Flaherty & Crumrine PREFERRED SECURITIES INCOME FUND INC
Form N-CSR
January 29, 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 811-21129

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720

Pasadena, CA 91101

(Address of principal executive offices) (Zip code)

R. Eric Chadwick

Flaherty & Crumrine Incorporated

301 E. Colorado Boulevard, Suite 720

Pasadena, CA 91101

(Name and address of agent for service)

Registrant s telephone number, including area code: 626-795-7300

Date of fiscal year end: November 30

Date of reporting period: November 30, 2017

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. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

FLAHERTY & CRUMRINE PREFERRED SECURITIES INCOME FUND

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

Fiscal 2017 came to an end on November 30, 2017 and total returns for the year were impressive. Total return on net asset value (NAV) was 1.2% for the fourth fiscal quarter, and 18.3% for the full fiscal year. Total return on market price of Fund shares over the same periods was -1.3% and 15.0%, respectively.

The table below shows Fund NAV returns over various measurement periods, and they continue to be very strong. The table includes performance of two indices, Bloomberg Barclays U.S. Aggregate and S&P 500, as proxies for bond and stock markets, respectively. While neither is a benchmark for Fund performance, they provide context for returns on broad asset categories.

TOTAL RETURN ON NET ASSET VALUE FOR PERIODS ENDED NOVEMBER 30, 2017

(Unaudited)

	Actual Returns			**Average Annualized Returns**			
	Three Months	**Six Months**	**One Year**	**Three Years**	**Five Years**	**Ten Years**	**Life of Fund[(1)]**
Flaherty & Crumrine Preferred Securities Income Fund	1.2%	4.5%	18.3%	9.3%	10.4%	11.0%	8.7%
Bloomberg Barclays U.S. Aggregate Index[(2)]	-0.5%	0.7%	3.2%	2.1%	2.0%	4.0%	4.2%
S&P 500 Index[(3)]	7.6%	10.9%	22.9%	10.9%	15.7%	8.3%	10.1%

(1) Since inception on January 29, 2003.

(2) The Bloomberg Barclays U.S. Aggregate Index is an unmanaged index considered representative of the U.S. investment grade, fixed-rate bond market.

(3) The S&P 500 is a capitalization-weighted index of 500 common stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. In addition, NAV performance will vary from market price performance, and you may have a taxable gain or loss when you sell your shares.

Investors began 2017 with a spring in their step and, with few exceptions, never looked back driving prices higher in most equity and fixed-income markets. After a contentious election in late-2016, it became clear to many that there could be a silver lining where the economy was concerned. Although shrouded by many other political shadows throughout the year, deregulation and tax reform emerged as important factors behind market optimism. Total return of 22.9% on the S&P 500, in a year where GDP growth was only 2.6%, is a good indication of just how much investors are expecting. While an improving economy and corporate profitability are also good for issuers of preferred securities, there were a few additional factors specifically behind performance of fixed-income markets, including preferreds.

Flows into fixed-income investment products were very healthy throughout the year, and preferreds were a common choice (via mutual funds, ETFs, and individual purchases). Preferreds continue to be one of the highest-yielding asset classes, especially after-tax, and are issued mostly by investment-grade companies (as measured by senior-debt ratings). A global search for yield has continued for many years, and investors from all parts of the world have invested in preferreds. Credit conditions continued to provide a supportive backdrop for yields and spreads, as most issuers of preferreds maintained strong balance sheets.

Gross supply of new preferreds has continued to be healthy at approximately $50 billion a year over the last several years, but issuance has increasingly been earmarked for refinancing higher-coupon securities issued years before. Many utility and REIT issuers have redeemed preferreds outright, choosing to refinance with senior debt to take advantage of lower all-in costs. Net issuance of $41 billion in 2015, $23 billion in 2016, and $18 billion in 2017 has not kept pace with increasing demand described above, resulting in higher prices.

Preferreds issued by banks were top performers in the portfolio this year. Bank preferreds benefited from ongoing balance-sheet strength and higher profitability. Fixed-to-float structures modestly outperformed fixed-rate securities. Banks choices of new-issue coupon structure this year had more to do with meeting pockets of demand than preference on the part of a bank, and issuance of each type varied throughout the year. The Fund s insurance holdings also did well this year for many of the same reasons, but also because the structures of the Fund s insurance holdings are attractive. In general, the Fund owns higher-coupon securities from quality issuers with good call protection. Issuance from insurance companies has been very limited, so these seasoned deals have continued to attract secondary demand.

Laggards in the portfolio have been few in number, and mostly in relative return rarely absolute negative return typically a result of call (redemption) features embedded in preferreds. As a security moves above its call price, the call option limits further upside potential as rates or spreads move lower. Returns each quarter were positive, but to a lesser degree each quarter as the year progressed which at least partially demonstrates the effect of call options. The energy sector was among the least positive this year, notably in master limited partnerships (MLPs), although performance varied significantly by security type with preferreds outperforming common stock of the same issuer.

A downside of strong NAV performance is the inverse effect of higher prices on yield. Yields moved significantly lower as prices rallied, and an overall low interest-rate environment has persisted for many years. Combined with higher leverage costs, the result has been lower overall income that can be distributed by the Fund, something that is likely to continue in 2018. We encourage you to read the topic that follows in this report for a more detailed discussion of monthly distributions to Fund shareholders.

The economy continues to expand moderately with few signs of higher inflation, and market volatility remains low by historical standards. While there are no immediate signs market sentiment is changing in fact tax reform may push equity markets even higher as improved corporate profitability is priced into the market it is worth noting there are factors that could increase market volatility. The Federal Reserve has indicated a very gradual approach to removal of monetary accommodation, but it did raise its target Fed funds rate by 0.25% three times in 2017 and forecasts another three rate hikes in 2018. This is in addition to an unwinding of quantitative easing, again at a very measured pace. Economies are improving around the globe, and other central banks may soon follow the Fed s lead on slowly removing accommodation. A flatter yield curve seems more likely than materially higher long-term rates, but each could have its own effect on market sentiment.

A tax reform bill was signed into law late in December, and while it is too early to provide much detail in this letter, we believe it should be neutral-to-positive for preferreds. Most provisions don t apply directly to preferreds, but corporate profitability certainly factors into an issuer s credit profile. Preferred dividends continue to be tax-advantaged, with no change to rates for individual investors and only modest changes to rates for corporate investors.

We continue to believe returns on preferreds should come mostly from coupons as the pace of price gains tapers off or even reverses. Yield should be evaluated in the context of other alternatives, and in that regard preferreds continue to offer value. Their combination of credit quality and yield will be difficult to replicate in other fixed-income asset classes.

We encourage you to read the discussion topics that follow, as we dig deeper into subjects of interest to shareholders. In addition, visit the Fund s website, www.preferredincome.com, for timely and important information.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

December 29, 2017

DISCUSSION TOPICS

(Unaudited)

The Fund s Portfolio Results and Components of Total Return on NAV

The table below presents a breakdown of the components that comprise the Fund s total return on NAV over both the recent six months and the Fund s fiscal year. These components include: (a) the total return on the Fund s portfolio of securities; (b) the impact of utilizing leverage to enhance returns to shareholders; and (c) the Fund s operating expenses. When all of these components are added together, they comprise the total return on NAV.

