

Flaherty & Crumrine PREFERRED SECURITIES INCOME FUND INC
Form N-30B-2
April 27, 2018
FLAHERTY & CRUMRINE Preferred Securities Income Fund

To the Shareholders of Flaherty & Crumrine Preferred Securities Income Fund (“FFC”):

Despite general weakness in most fixed-income markets (e.g., investment-grade corporate bonds), attributable mostly to higher benchmark interest rates, preferred securities performed reasonably well on a relative basis. Total return¹ on net asset value (“NAV”) for the first fiscal quarter was -0.2%, while total return on market price was -5.1%.

The U.S. economy remains on solid footing, with most economists forecasting faster growth in 2018. Inflation has remained in check thus far, and modest wage growth and strong business investment suggest that faster economic growth can be accommodated without the economy overheating. Faster economic growth combined with optimism around tax reform has caused interest rates to move modestly higher. Tax reform should be supportive of growth and investment, but much of it will be deficit-financed and could result in higher Treasury rates as government borrowing increases.

Investors often associate higher long-term interest rates with lower prices for preferred securities, and to some extent this is true. However, sensitivity of the Fund’s preferred portfolio to benchmark interest rates is much lower today than it was ten years ago. That is primarily attributable to larger holdings of fixed-to-floating rate securities relative to traditional fixed-for-life preferreds. Including these securities in a portfolio (~74% as of 2/28/2018) reduces sensitivity to benchmark interest rates. Moderate interest-rate sensitivity, along with a tightening of preferred credit spreads during the quarter, offset much of the weakness experienced by other fixed-income asset classes.

Most of the portfolio experienced credit-spread tightening as noted above, but one area of mixed performance was the energy sector, notably master limited partnerships (MLPs). The MLP industry appears to be in transition. The traditional MLP structure has struggled to meet investor expectations, leading some to collapse partnership structures into simpler organizations. Lower corporate tax rates from recent tax reform may accelerate that trend. While a simpler structure should benefit preferred investors over time, many MLPs issued preferreds in the last few months, causing yields to increase as concessions were offered to entice demand. Importantly, individual MLPs are in various stages of transition, and we remain comfortable with the level of MLP exposure in the Fund’s portfolio (~6.4% as of 2/28/2018). Many of the MLPs held by the Fund are among the strongest credits in the sector and a step ahead of peers in navigating these rough waters.

The Fund’s dividend rate was reduced during the quarter to reflect changes in interest rates and credit spreads that have cumulated over time. Tightening by the Federal Reserve has raised short-term interest rates and, therefore, leverage cost, while lower preferred yields have gradually reduced portfolio income. The investment objective of the Fund is to provide high current income consistent with the preservation of capital, and we believe the Fund will continue to meet that objective – although distributable income may be reduced as we proceed through this economic cycle. Fund shareholders have benefited from years of record-low interest rates and low leverage costs, but rates have moved up as the economy has improved. We believe the Fund’s strategy of investing in preferred securities and using leverage to increase income will continue to produce a competitive distribution rate for shareholders. We encourage shareholders to read the Fund’s 2017 annual report for a more-thorough discussion of this important topic.

¹ Following the methodology required by the Securities and Exchange Commission, total return assumes dividend reinvestment.

² December 1, 2017 — February 28, 2018

Market volatility is likely to increase from record-low levels as we move into later stages of this economic cycle, but we believe preferreds will continue to offer competitive performance. Their combination of credit quality and yield (much of which is tax-advantaged) will be difficult to replicate in other fixed-income asset classes.

As always, we encourage you to visit the Fund's website, www.preferredincome.com, for timely and important information.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

March 31, 2018

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Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OVERVIEW

February 28, 2018 (Unaudited)

Fund Statistics

Net Asset Value	\$ 19.95	
Market Price	\$ 19.20	
Discount	3.76	%
Yield on Market Price	7.13	%
Common Stock Shares Outstanding	44,252,635	

Security Ratings**	% of Net Assets†
A	0.7 %
BBB	56.4 %
BB	32.0 %
Below “BB”	1.0 %
Not Rated***	8.1 %

Portfolio Rating Guidelines	% of Net Assets†
Security Rated Below Investment Grade By All*****	27.9 %
Issuer or Senior Debt Rated Below Investment Grade by All*****	2.0 %

**Ratings are from Moody’s Investors Service, Inc. “Not Rated” securities are those with no ratings available from Moody’s.

***Excludes common stock and money market fund investments and net other assets and liabilities of 1.8%.

****Security rating below investment grade by all of Moody’s, Standard & Poor’s, and Fitch Ratings.

*****Security rating and issuer’s senior unsecured debt or issuer rating are below investment grade by all of Moody’s, S&P, and Fitch. The Fund’s investment policy currently limits such securities to 10% of Net Assets.

