NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND
Form N-CSRS
November 08, 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 811-09161

Nuveen California Dividend Advantage Municipal 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: February 28

Date of reporting period: August 31, 2013

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,

I am pleased to have this opportunity to introduce myself to you as the new independent chairman of the Nuveen Fund Board, effective July 1, 2013. I am honored to have been selected as chairman, with its primary responsibility to serve the interests of the Nuveen Fund shareholders. My predecessor, Robert Bremner, was the first independent director to serve as chairman of the Board and I, and my fellow Board members, plan to continue his legacy of strong independent oversight of your funds.

The global economy has hit major turning points over the last several months to a year. The developed world is gradually recovering from their financial crisis while the emerging markets appear to be struggling with the downshift of China's growth potential. Japan is entering a new era of growth after decades of economic stagnation and many of the Eurozone nations appear to be exiting their recession. Despite the positive events, there are still potential risks. Middle East tensions, rising oil prices, defaults in Europe and fallout from the financial stress in emerging markets could all reverse the recent progress in the global economy.

On the domestic front, the U.S. economy is experiencing sustainable slow growth. Corporate fundamentals are strong as earnings per share and corporate cash are at the highest level in two decades. Unemployment is trending down and the housing market has experienced a rebound, each assisting the positive economic scenario. However, there are some issues to be watched. Interest rates are expected to increase but significant uncertainty about the timing remains. Partisan politics in Washington D.C. with their troublesome outcome add to the uncertainties that could cause problems for the economy going forward.

In the near term, governments are focused on economic recovery and the growth of their economies, which could lead to an environment of attractive investment opportunities. Over the long term, the uncertainties mentioned earlier could hinder the potential growth. Because of this, Nuveen's investment management teams work hard to balance return and risk with a range of investment strategies. I encourage you to read the following commentary on the management of your fund.

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 Nuveen Fund Board
October 21, 2013

Portfolio Manager's Comments

Nuveen California Premium Income Municipal Fund (NCU)
Nuveen California Dividend Advantage Municipal Fund (NAC)
Nuveen California Dividend Advantage Municipal Fund 2 (NVX)
Nuveen California Dividend Advantage Municipal Fund 3 (NZH)
Nuveen California AMT-Free Municipal Income Fund (NKX)

These Funds feature management by Nuveen Asset Management, LLC, an affiliate of Nuveen Investments. Portfolio manager Scott R. Romans, PhD., discusses key investment strategies and the six-month performance of these Nuveen California Municipal Funds. Scott has managed these five Funds since 2003.

What key strategies were used to manage these California Funds during the six-month reporting period ended August 31, 2013?

During this reporting period, uncertainty about the next step for the Federal Reserve's quantitative easing program and the potential impact on the economy and financial markets led to increased market volatility. Ongoing political debate over federal spending and headline credit stories involving Detroit and Puerto Rico also contributed to an unsettled environment and prompted an increase in selling. Given this backdrop, municipal bond prices generally declined during this period, while the yield curve steepened. During this reporting period, 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 and helped us keep our Funds fully invested.

We primarily focused on three strategies intended to enhance the Funds' positioning and increase income distribution. The first of these strategies involved purchasing bonds that we believed had the best prospects for being advance refunded, that is, bonds with higher coupons or slightly shorter calls. Carrying out this strategy did not involve selling any bonds from our portfolios, but instead reinvesting the proceeds from bonds being called. Once interest rates started to rise, our focus shifted to bond swaps. Virtually all of the bonds we added to our portfolios in 2012 were purchased at significant premiums. Because premiums must be amortized, this cuts into the amount of income available for distribution from the coupon. By executing a bond swap in a rising interest rate environment, that amortization expense is basically converted into a loss, so that more of the income from the coupon can be distributed to shareholders. Most of the bonds we swapped offered similar risk characteristics and often involved the same credit, but with different maturity dates. An additional benefit of this strategy was the generation of tax loss carry-forwards that can be used to offset future capital gains. During this reporting period, we pursued this second strategy rather aggressively.

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, 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.

Portfolio Manager's Comments (continued)

The third strategy involved an approach known as "couponing up." Couponing up is the process of working to improve the book yields on Fund holdings, which enables us to maintain and potentially improve the dividend stream that is passed on to shareholders. For example, during the reporting period we sold some of the Funds' redevelopment agency holdings with 5% coupons in the 20-year maturity range at attractive prices into strong retail demand. We then used the proceeds from these sales to purchase more recent redevelopment issuance from 2010-2011 with higher coupons (e.g., 5.75%). These bonds ultimately provide a more defensive structure and enable us to increase income distributions.