Components of FFC s Total Return on NAV for Periods Ended November 30, 2017

		Six Months[1]	One Year
Total Return on Unleveraged Securities Portfolio (including principal change and income)		3.6%	13.3%
Impact of Leverage (including leverage expense)		1.3%	5.9%
Expenses (excluding leverage expense)		(0.4)%	(0.9)%
[1]Actual, not annualized	*Total Return on NAV*	**4.5%**	**18.3%**

For the six months and one year periods ended November 30, 2017, the ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index[SM] (P8JC)[1] returned 3.1% and 11.2%, respectively. This index reflects the various segments of the preferred securities market constituting the Fund s primary focus. Since this index return excludes all expenses and the impact of leverage, it compares most directly to the top line in the Fund s performance table above (Total Return on Unleveraged Securities Portfolio).

Total Return on Market Price of Fund Shares

While our focus is primarily on managing the Fund s investment portfolio, a shareholder s actual return is comprised of the Fund s monthly dividend payments *plus* changes in the *market price* of Fund shares. During the twelve-month period ended November 30, 2017, total return on market price of Fund shares was 15.0%.

Historically, the preferred securities market has experienced price volatility consistent with those of other fixed-income securities. However, since mid-2007 it has become clear that preferred-security valuations can move dramatically when there is volatility in financial markets. This volatility can lead to swings in both the NAV and market price of Fund shares. The chart below contrasts the relative stability of the Fund s earlier period with the more recent volatility in both its NAV and market price. Many fixed-income asset classes experienced increased volatility over this period.

1 The ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index[SM] (P8JC) includes U.S. dollar-denominated investment-grade or below investment-grade, fixed rate, floating rate or fixed-to-floating rate, retail or institutionally structured preferred securities of U.S. and foreign issuers with issuer concentration capped at 8%. All index returns include interest and dividend income, and, unlike the Fund s returns, are unmanaged and do not reflect any expenses.

In a more perfect world, the market price of Fund shares and its NAV, as shown in the above chart, would track more closely. If so, any premium or discount (calculated as the difference between these two inputs and expressed as a percentage) would remain relatively close to zero. However, as can be seen in the chart below, this often has not been the case.

Although divergence between NAV and market price of a closed-end fund is generally driven by supply/demand imbalances affecting its market price, we can only speculate about why the relationship between the Fund s market price and NAV hasn t been closer.

Based on a closing price of $20.46 on December 29th and assuming its current monthly distribution of $0.119 does not change, the annualized yield on market price of Fund shares is 7.0%. Of course, there can be no guarantee that the Fund s dividend will not change based on market conditions.

U.S. Economic and Credit Outlook

After a slow start in the first quarter, U.S. economic growth improved and should finish 2017 with the strongest annual expansion since 2014. Economists expect inflation-adjusted gross domestic product (real GDP) to expand at a 2.6% pace in the fourth quarter, which would produce 2.5% growth (Q4 to Q4) for 2017 overall.[2] That is considerably better than the economy s 2% average growth pace from 2011 through 2016, and it is at the top of our own 2.0-2.5% forecast for 2017. Economists expect 2.4% real GDP growth in 2018.

However, tax reform was signed into law after those forecasts were collected. While economists likely incorporated some boost to growth from tax reform, we expect to see higher GDP targets emerge over coming months. In addition to tax reform that will take effect in 2018, federal regulatory burdens were reduced in 2017. Faster economic growth along with lower (prospective) tax and regulatory burdens helped boost business optimism and investment an area that generally outperformed expectations in 2017 and is poised to grow strongly again in 2018. We think business investment is a key to boosting productivity and prolonging economic expansion over coming years as job growth inevitably slows.

U.S. consumers remain in good shape. Monthly employment gains averaged 174,000 over 11 months through November 2017. Total employment was up 1.4% year-over-year (YoY), continuing a gradual slowdown as the economy approaches full employment. The unemployment rate was 4.1% in November, down from 4.7% at the end of 2016. Despite lower unemployment, hourly wages were up only 2.5% over 12 months ending in November, down from last year s 2.9% gain. Eventually, wages should accelerate, although it s hard to say when. Personal income and consumption were up 3.8% and 4.5%, respectively, over 12 months ending in November, which pushed the personal savings rate down to 2.9% in November from an average of 4.9% in 2016. Although we are not worried about lower savings given strong consumer balance sheets, a healthy job market and buoyant investment markets, we do expect consumers to boost savings over coming quarters, which would mean slower personal spending relative to income.

Surprisingly, real residential investment fell slightly over the first three quarters of 2017 despite strong demand as evidenced by home price gains more than 6% over the past 12 months. Existing homes available for sale are limited, and new construction is rising only slowly. Many construction workers either found other work or left the labor market following the housing bust, making it difficult for home builders to increase output. Although those constraints are likely to persist, we expect at least a modest rebound in residential investment in 2018 as builders respond to strong demand.

Business spending posted strong gains in 2017, more than offsetting stagnant residential investment described above. Real business investment grew by an average of over 6% per quarter through 3Q2017, roughly double the pace that we anticipated starting the year. Higher mining output (which includes oil and gas extraction) was a major contributor, but gains were broadly based. Business investment should get a boost from hurricane rebuilding near term orders and shipments of capital equipment are up impressively while corporate tax reform should encourage investment longer term.

[2] Forecasts are from *The Livingston Survey*, December 15, 2017, Federal Reserve Bank of Philadelphia and *Bloomberg Monthly Economic Survey*, December 14, 2017, Bloomberg L.P.

Headline inflation was driven mainly by energy prices in 2017, which rose early in the year, stabilized, and rose again in recent months. Despite higher energy prices, however, inflation increased only modestly. The overall consumer price index (CPI) was up 2.2% over 12 months ending in November 2017, compared to 1.7% over the same period last year. That s because core CPI (excluding food and energy prices) actually slowed to 1.7% YoY in November compared to 2.1% at the same time last year. If wages accelerate, core inflation should rise eventually, but greater transparency in consumer prices and intense competition among sellers of goods and services are likely to make this a slow process.

In response to stronger economic growth, the Federal Reserve continued to gradually tighten monetary policy, raising its benchmark rate by 75 basis points (0.75%) during the Fund s fiscal year plus an additional 25 bp in December 2017. The Fed also began gradually reducing the size of its securities portfolio. Despite higher short-term rates, the 30-year Treasury yield fell from 3.04% on November 30, 2016 to 2.83% a year later and 2.74% as of the date of this letter. The resulting flatter yield curve put downward pressure on the Fund s dividend, something we discuss in a separate topic below.

Although higher rates have been bad news for short-term borrowers, they have been very good news for financial institutions. Most banks today are asset-sensitive meaning their assets reprice more quickly than their liabilities. As short-term rates rose in 2017, bank earnings improved substantially. With capital and liquidity already very strong, regulators this year gave banks a green light to return a greater share of earnings to shareholders through common stock buybacks and dividends marking an end to a long period of capital accumulation. We believe banks (and their regulators) will balance capital returns with balance sheet strength, but it is something we continue to watch closely.

Credit fundamentals remain good in most other sectors as well. Energy companies have learned to live with lower prices for their products, and higher domestic production has boosted prospects for pipeline companies. Like banks, property and casualty insurance companies have benefitted from higher rates.