Industry Categories* % of Net Assets†

Top 10 Holdings by Issuer	% of Net Assets†
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JPMorgan Chase & Co	4.6 %
PNC Financial Services Group Inc	4.5 %
Wells Fargo & Company	4.3 %
MetLife Inc	4.3 %
Liberty Mutual Group	3.7 %
Citigroup Inc	3.6 %
Morgan Stanley	3.5 %
BNP Paribas	3.2 %
Fifth Third Bancorp	3.2 %
XL Group Limited	3.0 %

	% of Net Assets*****†
Holdings Generating Qualified Dividend Income (QDI) for Individuals	58 %
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	45 %

*****This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation.

†Net Assets includes assets attributable to the use of leverage.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS

February 28, 2018 (Unaudited)

Shares/\$ Par	Value	
Preferred Securities\$ — 93.4%		
Banking — 54.0%		
	Australia & New Zealand Banking Group Ltd.,	
\$ 5,103,000	6.75%\$5,594,164	** (1)(2)
	to 06/15/26 then ISDA5 + 5.168%, 144A****	
	Banco Bilbao Vizcaya Argentaria SA,	
\$ 12,800,000	6.125% 13,056,000	** (1)(2)
	to 11/16/27 then SW5 + 3.87%	
\$ 2,970,000	Banco3,241,607	** (2)
	Mercantil del Norte SA, 7.625% to 01/06/28	

	then		
	T10Y		
	+		
	5.353%,		
	144A****		
	Bank of America Corporation:		
	3ML		
	+		
\$ 13,571,000	3.63%	13,689,746	*(1)
	5.3969% ⁽³⁾ ,		
	Series		
	K		
	8.125%		
	to		
	05/15/18		
	then		
\$ 11,000,000	3ML	11,178,750	*(1)
	+		
	3.64%,		
	Series		
	M		
	Barclays Bank PLC:		
	7.875%		
	to		
	03/15/22		
	then		
\$ 18,863,000	SW5	20,390,997	** ⁽¹⁾ (2)
	+		
	6.772%,		
	144A****		
	8.125%,		
300,036	Series	7,968,956	** ⁽¹⁾ (2)
	5		
	BNP Paribas:		
	7.375%		
	to		
	08/19/25		
	then		
\$ 31,040,000	SW5	34,570,800	** ⁽¹⁾ (2)
	+		
	5.15%,		
	144A****		
\$ 8,000,000	7.625%	8,720,000	** ⁽²⁾
	to		
	03/30/21		
	then		
	SW5		
	+		

	6.314%, 144A****	
	Capital One Financial Corporation:	
13,893	6.00%, Series353,577 B	*
58,600	6.00%, Series1,548,212 H	*
34,000	6.20%, Series903,380 F	*
120,900	6.70%, Series3,228,030 D	*(1)
	Citigroup, Inc.:	
	5.95% to 05/15/25 then	
\$ 2,000,000	3ML 2,081,500	*
	+ 3.905%, Series P	
	6.875% to 11/15/23 then	
1,036,484	3ML 29,218,484	*(1)
	+ 4.13%, Series K	
	7.125% to 09/30/23 then	
572,357	3ML 16,438,093	*(1)
	+ 4.04%, Series J	
	CoBank ACB:	
38,420	6.125%,899,630 Series G,	*

	144A****		
	6.20%		
	to		
	01/01/25		
	then		
104,000	3ML 11,146,200	*	
	+		
	3.744%,		
	Series		
	H,		
	144A****		
	6.25%		
	to		
	10/01/22		
	then		
60,000	3ML 6,450,000	*(1)	
	+		
	4.557%,		
	Series		
	F,		
	144A****		
	6.25%		
	to		
	10/01/26		
	then		
\$ 2,498,000	3ML 2,724,991	*	
	+		
	4.66%,		
	Series		
	I,		
	144A****		
	Colonial		
	BancGroup,		
\$ 35,100,000	7.114%, 3,510	(3)(4)††	
	144A****		
	Credit		
	Agricole		
	SA,		
	7.875%		
	to		
\$ 1,630,000	01/23/24 1,823,562	** (2)	
	then		
	SW5		
	+		
	4.898%, 144A****		
1,483,814	Fifth 42,659,652	*(1)	
	Third		
	Bancorp,		
	6.625%		

	to		
	12/31/23		
	then		
	3ML		
	+		
	3.71%,		
	Series		
	I		
	First Horizon National		
	Corporation:		
	First		
	Tennessee		
	Bank,		
	3ML		
3,730	+	2,974,675	*
	0.85%,		
	min		
	3.75%,		
	3.75% ⁽⁵⁾ ,		
	144A****		
	FT		
	Real		
	Estate		
	Securities		
9	Company,	11,666,250	
	9.50%		
	03/31/31,		
	144A****		
	Goldman Sachs Group:		
	5.00%		
	to		
	11/10/22		
	then		
\$ 12,000,000	3ML	11,701,440	*(1)
	+		
	2.874%,		
	Series		
	P		
	5.70%		
	to		
	05/10/19		
	then		
\$ 390,000	3ML	400,783	*
	+		
	3.884%,		
	Series		
	L		
140,000	6.375%	9,917,200	*(1)
	to		

	05/10/24	
	then	
	3ML	
	+	
	3.55%,	
	Series	
	K	
	HSBC Holdings PLC:	
	6.00%	
	to	
	05/22/27	
\$ 2,100,000	then 2,150,400	** (1)(2)
	ISDA5	
	+	
	3.746%	
	6.875%	
	to	
	06/01/21	
\$ 5,243,000	then 5,623,117	** (1)(2)
	ISDA5	
	+	
	5.514%	
	8.00%,	
114,004	Series 3,036,497	** (1)(2)
	2	
	HSBC	
	Capital	
	Funding	
	LP,	
	10.176%	
\$ 4,400,000	to 7,048,272	(1)(2)
	06/30/30	
	then	
	3ML	
	+	
	4.98%,	
	144A****	