Activity during this period was driven primarily by the execution of these strategies and the reinvestment of proceeds from called and matured bonds, which was aimed at keeping the Funds fully invested and supporting their income streams. During the first part of this period, we experienced an increased number of current bond calls resulting from a growth in refinancings, which provided a meaningful source of liquidity. These calls also had an impact on some of the Funds' durations, since the bonds called as part of current refundings were priced to short calls and therefore had negligible durations. Although this was not a strategy during this reporting period, reinvesting these call proceeds in anything other than cash had the effect of extending duration. In the latter months of this period, as interest rates rose, refinancing activity waned. As the supply of new paper associated with the refinancings declined in the California market, we focused on the secondary market for the majority of our purchases.

As of August 31, 2013, all five 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 during the six-month reporting period ended August 31, 2013?

The tables in each Fund's Performance Overview and Holding Summaries section of this report provide the Funds' returns for the six-month, one-year, five-year, and ten-year periods ended August 31, 2013. Each Fund's returns are compared with the performance of a corresponding market index and Lipper classification average.

For the six months ended August 31, 2013, the cumulative returns on common share net asset value (NAV) for all five of these Funds underperformed the returns for the S&P Municipal Bond California Index as well as the national S&P Municipal Bond Index. For the same period, NCU exceeded the average return for the Lipper California Municipal Debt Funds Classification Average, while NAC, NVX, NZH and NKX trailed the Lipper average return.

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

As interest rates rose and the yield curve steepened, municipal bonds with shorter maturities generally outperformed those with longer maturities. Overall, credits at the shortest end of the municipal yield curve posted the best returns during this period, while bonds at the longest end produced the weakest results. Duration and yield curve positioning was the major factor detracting from the Funds' performance. All of these Funds tended to be positioned with durations slightly longer than that of the index, which hurt their performance. On the whole, NAC was the least advantageously positioned in terms of duration and yield curve exposure, with a duration that exceed that of the market by the widest margin. NCU benefited from having the shortest effective duration among these five Funds.

Credit exposure also factored into the Funds' performance during these six months, as credit spreads, or the difference in yield spreads between U.S. Treasury securities and comparable investments such as municipal bonds, began to

widen and higher quality bonds generally outperformed lower quality bonds. All of these Funds generally benefited from their exposure to the higher rated categories. However, they tended to be underweighted in these categories and overweighted in lower rated bonds, which hampered their performance. Among these Funds, NAC, NVX and NZH had the heaviest allocations of lower rated bonds (bonds ranked BBB or lower), while NCU was helped by a heavier weighting of bonds rated AAA. NKX, which was managed as an insured Fund until May 2012, continued to have a relatively higher credit profile, which worked in its favor during this reporting period.

After underperforming for many months, pre-refunded bonds, which are typically backed by U.S. Treasury securities, were among the best performing market segments during this reporting period. The outperformance of these bonds can be attributed primarily to their shorter effective maturities and higher credit quality. NCU and NKX benefited from their heavier weightings in pre-refunded bonds, while NAC and NVX had the smallest allocations of these bonds. General obligation (GO), housing, redevelopment agency (RDA) and tax increment financing (TIF) district bonds also typically outperformed the general municipal market. During this reporting period, NKX's overweighting in TIF credits was a positive contributor to its performance.

In contrast, revenue bonds as a whole underperformed the municipal market. Among the revenue sectors that lagged municipal market performance by the widest margins for this reporting period were industrial development revenue (IDR), health care (including hospitals), water and sewer, and transportation. Tobacco credits backed by the 1998 master tobacco settlement agreement also were among the poorest performing market sectors, due in part to their longer effective durations. All of these Funds had similar allocations of tobacco credits, with NAC and NVX having the heaviest weightings and NCU and NKX the smallest.

Shareholders should be aware of issues impacting the Funds' Puerto Rico holdings. In 2012, Moody's downgraded Puerto Rico Sales Tax Financing Corporation (COFINA) bonds to Aa3 from Aa2 and Puerto Rico GO bonds to Baa3 from Baa1. These downgrades were based on Puerto Rico's ongoing economic problems and, in the case of the COFINA bonds, the impact of these problems on the projected growth of sales tax revenues. However, the COFINA bonds were able to maintain a higher credit rating than the GOs because, unlike the revenue streams supporting some Puerto Rican issues, the sales taxes supporting the COFINA bonds cannot be diverted and used to support Puerto Rico's GO bonds. For the reporting period ended August 31, 2013, Puerto Rico paper generally underperformed the municipal market as a whole. NCU did not have any Puerto Rico holdings, while NAC, NVX, NZH, and NKX had limited exposure to Puerto Rico, with holdings ranging from less than 1% in NAC to approximately 3% in NVX. The majority of these holdings are the dedicated sales tax bonds issued by COFINA. NVX also has a small position in Puerto Rico GO bonds, all of which are insured, and NZH holds Puerto Rico highway revenue credits. Exposure to enhanced Puerto Rico bonds (that is, credits that were not insured or escrowed) did not exceed 1.4% in any of these Funds and, in most cases, was significantly less. The limited nature of the Funds' exposure to Puerto Rico credits resulted in negligible impact from the bonds' underperformance.