However, life insurance companies, which purchase long-duration assets to match their long-term liabilities, will do better if long-term rates move up a bit too. REITs generally demonstrate high occupancy and strong fixed-charge coverage, although some retail-oriented REITs face rising vacancies. Utilities operate in a challenging environment of flat-to-lower demand for electricity along with rising costs for transmission, distribution and various environmental and renewables mandates. They remain strong financially, but leverage is creeping up and, at least in California, new risks have emerged.[3]

On balance, credit quality in the Fund s portfolio remains sound although a long period of improving credit fundamentals appears to have transitioned to one of overall stability. Combined with moderate economic growth, we think the investment environment for preferred securities remains favorable.

Monthly Distributions to Fund Shareholders

Over the past 12 months, the Federal Reserve continued its pattern of raising the federal funds rate. The Fed now has a target range of 1.25-1.5%. Further, Federal Open Market Committee (FOMC) members are still projecting three more 25 bp rate increases in 2018.

In response, short-term interest rates have risen to reflect actual and expected increases in the Fed s target. The Fund s cost of leverage historically was linked to 3-month LIBOR and is now linked to 1-month LIBOR. The average cost of leverage was 1.4% for fiscal 2016, 2.0% for fiscal 2017 and the current rate would be 2.4% if reset today (actual resets occur monthly).

[3] Pacific Gas & Electric (PCG), a California regulated utility, in December suspended its common and cumulative preferred stock dividends in response to potential liability from 2017 wildfires. The Fund owned no PCG securities as of November 30, 2017.

In addition to increased cost of leverage, the Fund experienced modest issuer redemptions in its investment portfolio, requiring reinvestment of proceeds. In today s rate environment, reinvestment coupons are lower than coupons being redeemed. This puts pressure on top-line earnings from the portfolio, again reducing distributable income.

These factors are incorporated into the Fund s dividend-setting process, and are also a normal part of the way credit markets function. Interest rates are not static, and neither are credit spreads. The portfolio is designed to have a wide range of coupons, call protection, and security structures and each aspect will change over time. We seek to maintain call protection that staggers the impact of changes in interest rates and credit spreads, but the portfolio will normally contain at least some securities subject to being called based on current market conditions. Leverage is utilized in the Fund to increase income and returns to shareholders, and leverage continues to enhance distributable income, even though its cost has increased.

The primary objective of the Fund is to produce high current income, and we believe the Fund will continue to meet that objective although distributable income may be reduced as we proceed through this economic cycle. Reductions are simply a reflection of changes in interest rates and credit spreads that have cumulated over time. However, relative to fixed-income alternatives, the level of income produced should remain attractive. Fund shareholders have benefited from years of record-low interest rates and low leverage costs, but rates are beginning to come back into balance as the economic outlook improves. We believe the Fund s strategy of investing in preferred securities and using leverage in an efficient manner will continue to produce a competitive distribution rate for shareholders.

Federal Tax Advantages of 2017 Calendar Year Distributions

In calendar year 2017, approximately 73.1% of distributions made by the Fund was eligible for treatment as qualified dividend income, or QDI. For taxpayers in the 15% marginal tax bracket, QDI is taxed by the federal government at 0% instead of an individual s ordinary income tax rate; for taxpayers in the 25%-35% marginal tax brackets, QDI is taxed at 15%; and for taxpayers in the 39.6% marginal tax bracket, QDI is taxed at 20%.

For an individual in the 28% marginal tax bracket, this means that the Fund s total distributions will only be taxed at a blended 18.5% rate versus the 28% rate which would apply to distributions by a fund investing in traditional corporate bonds. This tax advantage means that, all other things being equal, such an individual who held 100 shares of Common Stock of the Fund for the calendar year would have had to receive approximately $169 in distributions from a fully-taxable bond fund to net the same after-tax amount as the $149 in distributions paid by the Fund.

For detailed information about tax treatment of particular distributions received from the Fund, please see the Form 1099 you receive from either the Fund or your broker. Investors should consult their tax adviser regarding their personal situation.

Corporate shareholders also receive a federal tax benefit from the 36.4% of distributions that were eligible for the inter-corporate dividends received deduction, or DRD.

It is important to remember that composition of the portfolio and income distributions can change from one year to the next, and that the QDI or DRD portions of 2018 s distributions may not be the same (or even similar) to 2017. It s also important to remember that tax brackets are changing in 2018 and the examples above will change accordingly.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OVERVIEW

November 30, 2017 (Unaudited)

Fund Statistics	
Net Asset Value	$ 20.35
Market Price	$ 20.61
Premium	1.28%
Yield on Market Price	6.93%
Common Stock Shares Outstanding	44,211,390

Moody s Ratings**	**% of Net Assets**
A	0.7%
BBB	58.2%
BB	31.0%
Below BB	0.6%
Not Rated***	7.9%
Below Investment Grade****	26.3%
Senior Debt Rating Below Investment Grade*****	1.5%

** Ratings are from Moody s Investors Service, Inc. Not Rated securities are those with no ratings available from Moody s.
*** Does not include net other assets and liabilities of 1.6%.
**** Below investment grade by all of Moody s, S&P, and Fitch.
***** Issuer s senior unsecured debt or issuer rating is below investment grade by all of Moody s, S&P, and Fitch.

Industry Categories* **% of Net Assets**

* Categories may not sum to 100% due to rounding.

Top 10 Holdings by Issuer	**% of Net Assets**
JPMorgan Chase & Co	4.6%
PNC Financial Services Group	4.5%
MetLife Inc	4.5%
Wells Fargo & Company	4.2%
Liberty Mutual Group	3.8%
Citigroup Inc	3.5%

BNP Paribas	3.3%
Morgan Stanley	3.2%
Fifth Third Bancorp	3.2%
Enbridge Energy Partners	2.8%

	% of Net Assets****
Holdings Generating Qualified Dividend Income (QDI) for Individuals	58%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	44%

****** 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. See accompanying notes to financial statements for tax characterization of 2017 distributions.

Net Assets includes assets attributable to the use of leverage.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS

November 30, 2017

Shares/$ Par		Value
Preferred Securities§ 93.7%		
	Banking 53.3%	
$ 5,103,000	Australia & New Zealand Banking Group Ltd., 6.75% to 06/15/26 then ISDA5 + 5.168%, 144A****	$ 5,823,799**(2)
$ 12,800,000	Banco Bilbao Vizcaya Argentaria SA, 6.125% to 11/16/27 then SW5 + 3.87%	13,152,000**(1)(2)
$ 2,970,000	Banco Mercantil del Norte SA, 7.625% to 01/06/28 then T10Y + 5.353%, 144A****	3,248,437**(2)
	Bank of America Corporation:	
$ 13,571,000	8.00% to 01/30/18 then 3ML + 3.63%, Series K	13,690,018*(1)
$ 11,000,000	8.125% to 05/15/18 then 3ML + 3.64%, Series M	11,317,020*(1)
	Barclays Bank PLC:	
$ 13,925,000	7.875% to 03/15/22 then SW5 + 6.772%, 144A****	15,334,795**(2)
300,036	8.125%, Series 5	7,950,954**(1)(2)
	BNP Paribas:	
$ 31,040,000	7.375% to 08/19/25 then SW5 + 5.15%, 144A****	36,006,400**(1)(2)
$ 8,000,000	7.625% to 03/30/21 then SW5 + 6.314%, 144A****	8,860,000**(2)
	Capital One Financial Corporation:	
58,600	6.00%, Series H	1,578,830*
34,000	6.20%, Series F	916,980*
120,900	6.70%, Series D	3,246,975*(1)
	Citigroup, Inc.:	2,157,500*
$ 2,000,000	5.95% to 05/15/25 then 3ML + 3.905%, Series P	
981,500	6.875% to 11/15/23 then 3ML + 4.13%, Series K	28,151,874*(1)
572,357	7.125% to 09/30/23 then 3ML + 4.04%, Series J	16,702,808*(1)
	CoBank ACB:	
38,420	6.125%, Series G, 144A****	3,950,056*
104,000	6.20% to 01/01/25 then 3ML + 3.744%, Series H, 144A****	11,030,500*
60,000	6.25% to 10/01/22 then 3ML + 4.557%, Series F, 144A****	6,585,000*(1)
$ 2,498,000	6.25% to 10/01/26 then 3ML + 4.66%, Series I, 144A****	2,751,969*
$ 35,100,000	Colonial BancGroup, 7.114%, 144A****	3,510(3)(4)
$ 1,630,000	Credit Agricole SA, 7.875% to 12/23/24 then SW5 + 4.898%,144A****	1,852,316**(2)
1,483,814	Fifth Third Bancorp, 6.625% to 12/31/23 then 3ML + 3.71%, Series I	42,885,934*(1)
	First Horizon National Corporation:	
3,730	First Tennessee Bank, 3ML + 0.85%, min 3.75%, 3.75%(5), 144A****	2,984,350*
9	FT Real Estate Securities Company, 9.50% 03/31/31, 144A****	11,688,750
50,000	First Republic Bank, 5.625%, Series C	1,270,105*
	Goldman Sachs Group:	
$ 12,000,000	5.00% to 11/10/22 then 3ML + 2.874%, Series P	11,940,000*(1)
$ 390,000	5.70% to 05/10/19 then 3ML + 3.884%, Series L	401,602*
140,000	6.375% to 05/10/24 then 3ML + 3.55%, Series K	4,046,000*(1)

The accompanying notes are an integral part of the financial statements.

10

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2017

Shares/$ Par		Value
Preferred Securities (Continued)		
	Banking (Continued)	
	HSBC Holdings PLC:	
$ 2,100,000	6.00% to 05/22/27 then ISDA5 + 3.746%	$ 2,211,300**(1)(2)
$ 5,243,000	6.875% to 06/01/21 then ISDA5 + 5.514%	5,688,655**(1)(2)
114,004	8.00%, Series 2	3,065,853**(1)(2)
$ 4,400,000	HSBC Capital Funding LP, 10.176% to 06/30/30 then 3ML + 4.98%, 144A****	7,100,500(1)(2)
590,000	Huntington Bancshares, Inc., 6.25%, Series D	16,388,725*(1)
300,000	ING Groep NV, 6.375%	7,689,000**(2)
	JPMorgan Chase & Company:	
$ 5,450,000	6.00% to 08/01/23 then 3ML + 3.30%, Series R	5,920,063*(1)
56,600	6.125%, Series Y	1,528,341*
183,700	6.70%, Series T	4,926,834*(1)
$ 15,155,000	6.75% to 02/01/24 then 3ML + 3.78%, Series S	17,349,596*(1)
$ 32,000,000	7.90% to 04/30/18 then 3ML + 3.47%, Series I	32,437,440*(1)
502,300	KeyCorp, 6.125% to 12/15/26 then 3ML + 3.892%, Series E	14,472,519*(1)
$ 9,340,000	Lloyds TSB Bank PLC, 12.00% to 12/16/24 then 3ML + 11.756%, 144A****	12,620,395(2)
$ 16,750,000	M&T Bank Corporation, 6.45% to 02/15/24 then 3ML + 3.61%, Series E	18,969,375*(1)
$ 3,000,000	Macquarie Bank Ltd., 6.125% to 03/08/27 then SW5 + 3.703%, 144A****	3,131,250**(2)
241,000	MB Financial, Inc., 6.00%, Series C	6,181,650*
	Morgan Stanley:	
760,089	5.85% to 04/15/27 then 3ML + 3.491%, Series K	20,569,909*(1)
502,400	6.875% to 01/15/24 then 3ML + 3.94%, Series F	14,455,304*(1)
298,300	7.125% to 10/15/23 then 3ML + 4.32%, Series E	8,678,293*(1)
977,000	New York Community Bancorp, Inc., 6.375% to 03/17/27 then 3ML + 3.821%, Series A	27,707,720*(1)
	PNC Financial Services Group, Inc.:	
2,014,460	6.125% to 05/01/22 then 3ML + 4.067%, Series P	57,578,303*(1)
$ 3,043,000	6.75% to 08/01/21 then 3ML + 3.678%, Series O	3,395,227*(1)
$ 7,885,000	RaboBank Nederland, 11.00% to 06/30/19 then 3ML + 10.868%, 144A****	8,900,194(1)(2)
27,213	Regions Financial Corporation, 6.375% to 09/15/24 then 3ML + 3.536%, Series B	784,075*
$ 7,000,000	Societe Generale SA, 7.375% to 09/13/21 then SW5 + 6.238%, 144A****	7,603,750**(2)
	Sovereign Bancorp:	
8,641	Sovereign REIT, 12.00%, Series A, 144A****	10,833,654
	Standard Chartered PLC:	
$ 9,970,000	7.50% to 04/02/22 then SW5 + 6.301%, 144A****	10,804,988**(1)(2)
$ 8,000,000	7.75% to 04/02/23 then SW5 + 5.723%, 144A****	8,780,000**(1)(2)
505,500	State Street Corporation, 5.90% to 03/15/24 then 3ML + 3.108%, Series D	14,173,512*(1)

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2017

Shares/$ Par		Value
Preferred Securities (Continued)		
	Banking (Continued)	
2,220	Sterling Bancorp,6.50%, Series A	$ 58,258*
107,166	SunTrust Banks, Inc., 5.875%, Series E	2,737,288*(1)
216,000	US Bancorp, 6.50% to 01/15/22 then 3ML + 4.468%, Series F	6,223,500*(1)
165,000	Valley National Bancorp, 5.50% to 09/30/22 then 3ML + 3.578%, Series B	4,329,600*
357,568	Webster Financial Corporation, 6.40%, Series E	9,090,272*(1)
	Wells Fargo & Company:	
55,000	5.625%, Series Y	1,429,587*
339,095	5.85% to 09/15/23 then 3ML + 3.09%, Series Q	9,234,405*(1)
$ 3,000,000	5.875% to 06/15/25 then 3ML + 3.99%, Series U	3,333,750*(1)
402,925	6.625% to 03/15/24 then 3ML + 3.69%, Series R	11,503,509*(1)
$ 16,314,000	7.98% to 03/15/18 then 3ML + 3.77%, Series K	16,588,891*(1)
550,500	8.00%, Series J	14,118,398*(1)
$ 6,700,000	Westpac Banking Corporation, 5.00% to 09/21/27 then ISDA5 + 2.888%	6,705,596**(2)
	Zions Bancorporation:	
20,000	6.30% to 03/15/23 then 3ML + 4.24%, Series G	548,450*
$ 9,000,000	7.20% to 09/15/23 then 3ML + 4.44%, Series J	10,282,500*(1)
		719,658,911
	Financial Services 1.0%	
$ 2,540,000	AerCap Global Aviation Trust, 6.50% to 06/15/25 then 3ML + 4.30%, 06/15/45, 144A****	2,781,300(2)
	Charles Schwab Corporation:	
13,600	5.95%, Series D	372,368*
176,400	6.00%, Series C	4,814,397*(1)
$ 2,600,000	E*TRADE Financial Corporation, 5.30% to 03/15/23 then 3ML + 3.16%, Series B	2,629,250*
$ 2,625,000	General Motors Financial Company, 5.75% to 09/30/27 then 3ML + 3.598%, Series A	2,703,330*
		13,300,645
	Insurance 20.3%	
612,382	Allstate Corporation, 6.625%, Series E	16,474,239*(1)
$ 718,000	Aon Corporation, 8.205% 01/01/27	942,375(1)
	Arch Capital Group, Ltd.:	
67,000	5.25%, Series E	1,683,877**(2)
56,500	5.45%, Series F	1,450,355**(2)
176,497	6.75%, Series C	4,497,585**(2)

The accompanying notes are an integral part of the financial statements.