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2018 (Unaudited)

Shares/\$ Par	Value
Preferred Securities	
— (Continued)	
	Banking —
	(Continued)
	Huntington
	Bancshares
	Inc.:
	5.700%
	to
\$ 5,800,000	04/15/23 \$ 5,854,375 *
	then
	3ML
	+
	2.88%,
	Series
	E
590,000	6.25%,
	Series \$ 5,971,300 *(1)
	D
	ING
300,000	Groep 7,755,000 **(2)
	NV,
	6.375%
	JPMorgan Chase &
	Company:
	6.00%
	to
	08/01/23
\$ 5,450,000	then 3ML 5,711,600 *(1)
	+
	3.30%,
	Series
	R
56,600	6.125% 494,806 *

	Series	
	Y	
183,700	6.70%,	
	Series	4,800,081 *(1)
	T	
	6.75%	
	to	
	02/01/24	
	then	
\$ 15,155,000	3ML	16,765,219 *(1)
	+	
	3.78%,	
	Series	
	S	
	7.90%	
	to	
	04/30/18	
	then	
\$ 32,000,000	3ML	32,320,000 *(1)
	+	
	3.47%,	
	Series	
	I	
	KeyCorp,	
	6.125%	
	to	
	12/15/26	
	then	
502,300	3ML	13,994,178 *(1)
	+	
	3.892%,	
	Series	
	E	
	Lloyds	
	TSB	
	Bank	
	PLC,	
	12.00%	
	to	
\$ 9,340,000	12/16/24	12,189,830 (2)
	then	
	3ML	
	+	
	11.756%,	
	144A****	
\$ 16,750,000	M&T	18,614,778 *(1)
	Bank	
	Corporation,	
	6.45%	

	to	
	02/15/24	
	then	
	3ML	
	+	
	3.61%,	
	Series	
	E	
	Macquarie	
	Bank	
	Ltd.,	
	6.125%	
\$ 3,000,000	to	
	03/08/2020	8,170,000 ** (2)
	then	
	SW5	
	+	
	3.703%,	
	144A****	
	MB	
	Financial,	
242,340	Inc.,	6,022,149 *
	6.00%,	
	Series	
	C	
	Morgan Stanley:	
	5.85%	
	to	
	04/15/27	
879,089	then	3ML23,577,167 * (1)
	+	
	3.491%,	
	Series	
	K	
	6.875%	
	to	
	01/15/24	
502,400	then	3ML14,283,232 * (1)
	+	
	3.94%,	
	Series	
	F	
298,300	7.125%	8,632,802 * (1)
	to	
	10/15/23	
	then	
	3ML	

	+	
	4.32%,	
	Series	
	E	
	New	
	York	
	Community	
	Bancorp,	
	Inc.,	
	6.375%	
977,000	to	27,502,550 *(1)
	03/17/27	
	then	
	3ML	
	+	
	3.821%,	
	Series	
	A	
	PNC Financial Services	
	Group, Inc.:	
	6.125%	
	to	
	05/01/22	
	then	
2,014,460	3ML	56,272,731 *(1)
	+	
	4.067%,	
	Series	
	P	
	6.75%	
	to	
	08/01/21	
	then	
\$ 3,043,000	3ML	3,292,739 *(1)
	+	
	3.678%,	
	Series	
	O	
	RaboBank	
	Nederland,	
	11.00%	
	to	
	06/30/19	
\$ 7,885,000	then	8,643,931 (1)(2)
	3ML	
	+	
	10.868%,	
	144A****	
27,213	750,714	*

	Regions	
	Financial	
	Corporation,	
	6.375%	
	to	
	09/15/24	
	then	
	3ML	
	+	
	3.536%,	
	Series	
	B	
	Societe	
	Generale	
	SA,	
	7.375%	
	to	
\$ 7,000,000	09/13/25	160,000 ***(2)
	then	
	SW5	
	+	
	6.238%,	
	144A****	
	Sovereign	
	Bancorp:	
	Sovereign	
8,641	REIT,	10,758,045
	12.00%,	
	Series	
	A,	
	144A****	
	Standard Chartered PLC:	
	7.50%	
	to	
	04/02/22	
	then	
\$ 9,970,000	SW5	10,812,964 ***(1)(2)
	+	
	6.301%,	
	144A****	
	7.75%	
	to	
	04/02/23	
	then	
\$ 8,000,000	SW5	8,710,000 ***(1)(2)
	+	
	5.723%,	
	144A****	
505,500		13,774,875 *(1)

	State	
	Street	
	Corporation,	
	5.90%	
	to	
	03/15/24	
	then	
	3ML	
	+	
	3.108%,	
	Series	
	D	
59,724	Sterling	
	Bancorp,	
	6.50%,	564,769 *
	Series	
	A	
	SunTrust	
	Banks,	
156,166	Inc.,	3,938,507 *
	5.875%,	
	Series	
	E	
	US	
	Bancorp,	
	6.50%	
	to	
	01/15/22	
216,000	then	6,077,398 *(1)
	3ML	
	+	
	4.468%,	
	Series	
	F	
	Valley	
	National	
	Bancorp,	
	5.50%	
	to	
	09/30/22	
165,000	then	4,266,900 *(1)
	3ML	
	+	
	3.578%,	
	Series	
	B	