Given the Puerto Rico situation and Detroit's bankruptcy filing in July 2013, we should note that we continue to closely monitor credit conditions in the California market. In August 2013, Fitch upgraded the rating on California state GO debt to A from A-, while Moody's and S&P maintained their ratings of A1 and A, respectively. We also continue to watch the status of local municipalities such as San Bernardino and Stockton, which filed for bankruptcy in 2012 as they became increasingly squeezed by budget problems resulting from rising pension costs. At the end of August 2013, San Bernardino was awarded bankruptcy protection by the court, joining Stockton, which has begun forming a restructuring plan after receiving Chapter 9 protection in April 2013. San Bernardino currently has unfunded pension liabilities of approximately $145 million as well as $50 million in bonds it issued in 2005 to help cover pension obligations. Pension liabilities, primarily due to the California Public Employees' Retirement System (CalPERS), also were at the

Portfolio Manager's Comments (continued)

heart of Stockton's bankruptcy filing. With the recent press surrounding Detroit, it is worth noting the major difference that exists between the bankruptcy in Detroit and the situation in Stockton and San Bernardino and that is that the California cities' problems stem from pension obligations, rather than a history of heavy debt burdens and significant tax base deterioration over many years, as in Detroit. Among these Funds, both NZH and NKX had exposure to Stockton and San Bernardino, all of which is insured.

APPROVED FUND REORGANIZATIONS

On October 13, 2013 (subsequent to the close of this reporting period) the Nuveen Funds Board of Directors/Trustees approved a series of reorganizations for certain of the California Funds included in this report. The reorganizations are subject to customary conditions, including shareholder approval at annual shareholder meetings in early 2014. Each reorganization is intended to create one, larger-state fund, which would potentially offer shareholders the following benefits:

- Lower fund expense ratios (excluding the effects of leverage), as fixed costs are spread over a larger asset base;
- Enhanced secondary market trading, as larger funds potentially make it easier for investors to buy and sell fund shares;
- Lower per share trading costs through reduced bid/ask spreads due to a larger common share float; and
- Increased fund flexibility in managing the structure and cost of leverage over time.

The approved reorganizations are as follows:

Acquired Funds	Acquiring Funds
Nuveen California Performance Plus Municipal Fund, Inc. (NCP)	
Nuveen California Municipal Market Opportunity Fund, Inc. (NCO)	
Nuveen California Investment Quality Municipal Fund, Inc. (NQC)	Nuveen California Dividend Advantage Municipal Fund (NAC)
Nuveen California Select Quality Municipal Fund, Inc. (NVC)	
Nuveen California Quality Income Municipal Fund, Inc. (NUC)	
Nuveen California Premium Income Municipal Fund (NCU)	Nuveen California AMT-Free Municipal Income Fund (NKX)

Upon the closing of a reorganization, an Acquired Fund transfers its assets to the Acquiring Fund in exchange for common and preferred shares of the Acquiring Fund, and the assumption by the Acquiring Fund of the liabilities of the Acquired Fund. Each Acquired Fund is then liquidated, dissolved and terminated in accordance with its Declaration of Trust. Shareholders of each Acquired Fund become shareholders of the Acquiring Fund. Holders of common shares receive newly issued common shares of their Acquiring Fund, the aggregate net asset value of which equal the aggregate net asset value of the common shares of the Acquired Fund held immediately prior to the reorganization (including for this purpose fractional Acquiring Fund shares to which shareholders are entitled).

Fractional shares are sold on the open market and shareholders received cash in lieu of such fractional shares. Holders of preferred shares of each Acquired Fund receive on a one-for-one basis newly issued preferred shares of their Acquiring Fund, in exchange for preferred shares of the Acquired Fund held immediately prior to the reorganizations.

Fund Leverage

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the return of the Funds relative to their benchmarks 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 had a negative impact on the performance of the Funds over this reporting period.

As of August 31, 2013, the Funds' percentages of effective and regulatory leverage are as shown in the accompanying table:

	NCU	NAC	NVX	NZH	NKX
Effective Leverage*	38.37%	40.51%	40.53%	41.79%	39.42%
Regulatory Leverage*	30.53%	30.27%	32.79%	34.85%	34.50%

* 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. Regulatory leverage is subject to asset coverage limits set forth in the Investment Company Act of 1940.

Fund Leverage (continued)

THE FUNDS' REGULATORY LEVERAGE

As of August 31, 2013, the Funds have issued and outstanding MuniFund Term Preferred (MTP) Shares and/or Variable Rate Demand Preferred (VRDP) Shares as shown in the accompanying table.