12

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2017

Shares/$ Par		Value
Preferred Securities (Continued)		
	Insurance (Continued)	
	Aspen Insurance Holdings Ltd.:	
65,962	5.625%	$ 1,722,268**(2)
65,830	5.95% to 07/01/23 then 3ML + 4.06%	1,785,968**(2)
$ 3,315,000	AXA SA, 6.379% to 12/14/36 then 3ML + 2.256%, 144A****	3,861,975**(1)(2)
52,191	Axis Capital Holdings Ltd., 5.50%, Series E	1,330,870**(2)
	Chubb Ltd.:	
$ 4,566,000	Ace Capital Trust II, 9.70% 04/01/30	6,928,905(1)(2)
732,250	Delphi Financial Group, 3ML + 3.19%, 4.6059%(5) 05/15/37	14,910,441(1)
$ 10,158,000	Everest Reinsurance Holdings, 3ML + 2.385%, 3.8009%(5) 05/15/37	9,675,495(1)
50,000	Hartford Financial Services Group, Inc., 7.875% to 04/15/22 then 3ML + 5.596%, 04/15/42	1,497,125
$ 24,634,000	Liberty Mutual Group, 7.80% 03/15/37, 144A****	31,346,765(1)
	MetLife:	
$ 18,250,000	MetLife, Inc., 9.25% 04/08/38, 144A****	27,055,625(1)
$ 17,895,000	MetLife, Inc., 10.75% 08/01/39	30,018,863(1)
$ 2,250,000	MetLife Capital Trust IV, 7.875% 12/15/37, 144A****	3,015,000(1)
	PartnerRe Ltd.:	
140,000	5.875%, Series I	3,668,000**(1)(2)
36,394	6.50%, Series G	985,186**(1)(2)
475,799	7.25%, Series H	13,989,680**(1)(2)
	Prudential Financial, Inc.:	
$ 4,906,000	5.625% to 06/15/23 then 3ML + 3.92%, 06/15/43	5,323,010(1)
$ 3,900,000	5.875% to 09/15/22 then 3ML + 4.175%, 09/15/42	4,280,328(1)
$ 21,757,000	QBE Insurance Group Ltd., 7.50% to 11/24/23 then SW10 + 6.03%, 11/24/43, 144A****	25,292,513(1)(2)
	Unum Group:	
$ 18,380,000	Provident Financing Trust I, 7.405% 03/15/38	20,953,200(1)
144,335	W.R. Berkley Corporation, 5.75% 06/01/56	3,791,810(1)
	XL Group Limited:	
$ 8,000,000	Catlin Insurance Company Ltd., 3ML + 2.975%, 4.3323%(5), 144A****	7,660,640(1)(2)
$ 33,000,000	XL Capital Ltd., 3ML + 2.4575%, 3.8167%(5), Series E	29,535,000(1)(2)
		273,677,098
	Utilities 10.5%	
	Commonwealth Edison:	
$ 16,798,000	COMED Financing III, 6.35% 03/15/33	18,519,795(1)
810,000	Dominion Resources, Inc., 5.25% 07/30/76, Series A	20,669,175(1)
	DTE Energy Company:	
164,000	5.375% 06/01/76, Series B	4,220,130(1)
55,000	6.00% 12/15/76, Series F	1,479,637

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2017

Shares/$ Par		Value
Preferred Securities (Continued)		
	Utilities (Continued)	
$ 12,170,000	Emera, Inc., 6.75% to 06/15/26 then 3ML + 5.44%, 06/15/76, Series 2016A	$ 13,752,100(1)(2)
127,200	Georgia Power Company, 5.00% 10/01/77, Series 2017A	3,234,213
98,800	Indianapolis Power & Light Company, 5.65%	10,012,520*
463,700	Integrys Energy Group, Inc., 6.00% to 08/01/23 then 3ML + 3.22%, 08/01/73	13,143,020(1)
	NextEra Energy:	
$ 16,293,000	FPL Group Capital, Inc., 3ML + 2.125%, 3.445%(5) 06/15/67, Series C	15,396,885(1)
$ 1,285,000	FPL Group Capital, Inc., 3ML + 3.3475%, 4.6641%(5) 09/01/67, Series D	1,285,000
	PECO Energy:	
$ 2,386,000	PECO Energy Capital Trust III, 7.38% 04/06/28, Series D	2,966,051(1)
	PPL Corp:	
$ 12,190,000	PPL Capital Funding, Inc., 3ML + 2.665%, 3.9978%(5) 03/30/67, Series A	11,991,913(1)
$ 23,500,000	Puget Sound Energy, Inc., 6.974% to 12/01/17 then 3ML + 2.53%, 06/01/67, Series A	22,736,250(1)
	Southern California Edison:	
70,000	SCE Trust V, 5.45% to 03/15/26 then 3ML + 3.79%, Series K	1,937,075*(1)
		141,343,764
	Energy 5.2%	
$ 2,510,000	DCP Midstream LLC, 5.85% to 05/21/23 then 3ML + 3.85%, 05/21/43, 144A****	2,346,850
$ 6,450,000	DCP Midstream LP, 7.375% to 12/15/22 then 3ML + 5.148%, Series A	6,413,719
$ 6,200,000	Enbridge, Inc., 6.00% to 01/15/27 then 3ML + 3.89%, 01/15/77	6,499,274(1)(2)
$ 38,198,000	Enbridge Energy Partners LP, 3ML + 3.7975%, 5.1325%(5), 10/01/37	37,816,020(1)
	Enterprise Products Operating L.P.:	
$ 1,471,000	3ML + 3.7075%, 5.0843%(5) 08/01/66, Series A	1,472,839
$ 3,700,000	5.25% to 08/16/27 then 3ML + 3.033%, 08/16/77, Series E	3,711,211
	Transcanada Pipelines, Ltd.:	
$ 4,000,000	5.30% to 03/15/27 then 3ML + 3.208%, 03/15/77, Series 2017-A	4,147,500(1)(2)
$ 7,000,000	5.875% to 08/15/26 then 3ML + 4.64%, 08/15/76, Series 2016-A	7,640,150(1)(2)
		70,047,563
	Real Estate Investment Trust (REIT) 0.6%	
19,210	Annaly Capital Management, Inc., 6.95% to 09/30/22 then 3ML + 4.993%, Series F	491,776
	National Retail Properties, Inc.:	
20,064	5.20%, Series F	501,600
181,849	5.70%, Series E	4,672,155(1)
	PS Business Parks, Inc.:	
37,673	5.20%, Series W	957,365
20,727	5.70%, Series V	539,161
33,000	5.75%, Series U	836,220
6,575	6.00%, Series T	167,005