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2018 (Unaudited)

Shares/\$ Par	Value
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**Preferred Securities
— (Continued)**

**Banking —
(Continued)**

	Wells Fargo & Company:	
55,000	5.625%, Series Y \$1,383,910	*
	5.85% to 09/15/23 then	
339,095	3ML9,060,618	*(1)
	+	
	3.09%, Series Q	
	5.875% to 06/15/25 then	
\$ 3,000,000	3ML3,193,140	*(1)
	+	
	3.99%, Series U	
	6.625% to 03/15/24 then	
402,925	3ML 11,148,935	*(1)
	+	
	3.69%, Series R	

	7.50%		
1,353	' Series L	1,725,075	*
	7.98%		
	to		
	06/15/18		
	then		
\$ 16,314,000	3ML	16,599,495	*(1)
	+		
	3.77%,		
	Series		
	K		
	8.00%,		
550,500	Series J	4,329,515	*(1)
	Westpac		
	Banking		
	Corporation,		
	5.00%		
\$ 6,700,000	to	6,412,801	** (1)(2)
	09/21/27		
	then		
	ISDA5		
	+		
	2.888%		
	Zions Bancorporation:		
	6.30%		
	to		
	03/15/23		
	then		
20,000	3ML	537,402	*
	+		
	4.24%,		
	Series		
	G		
	7.20%		
	to		
	09/15/23		
	then		
\$ 9,000,000	3ML	9,945,000	*(1)
	+		
	4.44%,		
	Series		
	J		
		718,717,006	
	Financial Services — 1.0%		
\$ 2,540,000	AerCap	2,768,600	(2)

	Global Aviation Trust, 6.50% to 06/15/25 then 3ML + 4.30%, 06/15/45, 144A****	
	Charles Schwab Corporation: 5.95%, Series 59,041 D	*
13,600		
176,400	6.00%, Series 4,664,422 C	*(1)
	E*TRADE Financial Corporation, 5.30% to 03/15/23 then 3ML + 3.16%, Series B General Motors Financial Company, 5.75% to 09/30/25 then 3ML + 3.598%, Series A	*
\$ 2,600,000	2,574,000	
\$ 2,625,000	2,568,050	*
	13,034,113	
Insurance — 20.1%		
612,382	Allstate Corporation, 6.625%	*(1)

	Series		
	E		
\$ 718,000	Aon Corporation	928,015	(1)
	8.205%		
	01/01/27		
	Arch Capital Group, Ltd.:		
	5.25%,		
67,000	Series	1,574,500	** (2)
	E		
	5.45%,		
56,500	Series	1,366,735	** (2)
	F		
	Aspen Insurance Holdings Ltd.:		
65,962	5.625%	1,629,261	** (2)
	5.95%		
	to		
	07/01/23		
65,830	then	1,745,858	** (2)
	3ML		
	+		
	4.06%		
	AXA SA,		
	6.379%		
	to		
\$ 3,315,000	12/14/36	3,861,975	** (1)(2)
	then		
	3ML		
	+		
	2.256%,		
	144A****		
	Axis Capital Holdings Ltd.,	1,269,285	** (2)
52,191	5.50%,		
	Series		
	E		
	Chubb Ltd.:		
	Ace Capital Trust	6,814,755	(1)(2)
\$ 4,566,000	II,		
	9.70%		
	04/01/30		

732,250	Delphi Financial Group, 3ML 16,841,750 (1) + 3.19%, 5.0288% ⁽⁵⁾ 05/15/37
\$ 10,158,000	Everest Reinsurance Holdings, 3ML 9,990,393 (1) + 2.385%, 4.2238% ⁽⁵⁾ 05/15/37
50,000	Hartford Financial Services Group, Inc., 7.875% to 1,491,500 04/15/22 then 3ML + 5.596%, 04/15/42
\$ 24,634,000	Liberty Mutual Group 30,669,330 (1) 7.80% 03/15/37, 144A****

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2018 (Unaudited)

Shares/\$ Par	Value	
Preferred Securities		
— (Continued)		
	Insurance —	
	(Continued)	
	MetLife, Inc.:	
	9.25%	
\$ 18,250,000	04/08/38 595,625	(1)
	144A****	
\$ 17,895,000	10.75%	
	08/01/39 28,676,737	(1)
	MetLife	
	Capital	
	Trust	
\$ 2,250,000	IV, 2,891,250	(1)
	7.875%	
	12/15/37,	
	144A****	
	PartnerRe Ltd.:	
	5.875%,	
140,000	Series 3,588,200	** (1)(2)
	I	
	6.50%,	
36,394	Series 957,526	** (1)(2)
	G	
	7.25%,	
475,799	Series 3,146,326	** (1)(2)
	H	
	Prudential Financial, Inc.:	
\$ 4,906,000	5.625% 181,962	(1)
	to	
	06/15/23	
	then	
	3ML	
	+	
	3.92%,	

