state's S&P Municipal Bond Index.

The factors influencing the Funds' performance during this reporting period included yield curve and duration positioning, credit rating allocations and sector allocations. The main positive contributor to the Funds' relative performance was their longer yield curve and duration positioning. In this reporting period, longer duration bonds outperformed those with shorter durations, and all four Funds held overweight exposures to longer duration credits and underweight exposures to shorter duration credits. The Funds' credit ratings allocations were also advantageous to relative performance. The Funds have continued to emphasize lower rated bonds over high grade bonds, which was favorable to performance as lower credit quality bonds (A rated and lower) performed better than higher quality (AAA and AA rated) bonds in this reporting period.

On a sector basis, the New Jersey Funds benefited from holdings in the health care sector, which included Kennedy Health System, Palisades Medical Center, RWJ Barnabas Health, Saint Joseph's Healthcare, Cooper Health System and Hackensack Meridian Health, toll roads (including New Jersey Turnpike Authority and two bi-state agencies, Delaware River Joint Toll Bridge and Delaware River and Bay Authority), higher education (including Seton Hall University, New Jersey Institute of Technology and New Jersey City University), state- and state agency-backed, and tobacco settlement sectors. The Funds' holdings in local GOs underperformed due to the sector's higher credit ratings and lower yields. While the New Jersey Funds' overweight allocation to pre-refunded bonds was an overall detractor from performance, some of the newly refunded bonds appreciated strongly, including a number of hospital bonds.

The Pennsylvania Funds saw gains concentrated in the health care, higher education, student housing, family housing, transportation (including Delaware River Joint Toll Bridge, which is also held in the New Jersey Funds), and water and sewer sectors. NPN also benefited from a District of Columbia tobacco securitization bond, which the Fund holds because Pennsylvania does not offer tobacco bonds. (NQP has no exposure to the tobacco sector.) The two Pennsylvania Funds continued to have exposure to FirstEnergy. The energy supplier had performed poorly earlier in 2017 amid credit concerns relating to its parent company's plan to exit the power generation business, but the credit partially rebounded during the reporting period, which was positive for the Funds' performance. However, performance was less favorable for NQP and NPN's local GOs and pre-refunded bonds, due to the sectors' higher credit ratings and lower yields.

In addition, the use of regulatory leverage was a factor affecting the performance of NXJ and NQP. NJV and NPN do not use regulatory leverage. Leverage is discussed in more detail later in the Fund Leverage section of this report.

An Update Involving Puerto Rico

As noted in the Funds' previous shareholder reports, we continue to monitor situations in the broader municipal market for any impact on the Funds' holdings and performance: Puerto Rico's ongoing debt restructuring is one such case. Puerto Rico began warning investors in 2014 the island's debt burden might prove to be unsustainable and the Commonwealth pursued various strategies to deal with this burden.

In June 2016, the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) was signed into law. The legislation established an independent Financial Oversight and Management Board (FOMB) charged with restructuring Puerto Rico's financial operations and encouraging economic development. In May 2017, the oversight board initiated a bankruptcy-like process for the general government, general obligation debt, the Puerto Rico Sales Tax Financing Corporation (COFINA), the Highways and Transportation Authority (HTA), and the Employee Retirement System. Officials have indicated more public corporations could follow.

Portfolio Manager's Comments (continued)

In mid-September 2017, Puerto Rico was severely impacted by two hurricanes within the span of just two weeks causing massive damage across the island. The disruption in the local economy caused by the hurricanes and anticipated incoming federal aid created the need for revised fiscal plans for all Puerto Rican entities. These revised plans have not yet been approved by the Oversight Board. Importantly, federal resources dedicated to rebuilding and recovery efforts will not be available for bondholders in the revised fiscal plans. As of April 2018 (subsequent to the close of this reporting period), Puerto Rico has defaulted on many of its debt obligations, including General Obligation bonds.

In terms of Puerto Rico holdings, shareholders should note that, as of the end of this reporting period, NQP had limited exposure of 0.65%, which was either insured or investment grade, to Puerto Rico debt, while NXJ, NJV and NPN did not hold any Puerto Rico bonds. The Puerto Rico credits offered higher yields, added diversification and triple exemption (i.e., exemption from most federal, state and local taxes). Puerto Rico general obligation debt is currently in default and rated Caa3/D/D by Moody's, S&P and Fitch, respectively, with negative outlooks.

A Note About Investment Valuations

The municipal securities held by the Funds are valued by the Funds' pricing service using a range of market-based inputs and assumptions. A different municipal pricing service might incorporate different assumptions and inputs into its valuation methodology, potentially resulting in different values for the same securities. Thus, the current net asset value of a Fund's shares might be impacted, higher or lower, if the Fund were to use a different pricing service, or if its pricing service were to materially change its valuation methodology. On October 4, 2016, the Fund's then-current municipal bond pricing service was acquired by the parent company of another pricing service, and the combination of the valuation methodologies used by the two organizations took place on October 16, 2017. The change of valuation methodologies due to that combination had little or no impact on the net asset value of each Fund's shares.

