Flaherty & Crumrine PREFERRED SECURITIES INCOME FUND INC
Form N-30B-2
April 28, 2016

FLAHERTY & CRUMRINE PREFERRED SECURITIES INCOME FUND

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

Increased volatility was a common theme in most markets during the first fiscal quarter[1], and the preferred securities market was no exception. Total return[2] on net asset value (NAV) was -2.5% for the quarter, while total return on market price was 0.3%.

As we mentioned in our last letter, markets entered a new phase with liftoff in December. The Federal Reserve s 0.25% hike in short-term interest rates was its first step in slowly removing unprecedented levels of monetary accommodation. However, other parts of the world, notably Europe and Japan, are still easing monetary policy by increasing quantitative easing (QE) programs and pushing short-term interest rates into negative territory. With concerns over economic growth in China adding to the equation, investors are struggling to figure out how all the pieces fit together going forward. Understandably, markets are factoring in a possibility of policy mistakes along the way, as these are uncharted territories for everyone. The result has been increased volatility in most markets, including commodities (oil, natural gas, and metals), stocks, U.S. Treasuries, corporate bonds, and preferred securities.

Reduced probabilities for future rate increases in the U.S., and negative rates in some regions, triggered an absolute rout in bank common stocks with the average U.S. bank stock returning -20% during the fiscal period. Preferred securities fared much better but cheapened in sympathy (as did more-senior bank securities). Bank earnings should benefit from higher interest rates, but any upside to future earnings that investors had been hoping for (and pricing into stock prices) has been scaled back from earlier projections.

European bank common stocks were among the worst performers, and this had a related impact on the contingent capital securities market (these CoCos are the non-U.S. version of preferreds). Deutsche Bank was in the headlines yet again this time with concerns about its ability to pay coupons on CoCos and preferred securities. The market reacted very negatively, and CoCo prices were dragged down substantially across the board. Once again, U.S. preferreds fared better but still cheapened in sympathy.

There is a lot for investors in all markets to consider, but as it relates to preferreds, we suggest taking a step back to reflect on a longer-term view of favorable fundamentals.

Bank earnings are certainly important to investors, since dividends are paid out of earnings and profits. However, *growth* in earnings, while critical to common stock valuation, is *not* a critical determinant of creditworthiness and preferred-stock valuation. We focus much more on a bank s capital on its ability to absorb losses while still being able to pay preferred dividends than on earnings growth. On this front, the news is positive as the common equity capital at banks in which we invest continues to build, which supports debt and preferred stock that are senior to common equity.

1 December 1, 2015 February 29, 2016
2 Following the methodology required by the Securities and Exchange Commission, total return assumes dividend reinvestment.

Low interest rates will have mixed implications for both issuers of and investors in preferred securities, but overall they should benefit prices of preferred securities as a global search for yield continues. We also believe recent concerns around CoCos (which represented 1.2% of the Fund as of period end) will turn out to be noise, as issuers and regulators consider CoCos a necessary market that they are loath to damage by not paying coupons.

Global economic recovery will be slow, and policy mistakes are likely to be made. As we have said before, income (coupons) can make up for quite a bit of principal change over time and preferreds continue to offer higher yields than many other fixed-income securities. While volatility may be with us for some time, and the ride may be bumpy, we believe total returns will be competitive over time for preferred investors.

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, 2016

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OVERVIEW

February 29, 2016 (Unaudited)

Fund Statistics	
Net Asset Value	$ 18.16
Market Price	$ 19.78
Premium	8.92%
Yield on Market Price	8.25%
Common Stock Shares Outstanding	43,744,828

Moody s Ratings*	**% of Net Assets**
A	1.9%
BBB	69.7%
BB	18.7%
Below BB	0.8%
Not Rated**	7.0%
Below Investment Grade***	20.4%

* 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 1.9%.
*** Below investment grade by all of Moody s, S&P, and Fitch.

Industry Categories **% of Net Assets**

Top 10 Holdings by Issuer	**% of Net Assets**
Liberty Mutual Group	5.7%
JPMorgan Chase	4.9%
HSBC PLC	4.5%
Wells Fargo & Company	4.5%
MetLife	4.1%
M&T Bank Corporation	3.8%
Fifth Third Bancorp	3.8%
PNC Financial Services Group	3.8%
Citigroup	3.4%
Axis Capital Holdings Ltd	2.9%

	% of Net Assets******
Holdings Generating Qualified Dividend Income (QDI) for Individuals	60%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	47%