	MTP Shares				VRDP Shares		
	Series	Shares Issued at Liquidation Value	Annual Interest Rate	NYSE / NYSE MKT Ticker	Series	Shares Issued at Liquidation Value	Total
NCU	2015	$ 35,250,000	2.00%	NCU PRC	—	$ —	
		$ 35,250,000				$ —	$ 35,250,000
NAC		$ —	—	—	1	$ 136,200,000	
		$ —				$ 136,200,000	$ 136,200,000
NVX**		—	—	—	1	$ 98,000,000	
		$ —				$ 98,000,000	$ 98,000,000
NZH	2014	$ 27,000,000	2.35%	NZH PRA	—	$ —	
	2014-1	46,294,500	2.25%	NZH PRB	—	—	
	2015	86,250,000	2.95%	NZH PRC	—	—	
		$ 159,544,500				$ —	$ 159,544,500
NKX		$ —	—	—	2	$ 35,500,000	
		—	—	—	3	42,700,000	
		—	—	—	4	109,000,000	
		—	—	—	5	104,400,000	
		$ —				$ 291,600,000	$ 291,600,000

** Does not include MTP Shares noticed for redemption.

On August 29, 2013, NVX issued 980 VRDP Shares to qualified institutional buyers in a private offering pursuant to Rule 144A of the Securities Act of 1933. The proceeds of this issuance were used to redeem all series of the Fund's MTP Shares, at their $10.00 liquidation value per share plus an additional amount representing any dividend amounts owed, on September 9, 2013 (subsequent to the close of this reporting period.)

Subsequent to the close of this reporting period, NZH redeemed all series of its MTP Shares, at their $10.00 liquidation value per share plus an additional amount representing any dividend amounts owed, with the proceeds of newly issued VRDP Shares. On September 26, 2013, VRDP Shares were issued to qualified institutional buyers in a private offering pursuant to Rule 144A of the Securities Act of 1933 and NZH's MTP Shares were redeemed on October 7, 2013.

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

Common Share Information

COMMON SHARE DIVIDENDS INFORMATION

During the current reporting period ended August 31, 2013, the Funds' monthly dividends to common shareholders were as shown in the accompanying table.

	Per Common Share Amounts				
	NCU	NAC	NVX	NZH	NKX
March	$ 0.0700	$ 0.0740	$ 0.0750	$ 0.0670	$ 0.0700
April	0.0700	0.0740	0.0750	0.0670	0.0700
May	0.0700	0.0740	0.0750	0.0670	0.0700
June	0.0700	0.0740	0.0750	0.0670	0.0700
July	0.0700	0.0740	0.0750	0.0670	0.0700
August	0.0700	0.0740	0.0750	0.0670	0.0700
Market Yield**	6.56%	7.23%	7.05%	6.97%	6.98%
Taxable-Equivalent Yield**	10.05%	11.07%	10.80%	10.67%	10.69%

** 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 34.7%. When comparing a Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

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 August 31, 2013, all of the Funds in this report had positive UNII balances, based on our best estimate, for tax and positive UNII balances for financial reporting purposes.

COMMON SHARE REPURCHASES

As of August 31, 2013, 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. Since the inception of the Funds' repurchase programs, NAC and NKX have not repurchased any of their outstanding common shares.

	NCU	NAC	NVX	NZH	NKX
Common Shares Cumulatively Repurchased and Retired	44,500	—	50,700	12,900	—
Common Shares Authorized for Repurchase	575,000	2,350,000	1,475,000	2,415,000	4,185,000

During the current reporting period, the Funds did not repurchase any of their outstanding common shares.

Common Share Information (continued)

COMMON SHARE EQUITY SHELF PROGRAMS

The following Funds are authorized to issue additional common shares through their ongoing equity shelf program. Under this program, each Fund, subject to market conditions, may raise additional capital from time to time in varying amounts and offering methods at a net price at or above the Fund's NAV per common share.

	NAC	NKX
Additional Common Shares Authorized	2,300,000	4,100,000

During the current reporting period, NAC and NKX did not sell common shares through their equity shelf programs.

Refer to Notes to Financial Statements, Note 1 – General Information and Significant Accounting Policies for further details on the Funds' Equity Shelf Programs.

OTHER COMMON SHARE INFORMATION

As of August 31, 2013, 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.

		NCU		NAC		NVX		NZH		NKX
Common Share NAV	$	13.99	$	13.33	$	13.61	$	12.35	$	13.23
Common Share Price	$	12.80	$	12.28	$	12.76	$	11.54	$	12.04
Premium/(Discount) to NAV		(8.51)%		(7.88)%		(6.25)%		(6.56)%		(8.99)%
6-Month Average Premium/(Discount) to NAV		(5.25)%		(5.69)%		(6.48)%		(7.49)%		(7.72