	06/15/43		
	5.875%		
	to		
	09/15/22		
\$ 3,900,000	then	4,192,500	(1)
	3ML		
	+		
	4.175%,		
	09/15/42		
	QBE		
	Insurance		
	Group		
	Ltd.,		
	7.50%		
	to		
\$ 21,757,000	11/24/43	23,748,588	(1)(2)
	then		
	SW10		
	+		
	6.03%,		
	11/24/43,		
	144A****		
	Unum		
	Group:		
	Provident		
\$ 18,380,000	Financing	20,953,200	(1)
	Trust		
	I,		
	7.405%		
	03/15/38		
	W.R.		
	Berkley		
144,335	Corp	3,700,335	(1)
	5.75%		
	06/01/56		
	XL Group Limited:		
	Catlin		
	Insurance		
	Company		
	Ltd.,		
\$ 8,000,000	3ML	7,880,000	(1)(2)
	+		
	2.975%,		
	4.7142% ⁽⁵⁾ ,		
	144A****		
\$ 33,000,000	XL	31,556,250	(1)(2)
	Capital		
	Ltd.,		
	3ML		

+
 2.4575%,
 4.1790%⁽⁵⁾,
 Series
 E
 267,448,265

Utilities — 9.3%

	Commonwealth Edison: COMED	
\$ 16,798,000	Financial III, 6.35% 03/15/33	17,386 (1)
	Dominion Energy, Inc., 5.25% 07/30/76, Series A	19,723,581 (1)
810,000	DTE Energy Company: 5.375% 06/01/76, Series B	4,042,584 (1)
164,000	6.00% 12/15/76, Series F	1,469,605
55,000	Emera, Inc., 6.75% to 06/15/26 then 3ML	13,569,550 (1)(2)
\$ 12,170,000	+ 5.44%, 06/15/76, Series 2016A	
127,200	Georgia Power Company, 5.00% 10/01/77, Series	105,588

	2017A		
	Indianapolis		
	Power		
98,800	& Light	10,208,737	*
	Company,		
	5.65%		
	Integrus		
	Energy		
	Group,		
	Inc.,		
	6.00%		
463,700	to	12,403,975	(1)
	08/01/23		
	then		
	3ML		
	+		
	3.22%,		
	08/01/73		
	NextEra		
	Energy:		
	FPL		
	Group		
	Capital,		
	Inc.,		
\$ 16,293,000	3ML	15,855,701	(1)
	+		
	2.125%,		
	3.7135% ⁽⁵⁾		
	06/15/67,		
	Series		
	C		
	PECO		
	Energy:		
	PECO		
	Energy		
	Capital		
\$ 2,386,000	Trust	2,732,085	(1)
	III,		
	7.38%		
	04/06/28,		
	Series		
	D		
\$ 12,190,000	PPL	12,159,525	(1)
	Corp:		
	PPL		
	Capital		
	Funding,		
	Inc.,		

	3ML		
	+		
	2.665%,		
	4.3584% ⁽⁵⁾		
	03/30/67,		
	Series		
	A		
	Puget		
	Sound		
	Energy,		
	Inc.,		
	3ML		
\$ 9,102,000	+	9,033,735	(1)
	2.53%,		
	4.0106% ⁽⁵⁾		
	06/01/67,		
	Series		
	A		
	Southern		
	California		
	Edison:		
	SCE		
	Trust		
	V,		
	5.45%		
70,000	to	1,830,948	*(1)
	03/15/26		
	then		
	3ML		
	+		
	3.79%,		
	Series		
	K		
		124,109,474	

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2018 (Unaudited)

Shares/\$ Par	Value	
Preferred Securities — (Continued)		
		Energy — 5.6%
		DCP Midstream LLC, 5.85% to 05/21/23 then
\$ 2,510,000	\$ 2,390,775	
		3ML + 3.85%, 05/21/43, 144A****
		DCP Midstream LP, 7.375% to 12/15/22 then
\$ 6,450,000	6,518,531	(1)
		3ML + 5.148%, Series A
\$ 6,200,000	6,293,000	(1)(2)
		Enbridge, Inc., 6.00% to 01/15/27 then 3ML

	+		
	3.89%,		
	01/15/77		
	Enbridge		
	Energy		
	Partners		
	LP,		
\$ 38,198,000	3ML	38,293,495	(1)
	+		
	3.7975%,		
	5.4917% ⁽⁵⁾		
	10/01/37		
	Enterprise Products		
	Operating L.P.:		
	3ML		
	+		
	3.7075%,		
\$ 1,471,000	5.4809% ⁽⁵⁾	165,484	
	08/01/66,		
	Series		
	A		
	5.25%		
	to		
	08/16/27		
	then		
\$ 3,700,000	3ML	3,579,750	
	+		
	3.033%,		
	08/16/77,		
	Series		
	E		
	NuStar		
	Logistics		
	LP,		
191,783	3ML	4,919,234	
	+		
	6.734%,		
	8.4555% ⁽⁵⁾		
	01/15/43		
	Transcanada Pipelines,		
	Ltd.:		
\$ 4,000,000	5.30%	4,037,500	(1)(2)
	to		
	03/15/27		
	then		
	3ML		
	+		
	3.208%,		
	03/15/77,		

Series
 2017-A
 5.875%
 to
 08/15/26
 then
 3ML 7,542,500 (1)(2)
 +
 4.64%,
 08/15/76,
 Series
 2016-A
 75,040,269