8,165,282

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2017

Shares/$ Par		**Value**
Preferred Securities (Continued)		
	Miscellaneous Industries 2.8%	
	BHP Billiton Limited:	
$ 2,500,000	BHP Billiton Finance U.S.A., Ltd., 6.75% to 10/19/25 then SW5 + 5.093%, 10/19/75, 144A****	$ 2,927,875(2)
$ 6,974,000	General Electric Company, 5.00% to 01/21/21 then 3ML + 3.33%, Series D	7,244,242*(1)
	Land O Lakes, Inc.:	
$ 7,900,000	7.25%, Series B, 144A****	8,571,500*
$ 9,500,000	8.00%, Series A, 144A****	10,568,750*(1)
97,900	Ocean Spray Cranberries, Inc., 6.25%, 144A****	8,902,781*
		38,215,148
	Total Preferred Securities (Cost $1,207,310,368)	1,264,408,411
Corporate Debt Securities§ 4.7%		
	Banking 1.6%	
$ 3,077,000	Regions Financial Corporation, 7.375% 12/10/37, Sub Notes	4,257,660(1)
644,200	Texas Capital Bancshares Inc., 6.50% 09/21/42, Sub Notes	16,712,158
25,000	Zions Bancorporation, 6.95% to 09/15/23 then 3ML + 3.89%, 09/15/28, Sub Notes	719,062
		21,688,880
	Financial Services 0.0%	
15,000	B. Riley Financial, Inc., 7.50% 05/31/27	387,862
$ 4,726,012	Lehman Brothers, Guaranteed Note, 5.843%,144A****	93,575(3)(4)
		481,437
	Insurance 1.5%	
$ 13,500,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A****	19,604,406(1)
		19,604,406
	Energy 0.7%	
$ 6,717,000	Energy Transfer Partners LP, 8.25% 11/15/29	8,733,553(1)
		8,733,553
	Communication 0.5%	
	Qwest Corporation:	

168,200	6.50% 09/01/56	3,946,392
115,450	6.75% 06/15/57	2,743,381
2,300	7.00% 04/01/52	55,413
		6,745,186

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2017

Shares/$ Par			Value
Corporate Debt Securities (Continued)			
	Miscellaneous Industries 0.4%		
38,000	eBay, Inc., 6.00% 02/01/56		$ 1,027,235
$ 3,550,000	Pulte Group, Inc., 7.875% 06/15/32		4,473,000(1)
			5,500,235
	Total Corporate Debt Securities (Cost $51,841,470)		62,753,697
Common Stock 0.2%			
	Banking 0.2%		
54,740	CIT Group, Inc.		2,728,242*
			2,728,242
	Insurance 0.0%		
241,737	WMI Holdings Corporation, 144A****		202,648*
			202,648
	Total Common Stock (Cost $23,031,471)		2,930,890
Money Market Fund 0.7%			
	BlackRock Liquidity Funds:		
9,553,983	T-Fund, Institutional Class		9,553,983
	Total Money Market Fund (Cost $9,553,983)		9,553,983
Total Investments (Cost $1,291,737,292***)		99.3%	1,339,646,981
Other Assets And Liabilities (Net)		0.7%	9,656,151
Total Managed Assets		100.0%	$ 1,349,303,132
Loan Principal Balance			(449,575,000)

Total Net Assets Available To Common Stock	$	899,728,132

The accompanying notes are an integral part of the financial statements.

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2017

§ 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 (unaudited).
** Securities distributing Qualified Dividend Income only (unaudited).
*** 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 November 30, 2017, these securities amounted to $334,126,816 or 24.8% 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 $783,881,650 at November 30, 2017.
(2) Foreign Issuer.
(3) Level 3, illiquid security (designation is unaudited; see Note 2: Significant Accounting Policies).
(4) Valued at fair value as determined in good faith by or under the direction of the Board of Directors as of November 30, 2017.
(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

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

STATEMENT OF ASSETS AND LIABILITIES

November 30, 2017

ASSETS:		
Investments, at value (Cost $1,291,737,292)		$ 1,339,646,981
Cash		1,290,000
Receivable for investments sold		804,676
Dividends and interest receivable		13,081,886
Prepaid expenses		30,782
Total Assets		1,354,854,325
LIABILITIES:		
Loan Payable	$ 449,575,000	
Payable for investments purchased	4,353,492	
Dividends payable to Common Stock Shareholders	417,291	
Investment advisory fees payable	475,308	
Administration, Transfer Agent and Custodian fees payable	71,674	
Servicing Agent fees payable	53,711	
Professional fees payable	73,498	
Accrued expenses and other payables	106,219	
Total Liabilities		455,126,193
NET ASSETS AVAILABLE TO COMMON STOCK		$ 899,728,132
NET ASSETS AVAILABLE TO COMMON STOCK consist of:		
Undistributed net investment income		$ 938,910
Accumulated net realized loss on investments sold		(37,514,091)
Unrealized appreciation of investments		47,909,689
Par value of Common Stock		442,114
Paid-in capital in excess of par value of Common Stock		887,951,510
Total Net Assets Available to Common Stock		$ 899,728,132
NET ASSET VALUE PER SHARE OF COMMON STOCK:		
Common Stock (44,211,390 shares outstanding)		$ 20.35

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

STATEMENT OF OPERATIONS

For the Year Ended November 30, 2017

INVESTMENT INCOME:		
Dividends		$ 37,420,477
Interest		41,028,607
Total Investment Income		78,449,084
EXPENSES:		
Investment advisory fees	$ 5,654,025	
Interest expenses	8,836,143	
Servicing agent fees	640,768	
Administrator s fees	537,971	
Professional fees	119,345	
Insurance expenses	125,272	
Transfer Agent fees	36,076	
Directors fees	55,018	
Custodian fees	87,881	
Compliance fees	35,157	
Other	276,354	
Total Expenses		16,404,010
NET INVESTMENT INCOME		62,045,074
REALIZED AND UNREALIZED GAIN ON INVESTMENTS		
Net realized gain on investments sold during the year		17,840,528
Capital gains distributions from investments held during the year		501
Change in unrealized appreciation/(depreciation) of investments		65,958,183
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS		83,799,212
NET INCREASE IN NET ASSETS TO COMMON STOCK RESULTING FROM OPERATIONS		$ 145,844,286

For Federal income tax purposes, a significant portion of this amount may not qualify for the inter-corporate dividends received deduction (DRD) or as qualified dividend income (QDI) for individuals.

The accompanying notes are an integral part of the financial statements.