**** 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 29, 2016 (Unaudited)

Shares/$ Par		Value
Preferred Securities 93.1%		
	Banking 47.3%	
5,420	Astoria Financial Corp., 6.50%, Series C	$ 141,259*
	Bank of America Corporation:	
$ 6,310,000	8.00%, Series K	6,317,887*(1)
$ 10,000,000	8.125%, Series M	10,012,500*
	Barclays Bank PLC:	
390,600	7.10%, Series 3	9,765,000**(3)
23,000	7.75%, Series 4	586,040**(3)
481,036	8.125%, Series 5	12,343,384**(1)(3)
$ 16,170,000	BNP Paribas, 7.375%, 144A****	15,139,163**(3)
26,900	Capital One Financial Corporation, 6.70%, Series D	714,531*
	Citigroup, Inc.:	
981,500	6.875%, Series K	26,132,437*(1)
572,357	7.125%, Series J	15,256,920*(1)
	CoBank ACB:	
53,520	6.125%, Series G, 144A****	5,072,695*
104,000	6.20%, Series H, 144A****	10,432,500*
60,000	6.25%, Series F, 144A****	6,187,500*(1)
$ 35,100,000	Colonial BancGroup, 7.114%, 144A****	52,650(4)(5)
19,900	Cullen/Frost Bankers, Inc., 5.375%, Series A	491,904*
1,648,046	Fifth Third Bancorp, 6.625%, Series I	46,711,886*(1)
	First Horizon National Corporation:	
3,730	First Tennessee Bank, Adj. Rate, 3.75%(6), 144A****	2,485,929*
8	FT Real Estate Securities Company, 9.50%, 144A****	10,420,000
642,800	First Niagara Financial Group, Inc., 8.625%, Series B	16,994,025*(1)
	First Republic Bank:	
50,000	5.625%, Series C	1,267,190*
99,000	6.70%, Series A	2,617,312*(1)
	Goldman Sachs Group:	
$ 390,000	5.70%, Series L	373,913*
140,000	6.375%, Series K	3,721,200*(1)
	HSBC PLC:	
$ 4,400,000	HSBC Capital Funding LP, 10.176%, 144A****	6,386,380(1)(2)(3)
729,000	HSBC Holdings PLC, 8.00%, Series 2	18,749,005**(1)(3)
860,000	HSBC USA, Inc., 6.50%, Series H	21,580,668*(1)
	ING Groep NV:	
355,000	6.375%	8,910,500**(3)
125,000	7.05%	3,238,287**(3)
116,054	7.20%	3,024,657**(3)

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 29, 2016 (Unaudited)

Shares/$ Par		**Value**
Preferred Securities (Continued)		
	Banking (Continued)	
	JPMorgan Chase & Company:	
$ 5,450,000	6.00%, Series R	$ 5,409,125*(1)
56,600	6.125%, Series Y	1,450,658*
183,700	6.70%, Series T	4,991,129*(1)
$ 15,155,000	6.75%, Series S	16,083,244*(1)
$ 32,000,000	7.90%, Series I	31,960,000*(1)
	M&T Bank Corporation:	
$ 16,750,000	6.450%, Series E	17,671,250*(1)
$ 29,323,000	6.875%, Series D, 144A****	29,452,021*(1)
	Morgan Stanley:	
502,400	6.875%, Series F	13,574,848*(1)
298,300	7.125%, Series E	8,399,024*(1)
	PNC Financial Services Group, Inc.:	
1,465,360	6.125%, Series P	41,579,590*(1)
$ 4,443,000	6.75%, Series O	4,758,453*(1)
$ 7,885,000	RaboBank Nederland, 11.00%, 144A****	9,335,525(1)(2)(3)
27,213	Regions Financial Corporation, 6.375%, Series B	701,587*
	Royal Bank of Scotland Group PLC:	
25,000	6.60%, Series S	606,750**(3)
292,000	7.25%, Series T	7,323,360**(1)(3)
	Sovereign Bancorp:	
$ 1,000,000	Sovereign Capital Trust VI, 7.908% 06/13/36	1,014,442
8,641	Sovereign REIT, 12.00%, Series A, 144A****	10,833,654
505,500	State Street Corporation, 5.90%, Series D	13,332,562*(1)
107,166	SunTrust Banks, Inc., 5.875%, Series E	2,756,181*
216,000	US Bancorp, 6.50%, Series F	6,257,261*(1)
357,568	Webster Financial Corporation, 6.40%, Series E	9,296,768*(1)
	Wells Fargo & Company:	
339,095	5.85%, Series Q	8,678,730*(1)
$ 3,000,000	5.875%, Series U	3,180,150*(1)(2)
402,925	6.625%, Series R	11,471,275*(1)
$ 16,314,000	7.98%, Series K	16,803,420*(1)
550,500	8.00%, Series J	15,379,594*(1)
	Zions Bancorporation:	
20,000	6.30%, Series G	501,250*
$ 9,000,000	7.20%, Series J	9,202,500*(1)
514,666	7.90%, Series F	13,628,356*(1)
		580,760,029

Flaherty & Crumrine Preferred Securities Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

February 29, 2016 (Unaudited)

Shares/$ Par		Value
Preferred Securities (Continued)		
	Financial Services 1.1%	
190,000	Charles Schwab Corporation, 6.00%, Series C	$ 4,904,375*(1)
	HSBC PLC:	
358,895	HSBC Finance Corporation, 6.36%, Series B	8,994,806*(1)
		13,899,181
	Insurance 25.9%	
625,869	Allstate Corp., 6.625%, Series E	17,230,987*(1)
$ 1,053,000		