Real Estate Investment Trust (REIT)
— 0.5%

Annaly
 Capital
 Management,
 Inc.,
 6.95%
 to
 19,210 09/30/22,871
 then
 3ML
 +
 4.993%,
 Series
 F
 National Retail Properties,
 Inc.:
 5.20%,
 20,064 Series 463,278
 F
 5.70%,
 181,849 Series 4,460,065 (1)
 E
 PS Business Parks, Inc.:
 5.20%,
 37,673 Series 908,673
 W
 5.70%,
 20,727 Series 513,822
 V
 5.75%,
 6,756 Series 67,481
 U
 6,988,190

Miscellaneous Industries — 2.9%

	BHP Billiton Limited:		
	BHP Billiton Finance U.S.A., Ltd.,	2,843,750	(2)
\$ 2,500,000	6.75% to 10/19/25 then SW5 + 5.093%, 10/19/75, 144A****		
	General Electric Company, 5.00% to 01/21/21	6,895,543	*(1)
\$ 6,974,000	then 3ML + 3.33%, Series D		
	Land O' Lakes, Inc.:		
	7.25%, Series B,	8,828,250	*
\$ 7,900,000	144A****		
	8.00%, Series A,	10,758,750	*(1)
\$ 9,500,000	144A****		
	Ocean Spray Cranberries Inc.,	8,908,900	*
97,900	6.25%, 144A****		
	38,235,193		
	Total	243,572,510	
	Preferred		

Securities

(Cost
\$1,200,528,025)

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2018 (Unaudited)

Shares/\$ Par	Value	
Corporate Debt Securities —		
4.9%		
Banking		
— 1.9%		
	Regions Financial Corporation, 12/10/37, Sub Notes	
\$ 3,077,000	7.35% 4,076,917	(1)
	Texas Capital Bancshares Inc., 09/21/42, Sub Notes	
806,700	6.50% 20,868,522	(1)
	Zions Bancorporation, 6.95% to 09/15/23 then 3ML + 3.89%, 09/15/28, Sub Notes	
25,000	731,248	
	25,676,687	
Financial Services — 0.1%		

	B. Riley Financial Inc.,	15,000	385,349	
	7.50%			
	05/31/27			
	Lehman Brothers, Guaranteed	\$ 4,726,012	65,219	(3)(4)††
	Note,			
	5.843%,			
	12/16/16,144A****			
	450,568			

Insurance — 1.4%

	Liberty Mutual Insurance,	\$ 13,500,000	18,566,668	(1)
	7.697%			
	10/15/97,			
	144A****			
	18,566,668			

Energy — 0.6%

	Energy Transfer Partners	\$ 6,717,000	8,431,115	(1)
	LP,			
	8.25%			
	11/15/29			
	8,431,115			

Communication — 0.5%

	Qwest Corporation:			
	6.50%	127,729	2,758,946	
	09/01/56			
	6.75%	155,921	3,526,933	
	06/15/57			
	7.00%	2,300	54,491	
	04/01/52			
	6,340,370			

Miscellaneous Industries — 0.4%

	eBay, Inc.,	38,000	1,004,397	
	6.00%			
	02/01/56			
	Pulte	\$ 3,550,000	4,286,625	(1)
	Group,			
	Inc.,			
	7.875%			

06/15/32

5,291,022

**Total
Corporate
Debt
Securities**

64,756,430

(Cost
\$55,848,543)

Common Stock — 0.2%

Banking — 0.2%

CIT

54,740 Group Inc. 2,903,957 *

2,903,957

Insurance — 0.0%

WMI

241,737 Holdings Corporation, 311,841 *†

144A****

311,841

**Total
Common
Stock** 3,215,798
(Cost
\$23,031,471)

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 28, 2018 (Unaudited)

**Shares/\$
Par**

Value

**Money
Market
Fund —
1.0%**

13,778,141	BlackRock Liquidity Funds: T-Fund, Institutional Class	\$ 13,778,141
	Total Money Market Fund (Cost \$13,778,141)	13,778,141

Total Investments (Cost \$1,293,186,180***)	99.5 %	1,325,322,879
Other Assets And Liabilities (Net)	0.5 %	6,957,579
Total Managed Assets	100.0 %	\$ 1,332,280,458
Loan Principal Balance		(449,575,000)
Total Net Assets Available To Common Stock		\$ 882,705,458

§Date shown is maturity date unless referencing the end of the fixed-rate period of a fixed-to-floating rate security.

*Securities eligible for the Dividends Received Deduction and distributing Qualified Dividend Income.

**Securities distributing Qualified Dividend Income only.

***Aggregate cost of securities held.

****Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At February 28, 2018, these securities amounted to \$333,078,949 or 25.0% of total managed assets.

⁽¹⁾All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$792,198,367 at February 28, 2018.

⁽²⁾Foreign Issuer.

⁽³⁾Level 3, illiquid security (designation is unaudited; see Note 2: Additional Accounting Standards).

⁽⁴⁾Valued at fair value as determined in good faith by or under the direction of the Board of Directors as of February 28, 2018.

⁽⁵⁾Represents the rate in effect as of the reporting date.

†Non-income producing.