19

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK

	Year Ended November 30, 2017	Year Ended November 30, 2016
OPERATIONS:		
Net investment income	$ 62,045,074	$ 69,279,315
Net realized gain/(loss) on investments sold during the year	17,841,029	3,634,110
Change in net unrealized appreciation/(depreciation) of investments	65,958,183	(23,501,195)
Net increase in net assets resulting from operations	**145,844,286**	**49,412,230**
DISTRIBUTIONS:		
Dividends paid from net investment income to Common Stock Shareholders[1]	(66,139,162)	(71,522,259)
Total Distributions to Common Stock Shareholders	**(66,139,162)**	**(71,522,259)**
FUND SHARE TRANSACTIONS:		
Increase from shares issued under the Dividend Reinvestment and Cash Purchase Plan	5,212,092	5,196,252
Net increase in net assets available to Common Stock resulting from Fund share transactions	**5,212,092**	**5,196,252**
NET INCREASE/(DECREASE) IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE YEAR	**$ 84,917,216**	**$ (16,913,777)**
NET ASSETS AVAILABLE TO COMMON STOCK:		
Beginning of year	$ 814,810,916	$ 831,724,693
Net increase/(decrease) in net assets during the year	84,917,216	(16,913,777)
End of year (including undistributed net investment income of $938,910 and $2,395,382 respectively)	$ 899,728,132	$ 814,810,916

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

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

STATEMENT OF CASH FLOWS

For the year Ended November 30, 2017

INCREASE/(DECREASE) IN CASH	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in net assets resulting from operations	$ 145,844,286
ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Purchase of investment securities	(289,580,329)
Proceeds from disposition of investment securities	259,112,526
Net sales of short-term investment securities	6,856,876
Cash received from litigation claim	86,584
Capital gains distributions from investments	501
Decrease in dividends and interest receivable	2,223,879
Increase in receivable for investments sold	(804,676)
Decrease in prepaid expenses	23,875
Net amortization/(accretion) of premium/(discount)	2,676,011
Increase in payables for investments purchased	4,353,492
Increase in payables to related parties	28,941
Increase in accrued expenses and other liabilities	23,290
Change in net unrealized (appreciation)/depreciation of investments	(65,958,183)
Net realized gain from investments sold	(17,841,029)
Net cash provided by operating activities	47,046,044
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from loan	15,200,000
Dividend paid (net of reinvestment of dividends and change in dividends payable) to common stock shareholders from net investment income	(60,956,044)
Net cash used in financing activities	(45,756,044)
Net increase/(decrease) in cash	1,290,000
CASH:	
Beginning of the year	$
End of the year	$ 1,290,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid during the year	$ 8,823,483
Reinvestment of dividends	5,212,092
Decrease of dividends payable to common stock shareholders	(28,974)

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

FINANCIAL HIGHLIGHTS

For a Common Stock share outstanding throughout each year

Contained below is per share operating performance data, total investment returns, ratios to average net assets and other supplemental data. This information has been derived from information provided in the financial statements and market price data for the Fund s shares.

	Year Ended November 30,				
	2017	2016	2015	2014	2013
PER SHARE OPERATING PERFORMANCE:					
Net asset value, beginning of year	$ 18.54	$ 19.04	$ 19.85	$ 18.34	$ 18.97
INVESTMENT OPERATIONS:					
Net investment income	1.41	1.58	1.61	1.64	1.68
Net realized and unrealized gain/(loss) on investments	1.90	(0.45)	(0.79)	1.55	(0.56)
Total from investment operations	3.31	1.13	0.82	3.19	1.12
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:					
From net investment income	(1.50)	(1.63)	(1.63)	(1.68)	(1.75)
Total distributions to Common Stock Shareholders	(1.50)	(1.63)	(1.63)	(1.68)	(1.75)
Net asset value, end of year	$ 20.35	$ 18.54	$ 19.04	$ 19.85	$ 18.34
Market value, end of year	$ 20.61	$ 19.31	$ 20.14	$ 20.60	$ 17.60
Total investment return based on net asset value*	18.28%	5.83%	4.36%	18.16%	6.10%
Total investment return based on market value*	15.01%	4.20%	6.37%	27.78%	(2.45)%
RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:					
Total net assets, end of year (in 000 s)	$ 899,728	$ 814,811	$ 831,725	$ 864,642	$ 797,248
Operating expenses including interest expense(1)	1.87%	1.62%	1.40%	1.39%	1.44%
Operating expenses excluding interest expense	0.86%	0.89%	0.88%	0.88%	0.90%
Net investment income	7.07%	8.34%	8.25%	8.55%	8.87%
SUPPLEMENTAL DATA:					
Portfolio turnover rate	20%	13%	9%	29%	24%
Total managed assets, end of year (in 000 s)	$ 1,349,303	$ 1,249,186	$ 1,266,100	$ 1,291,017	$ 1,221,423
Ratio of operating expenses including interest expense(1) to average total managed assets	1.25%	1.07%	0.93%	0.92%	0.95%
Ratio of operating expenses excluding interest expense to average total managed assets	0.58%	0.58%	0.58%	0.58%	0.60%

* Assumes reinvestment of distributions at the price obtained by the Fund s Dividend Reinvestment and Cash Purchase Plan.
The net investment income ratios reflect income net of operating expenses, including interest expense.
Information presented under heading Supplemental Data includes loan principal balance.

(1) See Note 8.

The accompanying notes are an integral part of the financial statements.

FINANCIAL HIGHLIGHTS (Continued)

Per Share of Common Stock

	Total Dividends Paid	Net Asset Value	NYSE Closing Price	Dividend Reinvestment Price[1]
December 30, 2016	$ 0.1280	$ 18.69	$ 18.84	$ 18.69
January 31, 2017	0.1280	19.15	19.84	19.15
February 28, 2017	0.1280	19.52	19.78	19.52
March 31, 2017	0.1280	19.49	20.55	19.52
April 28, 2017	0.1280	19.92	20.86	19.92
May 31, 2017	0.1280	20.18	21.60	20.52
June 30, 2017	0.1280	20.47	21.97	20.87
July 31, 2017	0.1280	20.58	20.55	20.58
August 31, 2017	0.1190	20.46	21.25	20.46
September 29, 2017	0.1190	20.45	21.40	20.45
October 31, 2017	0.1190	20.40	20.92	20.40
November 30, 2017	0.1190	20.35	20.61	20.35

(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.

Senior Securities

	11/30/2017	11/30/2016	11/30/2015	11/30/2014	11/30/2013
Total Debt Outstanding, End of Period (000s)[1]	$ 449,575	$ 434,375	$ 434,375	$ 426,375	$ 424,175
Asset Coverage per $1,000 of Debt[2]	3,001	2,876	2,915	3,028	2,880

(1) See Note 8.
(2) Calculated by subtracting the Fund s total liabilities (excluding the loan) from the Fund s total assets and dividing that amount by the loan outstanding in 000s.

The accompanying notes are an integral part of the financial statements.

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

NOTES TO FINANCIAL STATEMENTS

1. Organization

Flaherty & Crumrine Preferred Securities Income Fund Incorporated (the Fund) was incorporated as a Maryland corporation on May 23, 2002, and commenced operations on January 29, 2003 as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s investment objective is to provide its common shareholders with high current income consistent with the preservation of capital.

2. Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of the financial statements is in conformity with U.S. generally accepted accounting principles (U.S. GAAP) and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Portfolio valuation: The net asset value of the Fund s Common Stock is determined by the Fund s Administrator no less frequently than on the last business day of each week and month in accordance with the policies and procedures approved by the Board of Directors (the Board) of the Fund. It is determined by dividing the value of the Fund s net assets available to Common Stock by the number of shares of Common Stock outstanding. The value of the Fund s net assets available to Common Stock is deemed to equal the value of the Fund s total assets less (i) the Fund s liabilities and (ii) the aggregate liquidation value of any outstanding preferred stock.