Fund Leverage

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of the Funds relative to their comparative benchmarks was the Funds' use of leverage through their issuance of preferred shares and/or investments in inverse floating rate securities, which represent leveraged investments in underlying bonds. NJV and NPN do not use regulatory leverage. The Funds use leverage because our research has shown that, over time, leveraging provides opportunities for additional income, particularly in the recent market environment where short-term market rates are at or near historical lows, meaning that the short-term rates the Fund has been paying on its leveraging instruments have been much lower than the interest the Fund has been earning on its portfolio of long-term bonds that it has bought with the proceeds of that leverage. However, use of leverage also can expose the Fund to additional price volatility. When a Fund uses leverage, the Fund will experience a greater increase in its net asset value if the municipal bonds acquired through the use of leverage increase in value, but it will also experience a correspondingly larger decline in its net asset value if the bonds acquired through leverage decline in value, which will make the Fund's net asset value more volatile, and its total return performance more variable over time. In addition, income in levered funds will typically decrease in comparison to unlevered funds when short-term interest rates increase and increase when short-term interest rates decrease. The use of leverage through inverse floating rate securities contributed positively to the performance of the Funds over this reporting period. Regulatory leverage had a positive impact on the performance of NXJ and NQP over this reporting period.

As of February 28, 2018, the Funds' percentages of leverage are as shown in the accompanying table.

	NXJ	**NJV**	**NQP**	**NPN**
Effective Leverage*	39.17%	9.48 %	40.56%	4.44 %
Regulatory Leverage*	32.44%	0.00 %	35.42%	0.00 %

* Effective Leverage is a Fund's effective economic leverage, and includes both regulatory leverage and the leverage effects of certain derivative and other investments in a Fund's portfolio that increase the Fund's investment exposure. Currently, the leverage effects of Tender Option Bond (TOB) inverse floater holdings are included in effective leverage values, in addition to any regulatory leverage. Regulatory leverage consists of preferred shares issued or borrowings of a Fund. Both of these are part of a Fund's capital structure. A Fund, however, may from time to time borrow on a typically transient basis in connection with its day-to-day operations, primarily in connection with the need to settle portfolio trades. Such incidental borrowings are excluded from the calculation of a Fund's effective leverage ratio. Regulatory leverage is subject to asset coverage limits set forth in the Investment Company Act of 1940.

Fund Leverage (continued)

THE FUND'S REGULATORY LEVERAGE

As of February 28, 2018, the following Funds have issued and outstanding preferred shares as shown in the accompanying table. As mentioned previously, NJV and NPN do not use regulatory leverage.

	Variable Rate Preferred* Shares Issued at Liquidation Preference	**Variable Rate Remarketed Preferred** Shares Issued at Liquidation Preference**	**Total**
NXJ	$313,900,000	$—	$313,900,000
NQP	$304,500,000	$—	$304,500,000

* Preferred shares of the Fund featuring a floating rate dividend based on a predetermined formula or spread to an index rate. Includes the following preferred shares iMTP, VMTP, MFP-VRM and VRDP in Special Rate Mode. See Notes to Financial Statements, Note 4 – Fund Shares, Preferred Shares for further details.

** Preferred shares of the Fund featuring floating rate dividends set by a remarketing agent via a regular remarketing. Includes the following preferred shares VRDP not in Special Rate Mode, MFP-VRRM and MFP-VRDM, where applicable. See Notes to Financial Statements, Note 4 – Fund Shares, Preferred Shares for further details.

Refer to Notes to Financial Statements, Note – 4 Fund Shares, Preferred Shares for further details on preferred shares and each Fund's respective transactions.

Common Share Information

COMMON SHARE DISTRIBUTION INFORMATION

The following information regarding the Funds' distributions is current as of February 28, 2018. Each Fund's distribution levels may vary over time based on each Fund's investment activity and portfolio investment value changes.

During the current reporting period, each Fund's distributions to common shareholders were as shown in the accompanying table.

	Per Common Share Amounts			
Monthly Distributions (Ex-Dividend Date)	**NXJ**	**NJV**	**NQP**	**NPN**
March 2017	$0.0580	$0.0475	$0.0585	$0.0495
April	0.0580	0.0475	0.0585	0.0495
May	0.0580	0.0475	0.0585	0.0495
June	0.0580	0.0475	0.0585	0.0495
July	0.0580	0.0475	0.0585	0.0495
August	0.0580	0.0475	0.0585	0.0495
September	0.0580	0.0475	0.0585	0.0470
October	0.0580	0.0475	0.0585	0.0470
November	0.0580	0.0475	0.0585	0.0470
December	0.0580	0.0475	0.0535	0.0455
January	0.0580	0.0475	0.0535	0.0455
February 2018	0.0580	0.0475	0.0535	0.0455
Total Monthly Per Share Distributions	$0.6960	$0.5700	$0.6870	$0.5745
Ordinary Income Distribution*	$0.0028	$0.0073	$0.0038	$0.0080
Total Distributions from Net Investment Income	$0.6988	$0.5773	$0.6908	$0.5825
Short-term Capital Gain*	$—	$0.0028	$—	$0.0213
Long-term Capital Gain*	$—	$0.3494	$0.0017	$0.1710
Total Distributions from Accumulated Net Realized Gains	$—	$0.3522	$0.0017	$0.1923
Total Distributions	$0.6988	$0.9295	$0.6925	$0.7748

Yields				
Market Yield**	5.31 %	4.21 %	5.13 %	3.60 %
Taxable-Equivalent Yield**	7.63 %	6.05 %	7.04 %	4.94 %

* Distribution paid December 2017.

** Market Yield is based on the Fund's current annualized monthly dividend divided by the Fund's current market price as of the end of the reporting period. Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 30.4% and 27.1% for New Jersey and Pennsylvania, respectively. When comparing a Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

Each Fund in this report seeks to pay regular monthly dividends out of its net investment income at a rate that reflects its past and projected net income performance. To permit each 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 income actually earned by the Fund during the period. If a 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 a Fund has cumulatively paid in dividends more than it has earned, the excess will constitute a

Common Share Information (continued)

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 February 28, 2018, the Funds had positive UNII balances for tax purposes. NXJ, NJV and NPN had positive UNII balances while NQP had a negative UNII balance for financial reporting purposes.

All monthly dividends paid by each Fund during the current reporting period were paid from net investment income. If a portion of the Fund's monthly distributions was sourced from or comprised of elements other than net investment income, including capital gains and/or a return of capital, shareholders would have received a notice to that effect. For financial reporting purposes, the composition and per share amounts of each Fund's dividends for the reporting period are presented in this report's Statement of Changes in Net Assets and Financial Highlights, respectively. For income tax purposes, distribution information for each Fund as of its most recent tax year end is presented in Note 6 — Income Tax Information within the Notes to Financial Statements of this report.

COMMON SHARE REPURCHASES

During August 2017, the Funds' Board of Trustees reauthorized an open-market share repurchase program, allowing each Fund to repurchase an aggregate of up to approximately 10% of its outstanding shares.

As of February 28, 2018, and since the inception of the Funds' repurchase programs, the Funds have cumulatively repurchased and retired their outstanding common shares as shown in the accompanying table.

	NXJ	**NJV**	**NQP**	**NPN**
Common shares cumulatively repurchased and retired	658,200	15,000	378,900	0
Common shares authorized for repurchase	4,260,000	155,000	3,775,000	120,000

During the current reporting period, the following Funds repurchased and retired their common shares at a weighted average price per common share and a weighted average discount per common share as shown in the accompanying table.

	NXJ	**NQP**
Common shares repurchased and retired	49,600	15,500
Weighted average price per common share repurchased and retired	$13.47	$12.68
Weighted average discount per common share repurchased and retired	14.07 %	14.72 %

OTHER COMMON SHARE INFORMATION

As of February 28, 2018, and during the current reporting period, the Funds' common share prices were trading at a premium/ (discount) to their common share NAVs as shown in the accompanying table.

	NXJ	**NJV**	**NQP**	**NPN**
Common Share NAV	15.37	15.15	14.71	14.78
Common Share Price	13.10	13.55	12.52	15.15
Premium/(Discount) to NAV	(14.77)%	(10.56)%	(14.89)%	2.50 %
12-month average premium/(discount) to NAV	(12.83)%	(6.44)%	(11.77)%	1.45 %

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.

Nuveen New Jersey Quality Municipal Income Fund (NXJ)
Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. Leverage increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. State concentration makes the Fund more susceptible to local adverse economic, political, or regulatory changes affecting municipal bond issuers. These and other risk considerations such as inverse floater risk and tax risk are described in more detail on the Fund's web page at www.nuveen.com/NXJ.

Nuveen New Jersey Municipal Value Fund (NJV)
Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. State concentration makes the Fund more susceptible to local adverse economic, political, or regulatory changes affecting municipal bond issuers. These and other risk considerations such as tax risk are described in more detail on the Fund's web page at www.nuveen.com/NJV.

Nuveen Pennsylvania Quality Municipal Income Fund (NQP)
Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. Leverage increases return volatility and magnifies the Fund's potential return and its risks; there is no guarantee a fund's leverage strategy will be successful. State concentration makes the Fund more susceptible to local adverse economic, political, or regulatory changes affecting municipal bond issuers. These and other risk considerations such as inverse floater risk and tax risk are described in more detail on the Fund's web page at www.nuveen.com/NQP.

Nuveen Pennsylvania Municipal Value Fund (NPN)
Investing in closed-end funds involves risk; principal loss is possible. There is no guarantee the Fund's investment objectives will be achieved. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. Debt or fixed income securities such as those held by the Fund, are subject to market risk, credit risk, interest rate risk, derivatives risk, liquidity risk, and income risk. As interest rates rise, bond prices fall. State concentration makes the Fund more susceptible to local adverse economic, political, or regulatory changes affecting municipal bond issuers. These and other risk considerations such as tax risk are described in more detail on the Fund's web page at www.nuveen.com/NPN.

NXJ Nuveen New Jersey Quality Municipal Income Fund
Performance Overview and Holding Summaries as of February 28, 2018

Refer to Glossary of Terms Used in this Report for further definition of the terms used within this section.

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