††The issuer has filed for bankruptcy protection. As a result, the Fund may not be able to recover the principal invested and also does not expect to receive income on this security going forward.

‡The percentage shown for each investment category is the total value of that category as a percentage of total managed assets.

ABBREVIATIONS:

3ML — 3-Month ICE LIBOR USD A/360

ISDA5 — 5-year USD ICE Swap Semiannual 30/360

SW5 — 5-year USD Swap Semiannual 30/360

SW10 — 10-year USD Swap Semiannual 30/360

T10Y — Federal Reserve H.15 10-Yr Constant Maturity Treasury Semiannual yield

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK⁽¹⁾

For the period from December 1, 2017 through February 28, 2018 (Unaudited)

Value	
OPERATIONS:	
Net investment income	\$18,920,645
Net realized gain/(loss) on investments sold during the period	(434,791)
Change in net unrealized appreciation/(depreciation) of investments	(15,772,990)
Net decrease in net assets resulting from operations	(2,287,136)
DISTRIBUTIONS:	
Dividends paid from net investment income to Common Stock Shareholders ⁽²⁾	(15,574,459)

**Total
Distributions
to (15,574,459)
Common
Stock
Shareholders**

**FUND
SHARE
TRANSACTIONS:**

Increase
from
shares
issued
under
the 838,921
Dividend
Reinvestment
and
Cash
Purchase
Plan
**Net
increase
in
net
assets
available
to 838,921
Common
Stock
resulting
from
Fund
share
transactions**

**NET
DECREASE
IN
NET
ASSETS
AVAILABLE
TO \$(17,022,674)
COMMON
STOCK
FOR
THE
period**

**NET
ASSETS
AVAILABLE
TO
COMMON
STOCK:**

Beginning
of \$ 899,728,132
period

Net
decrease
in
net
assets (17,022,674)
during
the
period

End
of \$ 882,705,458
period

(1)These tables summarize the three months ended February 28, 2018 and should be read in conjunction with the Fund's audited financial statements, including notes to the financial statements, in its Annual Report dated November 30, 2017.

(2)May include income earned, but not paid out, in prior fiscal year.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

Financial Highlights⁽¹⁾

For the period December 1, 2017 through February 28, 2018 (Unaudited)
For a Common Stock share outstanding throughout the period

**PER
 SHARE
 OPERATING
 PERFORMANCE:**

Net
 asset
 value, \$ 20.35
 beginning
 of
 period

**INVESTMENT
 OPERATIONS:**

Net
 investment income 0.31
 Net
 realized
 and
 unrealized gain/(loss) 0.36)
 on
 investments
 Total
 from investment operations (0.05)

**DISTRIBUTIONS
 TO
 COMMON
 STOCK
 SHAREHOLDERS:**

From
 net investment income (0.35)
 Total distributions (0.35)

to
 Common
 Stock
 Shareholders
 Net
 asset
 value,
 end \$ 19.95
 of
 period
 Market
 value,
 end \$ 19.20
 of
 period
 Common
 Stock
 shares
 outstanding
 end 4,252,635
 of
 period

**RATIOS TO
 AVERAGE NET
 ASSETS AVAILABLE
 TO COMMON
 STOCK
 SHAREHOLDERS:**

Net investment income†	6.32	%*
Operating expenses including interest expense	2.01	%*
Operating expenses excluding interest expense	0.85	%*

**SUPPLEMENTAL
 DATA:**

†† Portfolio turnover rate	2	%**
-------------------------------------	---	-----

Total managed assets, end of period (in 000's)	\$ 1,332,280	
Ratio of operating expenses including interest expense	1.34	%*
to average total managed assets		
Ratio of operating expenses excluding interest expense	0.56	%*
to average total managed assets		

(1)These tables summarize the three months ended February 28, 2018 and should be read in conjunction with the Fund's audited financial statements, including notes to the financial statements, in its Annual Report dated November 30, 2017.

*Annualized.

**Not annualized.

†The net investment income ratio reflects income net of operating expenses, including interest expense.

††Information presented under heading Supplemental Data includes loan principal balance.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

Financial Highlights (Continued)

Per Share of Common Stock (Unaudited)

	Total Dividends Paid	Net Asset Value	NYSE Closing Price	Dividend Reinvestment Price⁽¹⁾
December 29, 2017	\$0.1190	\$20.33	\$20.46	\$20.33
January 31, 2018	0.1190	20.11	18.71	18.94
February 28, 2018	0.1140	19.95	19.20	19.26

⁽¹⁾Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the reinvestment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

Notes to Financial Statements (Unaudited)

1. Aggregate Information for Federal Income Tax Purposes

At February 28, 2018, the aggregate cost of securities for federal income tax purposes was \$1,331,182,492, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$90,476,862 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$96,336,475.