The Fund s preferred and debt securities are valued on the basis of current market quotations provided by independent pricing services or dealers approved by the Board of the Fund. Each quotation is based on the mean of the bid and asked prices of a security. In determining the value of a particular preferred or debt security, a pricing service or dealer may use information with respect to transactions in such investments, quotations, market transactions in comparable investments, various relationships observed in the market between investments, and/or calculated yield measures based on valuation technology commonly employed in the market for such investments. Common stocks that are traded on stock exchanges are valued at the last sale price or official close price on the exchange, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available mean price. Futures contracts and option contracts on futures contracts are valued on the basis of the settlement price for such contracts on the primary exchange on which they trade. Investments in over-the-counter derivative instruments, such as interest rate swaps and options thereon (swaptions), are valued using prices supplied by a pricing service, or if such prices are unavailable, prices provided by a single broker or dealer that is not the counterparty or, if no such prices are available, at a price at which the counterparty to the contract would repurchase the instrument or terminate the contract. Investments for which market quotations are not readily available or for which management determines that the prices are not reflective of current market conditions are valued at fair value as determined in good faith by or under the direction of the Board of the Fund, including reference to valuations of other securities which are comparable in quality, maturity and type.

NOTES TO FINANCIAL STATEMENTS (Continued)

Investments in money market instruments and all debt and preferred securities which mature in 60 days or less are valued at amortized cost, provided such amount approximates market value. Investments in money market funds are valued at the net asset value of such funds.

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.

A summary of the inputs used to value the Fund s investments as of November 30, 2017 is as follows:

	Total Value at November 30, 2017	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Preferred Securities				
Banking	$ 719,658,911	$ 643,547,928	$ 76,107,473	$ 3,510
Financial Services	13,300,645	10,519,345	2,781,300	
Insurance	273,677,098	152,104,789	121,572,309	
Utilities	141,343,764	73,966,128	67,377,636	
Energy	70,047,563	29,884,693	40,162,870	
Real Estate Investment Trust (REIT)	8,165,282	8,165,282		
Miscellaneous Industries	38,215,148	10,172,117	28,043,031	
Corporate Debt Securities				
Banking	21,688,880	17,431,220	4,257,660	
Financial Services	481,437	387,862		93,575
Insurance	19,604,406		19,604,406	
Energy	8,733,553		8,733,553	
Communication	6,745,186	6,745,186		
Miscellaneous Industries	5,500,235	1,027,235	4,473,000	
Common Stock				
Banking	2,728,242	2,728,242		
Insurance	202,648	202,648		

Money Market Fund	9,553,983	9,553,983		
Total Investments	$ 1,339,646,981	$ 966,436,658	$ 373,113,238	$ 97,085

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (Continued)

During the reporting period, securities with an aggregate market value of $5,823,799 were transferred into Level 1 from Level 2. The securities were transferred due to an increase in the quantity and quality of information related to trading activity or broker quotes for these securities. During the period, securities with an aggregate market value of $13,143,020 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 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 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.

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 11/30/16	$ 150,006	$ 52,650	$ 97,356
Accrued discounts/premiums			
Realized gain/(loss)			
Change in unrealized appreciation/(depreciation)	(52,921)	(49,140)	(3,781)
Purchases			
Sales			
Transfers in			
Transfers out			
Balance as of 11/30/17	$ 97,085	$ 3,510	$ 93,575

For the year ended November 30, 2017, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was $(52,921). Total unrealized gain/(loss) for all securities (including Level 1 and Level 2) can be found on the accompanying Statement of Operations.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 11/30/17	Valuation Technique	Unobservable Input	Input Range (Wgt Avg)
Preferred Securities (Banking)	$ 3,510	Bankruptcy recovery	Credit/Structure-specific recovery	0.00% - 0.15% (0.01%)
Corporate Debt Securities (Financial Services)	93,575	Bankruptcy recovery and market information	Credit/Structure-specific recovery	1% - 4% (2.0%)

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.

Securities transactions and investment income: Securities transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the specific identified cost basis. Dividend income is recorded on ex-dividend dates. Interest income is recorded on the accrual basis. The Fund also amortizes premiums and accretes discounts on fixed income securities using the effective yield method.

Options: Purchases of options are recorded as an investment, the value of which is marked-to-market at each valuation date. When the Fund enters into a closing sale transaction, the Fund will record a gain or loss depending on the difference between the purchase and sale price.

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market at each valuation date. When a written option expires, the Fund realizes a gain equal to the amount of the premium originally received. When the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of the closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is eliminated. When a call option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are increased by the amount of the premium originally received. When a put option is exercised, the amount of the premium originally received will reduce the cost of the security which the Fund purchased upon exercise.

Repurchase agreements: The Fund may engage in repurchase agreement transactions. The Adviser reviews and approves the eligibility of the banks and dealers with which the Fund may enter into repurchase

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

NOTES TO FINANCIAL STATEMENTS (Continued)

agreement transactions. The value of the collateral underlying such transactions must be at least equal at all times to the total amount of the repurchase obligations, including interest. The Fund maintains possession of the collateral through its custodian and, in the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. There is the possibility of loss to the Fund in the event the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

Federal income taxes: The Fund intends to continue to qualify as a regulated investment company by complying with the requirements under subchapter M of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies and intends to distribute substantially all of its taxable net investment income to its shareholders. Therefore, no federal income tax provision is required.

Management has analyzed the Fund s tax positions taken on federal income tax returns for all open tax years (November 30, 2017, 2016 and 2015), and has concluded that no provision for federal income tax is required in the Fund s financial statements. The Fund s major tax jurisdictions are federal and the State of California. The Fund s federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Dividends and distributions to shareholders: The Fund expects to declare dividends on a monthly basis to holders of Common Stock (Shareholders). Distributions to Shareholders are recorded on the ex-dividend date. Any net realized short-term capital gains will be distributed to Shareholders at least annually. Any net realized long-term capital gains may be distributed to Shareholders at least annually or may be retained by the Fund as determined by the Fund s Board. Capital gains retained by the Fund are subject to tax at the capital gains corporate tax rate. Subject to the Fund qualifying as a regulated investment company, any taxes paid by the Fund on such net realized long-term capital gains may be used by the Fund s Shareholders as a credit against their own tax liabilities. The Fund may pay distributions in excess of the Fund s net investment company taxable income and this excess would be a tax-free return of capital distributed from the Fund s assets.

Income and capital gain distributions are determined and characterized in accordance with income tax regulations which may differ from U.S. GAAP. These differences are primarily due to (1) differing treatments of income and gains on various investment securities held by the Fund, including timing differences, (2) the attribution of expenses against certain components of taxable investment income, and (3) federal regulations requiring proportionate allocation of income and gains to all classes of shareholders.

Distributions from net realized gains for book purposes may include short-term capital gains, which are included as ordinary income for tax purposes, and may exclude amortization of premium and discount on certain fixed income securities, which are not reflected in ordinary income for tax purposes. The tax character of distributions paid during 2017 and 2016 were as follows:

	Distributions paid in fiscal year 2017		Distributions paid in fiscal year 2016	
	Ordinary Income	**Long-Term Capital Gains**	**Ordinary Income**	**Long-Term Capital Gains**
Common Stock	$66,139,162	$0	$71,522,259	$0

NOTES TO FINANCIAL STATEMENTS (Continued)

As of November 30, 2017, the components of distributable earnings (i.e., ordinary income and capital gain/loss) available to Shareholders, on a tax basis, were as follows: