



THE NUVEEN SENIOR FLOATING RATE INCOME FUND

Leveraged Loan Market Commentary

Second Quarter 2005 Senior Loan Market Commentary

The loan market continued its strong performance during the first quarter of 2005. Leveraged loans registered positive returns each month, bringing the number of consecutive monthly gains to 29. Rising short-term interest rates and low default rates continue to make leveraged loans an attractive asset class for investors. Macroeconomics trends remained positive during the quarter. Analysts expect GDP to be in the 3.5% range in 2005 and job creation to continue growing steadily. However, volatile oil prices and commodity costs continue to undermine corporate profits and contribute to inflationary concerns. The Federal Reserve boosted the benchmark interest rate by 75 bps during the first quarter to ward off the threat of rising inflation. The CPI index was flat for the fourth quarter of 2004, and then began to increase in the first quarter of 2005. The CPI rose 0.2% in January, 0.3% in February, and 0.4% in March adding to investors concern.

In aggregate, the economy continued its steady pace of growth during the quarter and credit fundamentals strengthened accordingly. Loan fund inflows began to slow relative to new loan supply in March. However, for the quarter as a whole, inflows far outweighed leveraged loan supply underscoring robust demand for the asset class. Leveraged loan assets as measured by the CSFB Leveraged Loan Index posted a 1.62% total quarterly return in Q1 2005 versus a gain of 1.77% in Q1 2004.

Increased institutional issuance significantly buoyed secondary trading during the quarter. By quarter end, the average price for all par term loans rose 101.06 compared to 100.78 at the end of the fourth quarter. Loans that trade above par made up 80% of trading volume while loans above 102 made up 6% at one point during the quarter. B rated spreads tightened 41 bps from the year ago period and BB rated spreads tightened 32 bps. B and BB spreads ended the quarter at 252 bps and 194 bps respectively. These levels underscore strong demand for the leveraged loan asset class.

Our outlook remains optimistic on the loan market. We continue to believe that rising interest rates and low corporate defaults will contribute to strong demand for senior loans in 2005.

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Portfolio Valuation Detail Top 10 Holdings

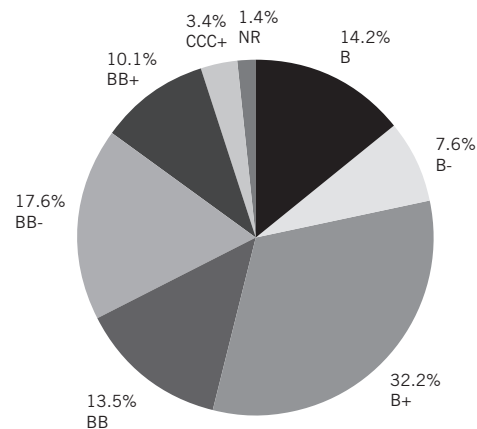
as of May 31, 2005

	% Of Mkt Value
El Paso Corporation	5.10%
General Growth Properties, Inc.	5.10%
Charter Communications Operating, LLC	5.00%
K & F Industries, Inc.	4.90%
Jarden Corporation	4.20%
Visant Corporation (fka Jostens IH Corp.)	4.10%
Alderwoods Group, Inc.	3.70%
MGM Mirage	3.70%
Park Place Entertainment	3.60%
Tesoro Petroleum Corporation	3.50%



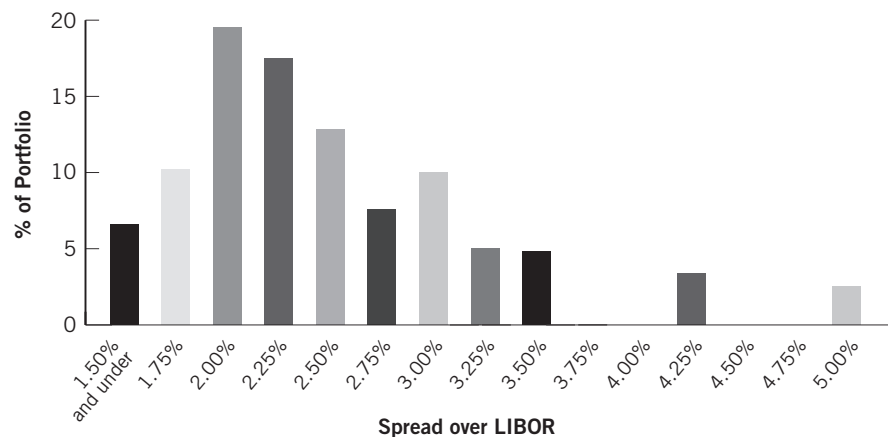
Portfolio Valuation Detail Credit Quality

as of May 31, 2005



Spread Distributions

as of May 31, 2005



For more information please contact FAIRWAY CAPITAL MANAGEMENT.

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