2. Additional Accounting Standards

Fair Value Measurements: The Fund has analyzed all existing investments to determine the significance and character of all inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

Notes to Financial Statements (Unaudited) (Continued)

A summary of the inputs used to value the Fund's investments as of February 28, 2018 is as follows:

	Total Value at February 28, 2018	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Preferred Securities				
Banking	\$718,717,006	\$624,841,724	\$93,871,772	\$3,510
Financial Services	13,034,113	10,265,513	2,768,600	—
Insurance	267,448,265	144,760,259	122,688,006	—
Utilities	124,109,474	71,757,082	52,352,392	—
Energy	75,040,269	34,355,999	40,684,270	—
Real Estate Investment Trust (REIT)	6,988,190	6,988,190	—	—
Miscellaneous Industries	38,235,193	9,739,293	28,495,900	—
Corporate Debt Securities				
Banking	25,676,687	21,599,770	4,076,917	—
Financial Services	450,568	385,349	—	65,219
Insurance	18,566,668	—	18,566,668	—
Energy	8,431,115	—	8,431,115	—
Communication	6,340,370	6,340,370	—	—
Miscellaneous Industries	5,291,022	1,004,397	4,286,625	—
Common Stock				
Banking	2,903,957	2,903,957	—	—
Insurance	311,841	311,841	—	—
Money Market Fund	13,778,141	13,778,141	—	—
Total Investments	\$1,325,322,879	\$949,031,885	\$376,222,265	\$68,729

During the reporting period, securities with an aggregate market value of \$18,614,778 were transferred into Level 2 from Level 1. The securities were transferred due to a decrease in the quantity and quality of the information related to trading activity or broker quotes for these securities. During the period, there were no transfers into Level 1 from Level 2. During the reporting period, there were no transfers into or out of Level 3.

The fair values of the Fund's investments are generally based on market information and quotes received from brokers or independent pricing services that are approved by the Board of Directors and are unaffiliated with the Adviser. To assess the continuing appropriateness of security valuations, management, in consultation with the Adviser, regularly compares current prices to prior prices, prices across comparable securities, actual sale prices for securities in the

Fund's portfolio, and market information obtained by the Adviser as a function of being an active market participant.

Securities with quotes that are based on actual trades or actionable bids and offers with a sufficient level of activity on or near the measurement date are classified as Level 1. Securities that are priced using quotes derived from implied values, indicative bids and offers, or a limited number of actual trades—or the same information for securities that are similar in many respects to those being valued—are classified as Level 2. If market information is not available for securities being valued, or materially-comparable securities, then those securities are classified as Level 3. In considering market information, management evaluates changes in liquidity, willingness of a broker to execute at the quoted price, the depth and consistency of prices from pricing services, and the existence of observable trades in the market.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

Notes to Financial Statements (Unaudited) (Continued)

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Total Investments	Preferred Securities Banking	Corporate Debt Securities Financial Services
Balance as of 11/30/17	\$97,085	\$3,510	\$93,575
Accrued discounts/premiums	—	—	—
Realized gain/(loss)	—	—	—
Change in unrealized appreciation/(depreciation)	(28,356)	—	(28,356)
Purchases	—	—	—
Sales	—	—	—
Transfer in	—	—	—
Transfer out	—	—	—
Balance as of 02/28/18	\$68,729	\$3,510	\$65,219

For the three months ended February 28, 2018, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was \$(28,356).

The following table summarizes the valuation techniques used and unobservable inputs developed to determine the fair value of Level 3 investments:

Category	Fair Value at 02/28/18	Valuation Technique	Unobservable Input	Input Range (Wgt Avg)
Preferred Securities (Banking)	\$3,510	Bankruptcy recovery	Credit/Structure-specific recovery	0.00% - 0.02% (0.01%)
Corporate Debt Securities (Financial Services)	65,219	Bankruptcy recovery and market information	Credit/Structure-specific recovery	1% - 4% (1.4%)

The significant unobservable inputs used in the fair value measurement technique for bankruptcy recovery are based on recovery analysis that is specific to the security being valued, including the level of subordination and structural features of the security, and the current status of any bankruptcy or liquidation proceedings. Observable market trades in bankruptcy claims are utilized by management, when available, to assess the appropriateness of valuations, although the frequency of trading depends on the specific credit and seniority of the claim. Expected recoveries in bankruptcy by security type and industry do not tend to deviate much from historical recovery rates, which are very

low (sometimes zero) for preferred securities and more moderate for senior debt. Significant changes in these inputs would result in a significantly higher or lower fair value measurement.

Directors

R. Eric Chadwick, CFA
Chairman of the Board

Morgan Gust

David Gale

Karen H. Hogan

Officers

R. Eric Chadwick, CFA
Chief Executive Officer and
President

Chad C. Conwell
Chief Compliance Officer,
Vice President and Secretary

Bradford S. Stone
Chief Financial Officer,
Vice President and Treasurer

Roger W. Ko
Assistant Treasurer

Laurie C. Lodolo
Assistant Compliance Officer,
Assistant Treasurer and
Assistant Secretary

Linda M. Puchalski
Assistant Treasurer

Investment Adviser

Flaherty & Crumrine Incorporated
e-mail: flaherty@pfdincome.com

Servicing Agent

Destra Capital Investments LLC
1-877-855-3434

Questions concerning your shares of Flaherty & Crumrine Preferred Securities Income Fund?

- If your shares are held in a Brokerage Account, contact your Broker.
- If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent —

BNY Mellon c/o Computershare
P.O. Box 30170
College Station, TX 77842-3170
1-866-351-7446

This report is sent to shareholders of Flaherty & Crumrine Preferred Securities Income Fund Incorporated for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

Quarterly
Report

February 28, 2018

www.preferredincome.com