

F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC

Form N-30B-2

October 22, 2004

FLAHERTY & CRUMRINE/CLAYMORE PREFERRED SECURITIES  
INCOME FUND

Dear Shareholder:

The Flaherty & Crumrine/Claymore Preferred Securities Income Fund ("FFC") produced a total return on Net Asset Value ("NAV") of 3.6%(1) during the three month period ending August 31, 2004. Since the beginning of the fiscal year on December 1, 2003, the total return on NAV has been 4.3%.

The NAV returns are consistent with our expectations for how the Fund should perform during periods of volatile long-term interest rates. As can be seen from the chart below, the yield on the 30 year U.S. Treasury bond has changed direction in each of the first three fiscal quarters of 2004 (changes in the value of the Fund's assets and hedge positions are closely correlated to the performance of this bond). The decline in rates during the first fiscal quarter contributed to strong returns for the period. The subsequent jump in rates during the second fiscal quarter resulted in negative returns for the period, as the Fund's hedges only partially offset the drop in value of the Fund's investment portfolio.

[GRAPHIC OMITTED]

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC AS FOLLOWS:

-----  
YIELD ON LONG-TERM U.S. TREASURY BOND

Date	Yield
12/01/03	5.155%
12/05/03	5.047%
12/12/03	5.090%
12/19/03	4.959%
12/26/03	4.969%
01/02/04	5.170%
01/09/04	4.964%
01/16/04	4.892%
01/23/04	4.938%
01/30/04	4.965%
02/06/04	4.928%
02/13/04	4.916%
02/20/04	4.954%
02/27/04	4.855%
03/05/04	4.743%
03/12/04	4.707%
03/19/04	4.718%
03/26/04	4.771%
04/02/04	4.972%
04/09/04	5.028%
04/16/04	5.174%
04/23/04	5.246%
04/30/04	5.281%
05/07/04	5.462%
05/14/04	5.500%
05/21/04	5.460%
05/28/04	5.345%
06/04/04	5.461%
06/11/04	5.474%
06/18/04	5.374%

06/25/04	5.336%
07/02/04	5.205%
07/09/04	5.213%
07/16/04	5.121%
07/23/04	5.171%
07/30/04	5.203%
08/06/04	5.034%
08/13/04	5.008%
08/20/04	5.027%
08/27/04	5.016%
08/31/04	4.935%

-----

As we began the most recent fiscal quarter, the Fund's hedge positions had appreciated significantly and were offsetting changes in value of the preferred portfolio almost dollar-for-dollar. Following the weakness in March and April we were unwilling to risk further declines in NAV, so we maintained the existing hedge position. If interest rates had continued to rise, the NAV of the Fund should have remained reasonably stable. That is exactly how the Fund's safety net hedging strategy is intended to work!

Shortly after the start of the third quarter, long-term interest rates reversed course and began a steady DECLINE, despite the fact that the Federal Reserve began INCREASING short-term rates in June (for a more detailed discussion of the economic conditions driving interest rates, see the "3rd Quarter Economic Update" on the Fund's website: WWW.FCCLAYMORE.COM). As expected, the Fund's preferred securities appreciated throughout the period, while the hedge fell in value, dragging down overall performance. Initially this drag was substantial, but it lessened as rates continued to fall.

The Fund also benefited from a modest, favorable move in the relationship between the Fund's preferred securities and U.S. Treasuries. Simply stated, the price of our preferreds rose by more than the price of corresponding Treasury bonds during the quarter. This was the opposite of conditions in the previous quarter.

-----

(1) Based on monthly data provided by Lipper Inc. Distributions are assumed to be reinvested at NAV in accordance with Lipper's practice.

NAV investment performance is comprised of principal change and income. The discussion to this point has focused on factors that impact the principal change. Let's turn to the other component of performance -- income. The Fund's investment portfolio continues to produce sufficient amounts of dividend and interest income to support the current monthly dividend. There are, however, some warning flags on the horizon.

The Federal Reserve's present policy of raising short-term interest rates directly affects the Fund by increasing the cost of its leverage. The Fed's policy has been in place for some time now, and we have factored it into our management strategy. However, changes in long-term interest rates and the resulting impact on income are more difficult to plan for. If long-term interest rates rise, the Fund's hedges should appreciate and enable the Fund to purchase additional income-producing securities; this additional income should tend to offset the higher leverage expense.

Things get more challenging if long-term rates decline. This so-called "bull flattening" scenario (short-term rates rise while long-term rates decline), initially puts a strain on distributable income. Once again, the cost of LEVERAGE goes up along with higher short-term rates, but now the income generated by the investment portfolio may at some point actually fall if issuers retire older preferred securities with relatively high coupons and replace them with new issues that pay a lower rate (the issuer is analogous to a homeowner refinancing a mortgage when interest rates drop).

Fortunately, there is a bright side to this scenario -- as the yield curve flattens, the cost of the Fund's HEDGING strategy falls. The mathematics behind this are fairly complicated, but the concept is quite simple. Hedging a long-term security creates a package that closely resembles a short-term security. The market imposes a "charge" for this transformation, the amount of which is closely tied to the difference between long-term and short-term interest rates. The larger the difference, the more expensive it is to hedge. Therefore, the cost of hedging declines when the yield curve flattens and the interest rate differential shrinks. The benefits to the Fund don't materialize immediately, but they can be significant over time.

Changes in investment income, leverage expense and the cost of hedging (as well as other factors like realized gains or losses) mean that setting the dividend rate entails both science and art. We carefully monitor all of these moving parts, and do our best to set a rate that is sustainable under current market conditions.

Readers will notice some changes to the appearance of the information that follows. These changes are in accordance with recent changes to the SEC rules on shareholder reporting. The biggest change is the inclusion of a complete listing of the investment portfolio (previous reports for the Fund's first and third fiscal quarters did not include a portfolio listing). In addition, we've included a page entitled "Portfolio Overview" that contains a number of schedules summarizing important measures of the Fund's investments.

We hope you will also continue to visit the Fund's web site at [WWW.FCCLAYMORE.COM](http://WWW.FCCLAYMORE.COM) where a broad range of information about the Fund is updated regularly. We also encourage you to visit [WWW.PREFERREDSTOCKGUIDE.COM](http://WWW.PREFERREDSTOCKGUIDE.COM). It contains useful information about most of the issues that make up the preferred securities universe.

Sincerely,

/S/DONALD F. CRUMRINE

Donald F. Crumrine  
Chairman of the Board

/S/ROBERT M. ETTINGER

Robert M. Ettinger  
President

October 11, 2004

-----  
Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
PORTFOLIO OVERVIEW  
AUGUST 31, 2004  
-----

FUND STATISTICS ON 8/31/04

Edgar Filing: F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC - Form N-30B-2

Net Asset Value	\$	24.33
Market Price	\$	25.23
Premium/Discount		3.70%
Yield on Market Price		8.20%
Common Shares Outstanding		42,291,252

MOODY'S RATINGS	% OF PORTFOLIO
AAA	2.8%
AA	6.7%
A	36.1%
BBB	42.3%
BB	6.9%
Not Rated	4.0%

Below Investment Grade\* 6.6%  
 \* BELOW INVESTMENT GRADE BY BOTH MOODY'S AND S&P

[GRAPHIC OMITTED]  
 EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC AS FOLLOWS:

INDUSTRY CATEGORIES	% OF PORTFOLIO
Banks	34%
Utilities	27%
Financial Services	17%
Insurance	14%
Other	4%
Oil and Gas	2%
REITs	2%

TOP 10 HOLDINGS BY ISSUER	% OF PORTFOLIO
J.P. Morgan Chase	5.6%
Lehman Brothers	5.5%
Wachovia Corp	3.9%
Zurich RegCaPS	3.4%
Duke Energy	3.1%

Edgar Filing: F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC - Form N-30B-2

Bank of America	3.0%
ACE Ltd.	2.9%
Countrywide Financial	2.7%
TXU Corp	2.7%
GreenPoint Financial	2.5%

-----  
 Holdings Generating Qualified Dividend Income (QDI) for Individuals  
 Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)  
 -----

3

-----  
 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS  
 AUGUST 31, 2004 (UNAUDITED)  
 -----

SHARES/\$ PAR  
 -----

PREFERRED SECURITIES -- 78.3%  
     BANKING -- 34.2%

108,197	Abbey National Group, 7.375% Pfd. ....
15,000	ABN AMRO Capital Fund Trust VII, 6.08% Pfd. ....
	ABN AMRO North America, Inc.:
2,015	6.46% Pfd., 144A**** .....
12,301	6.59% Pfd., 144A**** .....
\$17,500,000	Astoria Capital Trust I, 9.75% 11/01/29 Capital Security, Series B .....
19,500	BAC Capital Trust III, 7.00% Pfd. ....
954,000	BAC Capital Trust IV, 5.875% Pfd. ....
600	BAC Capital Trust V, 7.00% Pfd. ....
\$1,240,000	BankBoston Capital Trust I, 8.25% 12/15/26 Capital Security .....
\$16,155,000	BankBoston Capital Trust II, 7.75% 12/15/26 Capital Security, Series B .....
478,100	Bank of New York Capital V, 5.95% Pfd. ....
7,000	Bank One Capital Trust I, 8.00% Pfd. ....
51,000	Bank One Capital Trust VI, 7.20% Pfd. ....
\$500,000	BT Capital Trust B, 7.90% 01/15/27, Capital Security .....
\$5,000,000	Chase Capital I, 7.67% 12/01/26 Capital Security .....
62,900	Chase Capital VII, 7.00% Pfd., Series G .....
421,250	Chase Capital XI, 5.875% Pfd. 06/15/33 .....
18,800	Citigroup, Inc., 6.231% Pfd., Series H .....
105,000	Cobank, ACB, 7.00% Pfd., 144A**** .....
27,900	Comerica (Imperial) Capital Trust I, 7.60% Pfd. ....
\$11,000,000	Cullen/Frost Capital Trust I, 8.42% 02/01/27 Capital Security, Series A .....

Edgar Filing: F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC - Form N-30B-2

\$2,500,000	Dime Capital Trust I, 9.33% Capital Security, Series A .....
\$5,600,000	First Chicago NBD Capital A, 7.95% 12/01/26 Capital Security, 144A**** .....
\$875,000	First Chicago NBD Capital B, 7.75%, 12/01/26 Capital Security, 144A**** .....
\$3,000,000	First Midwest Capital Trust I, 6.95% 12/01/33 Capital Security .....
\$3,500,000	First Tennessee Capital Trust II, 6.30% 04/15/34 Capital Security, Series B .....
62,600	Fleet Capital Trust VII, 7.20% Pfd. ....
86,500	Fleet Capital Trust VIII, 7.20% Pfd. ....
2	FT Real Estate Securities Company, 9.50% Pfd., 144A**** .....
\$500,000	Great Western Finance Trust II, 8.206% 02/01/27 Capital Security, Series A .....
33,550,000	GreenPoint Capital Trust I, 9.10% 06/01/27 Capital Security .....
\$23,725,000	HBOS Capital Funding LP, 6.85% Pfd. ....
6,300	Household Capital Trust VI, 8.25% Pfd. ....
\$12,497,000	J.P. Morgan Capital Trust I, 7.54% 01/15/27 Capital Security .....
\$11,908,000	J.P. Morgan Capital Trust II, 7.95% 02/01/27 Capital Security .....

4

-----  
 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)  
 -----

SHARES/\$ PAR  
 -----

PREFERRED SECURITIES -- (CONTINUED)  
 BANKING -- (CONTINUED)

	J.P. Morgan Chase & Co.:
15,000	6.625% Pfd., Series H .....
118,758	Adj. Rate Pfd. ....
300,241	Adj. Rate Pfd., Series A .....
23,800	Keycorp Capital V, 5.875% Pfd., Series A .....
\$12,595,000	KeyCorp Institutional Capital A, 7.826% 12/01/26 Capital Security, Series A .....
\$4,000,000	Lloyds TSB Bank PLC, Tier I, 6.90% 10/22/49 .....
\$25,280,000	Marshall & Ilsley Capital Trust A, 7.65% 12/01/26 Capital Security .....
20	Marshall & Ilsley Investment II, 8.875% Pfd., 144A**** .....
\$3,000,000	North Fork Capital Trust I, 8.70% 12/15/26 Capital Security .....
\$13,750,000	RBS Capital Trust B, 6.80% Pfd. ....
\$15,600,000	Republic New York Capital I, 7.750% 11/15/26 Capital Security .....
\$17,127,000	Republic New York Capital II, 7.53% 12/04/26 Capital Security .....
	Roslyn Real Estate:
10	8.95% Pfd., Pvt., Series C, 144A**** .....
30	Series D, Adj. Rate Pfd., 144A**** .....
	Royal Bank of Scotland Group PLC:
739,000	5.75% Pfd., Series B .....
80,000	6.40% Pfd., Series M .....
\$14,167,000	Union Planters Capital Trust, 8.20% 12/15/26 Capital Security .....
60	Union Planters Preferred Funding, 7.75% Pfd., Series 144A**** .....
23,500	VNB Capital Trust I, 7.75% Pfd. ....
\$300,000	Wachovia Capital Trust V, 7.965% 06/01/27 Capital Security, 144A**** .....
\$2,217,200	Wachovia Preferred Funding, 7.25% Pfd., Series A .....
\$20,750,000	Washington Mutual, Inc., 8.36% 12/01/26 Capital Security, 144A**** .....
\$8,000,000	Webster Capital Trust II, 10.00% 04/01/27 Capital Security .....
365,000	Wells Fargo Capital Trust VII, 5.85% Pfd. ....
45,000	Wells Fargo Capital Trust IX, 5.625% Pfd. ....

FINANCIAL SERVICES -- 13.7%

58,500	The Bear Stearns Companies Inc., 5.49% Pfd., Series G .....
30,000	Corporate-Backed Trust Certificates, 7.75% Pfd., Series CIT .....
\$15,459,000	Countrywide Capital I, 8.00% 12/15/26 Capital Security .....
1,030,200	Countrywide Capital IV, 6.75% Pfd. ....
	Fannie Mae:
680,420	5.10% Pfd., Series E .....
96,300	5.125% Pfd. ....

5

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)

SHARES/\$ PAR

PREFERRED SECURITIES -- (CONTINUED)  
 FINANCIAL SERVICES -- (CONTINUED)

68,600	Freddie Mac, 5.79% Pfd. ....
483,052	General Electric Capital Corporation, 5.875% Pfd. ....
	Lehman Brothers Holdings, Inc.:
295,000	5.67% Pfd., Series D .....
25,000	5.94% Pfd., Series C .....
1,569,750	6.50% Pfd., Series F .....
570,000	Lehman Capital Trust III, 6.375% Pfd., Series K .....
138,975	Merrill Lynch Capital Trust V, 7.28% Pfd. ....
10,000	Merrill Lynch Preferred Capital Trust IV, 7.12% Pfd. ....
64,300	Morgan Stanley Capital Trust II, 7.25% Pfd. ....
1,074,900	Morgan Stanley Capital Trust III, 6.25% Pfd. ....
202,000	Morgan Stanley Capital Trust IV, 6.25% Pfd. ....
9,000	Morgan Stanley Capital Trust V, 5.75% Pfd. ....
160,000	SLM Corporation, 6.97% Pfd., Series A .....

INSURANCE -- 13.4%

1,719,980	ACE Ltd., 7.80% Pfd., Series C .....
\$16,551,000	AON Capital Trust A, 8.205% 01/01/27 Capital Security .....
48,100	Corporate-Backed Trust Certificates, 8.00% Pfd., Series AON .....
106,000	Corts-AON Capital, 8.205% Pfd. ....
37,000	Corts-UnumProvident Corporation, 8.50% Pfd. ....
142,300	Everest Re Capital Trust II, 6.20% Pfd., Series B .....
	ING Groep NV:
36,000	7.05% Pfd. ....
489,000	7.20% Pfd. ....
\$10,000,000	Mangrove Bay Passthru Trust, 6.102% 07/15/33 Capital Security, 144A**** .....
\$2,200,000	MMI Capital Trust I, 7.625% 12/15/27 Capital Security, Series B .....
270,989	PartnerRe Ltd., 6.75% Pfd., Series C .....

Edgar Filing: F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC - Form N-30B-2

\$8,000,000	Provident Financing Trust I, 7.405% 03/15/38 Capital Security .....
332,235	Renaissancere Holding, 7.30% Pfd., Series B .....
94,900	Saturns-AON 2003-3, 8.00% Pfd. Series AON .....
56,000	Saturns-SAFC 2001-7, 8.25% Pfd., Series SAFC .....
22,390	St. Paul Capital Trust I, 7.60% Pfd. ....
\$8,075,000	USF&G Capital, 8.312% 07/01/46 Capital Security, 144A**** .....
\$16,750,000	USF&G Capital I, 8.50% 12/15/45 Capital Security, 144A**** .....
15,000	XL Capital Ltd., 7.625% Pfd., Series B .....

6

-----  
 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)  
 -----

SHARES/\$ PAR  
 -----

PREFERRED SECURITIES -- (CONTINUED)  
 INSURANCE -- (CONTINUED)  
 -----

	Zurich RegCaPS Funding Trust:
19,525	6.01% Pfd., 144A**** .....
31,900	6.58% Pfd., 144A**** .....

-----  
 UTILITIES -- 12.5%  
 -----

\$3,750,000	AGL Capital Trust, 8.17% 06/01/37 Capital Security .....
275,000	Alabama Power Company, 5.30% Pfd. ....
6,146	Appalachian Power Company, 5.92% Sinking Fund Pfd. ....
10,000	Baltimore Gas & Electric Company, 6.70% Pfd., Series 1993 .....
50,000	Baltimore Gas & Electricity, 7.125% Pfd., Series 1993 .....
35,000	Central Maine Power, 5.25% Pfd., Pvt. ....
\$8,700,000	COMED Financing II, 8.50% 01/15/27 Capital Security, Series B .....
\$20,395,000	COMED Financing III, 6.35% 03/15/33 Capital Security .....
23,883	Delmarva Power & Light, 5.00% Pfd. ....
50,000	Dominion CNG Cap Trust I, 7.80% Pfd. ....
\$3,000,000	Dominion Resources Capital Trust I, 7.83% 12/01/27 Capital Security .....
	Duke Energy Corporation:
85,385	4.50% Pfd., Pvt., Series C .....
59,662	7.04% Pfd., Series Y .....
51,331	7.85% Pfd., Series S .....
96,450	Duquesne Light Company, 6.50% Pfd. ....
67,700	Energy East Capital Trust I, 8.25% Pfd. ....
	Entergy Arkansas, Inc.:
10,240	4.56% Pfd., Series 1965 .....
5,692	7.40% Pfd. ....
11,675	Entergy Louisiana, Inc., 8.00% Pfd., Series 92 .....
105,000	Entergy Louisiana Capital I, 9.00% Pfd., Series A .....
	Florida Power Company:
49,750	4.40% Pfd. ....
37,088	4.58% Pfd. ....
21,585	4.60% Pfd. ....



Edgar Filing: F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC - Form N-30B-2

60,000	FPC Capital I, 7.10% Pfd., Series A .....
12,442	Great Plains Energy, Inc., 4.20% Pfd. ....
5,000	Gulf Power Capital Trust III, 7.375% Pfd. ....
\$17,262,000	Houston Light & Power, Capital Trust II, 8.257%, 02/01/37 Capital Security .....

7

-----  
 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)  
 -----

SHARES/\$ PAR  
 -----

PREFERRED SECURITIES -- (CONTINUED)  
 UTILITIES -- (CONTINUED)  
 -----

	Indiana Michigan Power Company:
4,342	5.90% Sinking Fund Pfd. ....
25,999	6.875% Sinking Fund Pfd. ....
119,805	Indianapolis Power & Light Company, 5.65% Pfd. ....
	Interstate Power & Light Company:
110,000	7.10% Pfd., Series C .....
11,000	8.375% Pfd., Series B .....
15,017	Kentucky Energy Corp., 4.75% Pfd. ....
32,300	Laclede Capital Trust I, 7.70% Pfd. ....
5,000	Northern Indiana Public Service Company, Adj. Rate Pfd., Series A .....
3,800	OGE Energy Capital Trust I, 8.375% Pfd. ....
	Pacific Enterprises:
4,550	\$4.40 Pfd. ....
4,510	\$4.50 Pfd. ....
23,085	\$4.75 Pfd., Series 53 .....
3,500	PacifiCorp, \$7.48 Sinking Fund Pfd. ....
\$2,337,000	PECO Energy Capital Trust III, 7.38% 04/06/28, Capital Security, Series D .....
\$17,000,000	PECO Energy Capital Trust IV, 5.75% 06/15/33 Capital Security .....
13,061	Portland General Electric, 7.75% Sinking Fund Pfd. ....
65,488	Potomac Electric Power Company, \$3.40 Sinking Fund Pfd. ....
215,750	PSEG Funding Trust II, 8.75% Pfd. ....
19,646	Public Service Electric & Gas, 4.30% Pfd., Series C .....
\$6,000,000	Puget Capital Trust, 8.231% 06/01/27 Capital Security, Series B .....
42,000	Savannah Electric & Gas Company, 6.00% Pfd. ....
160,000	Southern Union Company, 7.55% Pfd. ....
34,252	TXU US Holdings Company, \$4.00 Pfd., Series TES .....
\$2,500,000	Union Electric Company, 7.69% 12/15/36 Capital Security, Series A .....
	Virginia Electric & Power Company:
14,985	\$4.12 Pfd. ....
21,684	\$4.80 Pfd. ....
78,700	Virginia Power Capital Trust, 7.375% Pfd. 07/30/42 .....
15,000	Wisconsin Power & Light Company, 6.20% Pfd. ....
	Xcel Energy, Inc.:
7,110	\$4.10 Pfd., Series C .....
10,210	\$4.11 Pfd., Series D .....

-----  
 OIL AND GAS -- 1.9%

---

13,200	EOG Resources, Inc., 7.195% Pfd., Series B .....
\$13,315,000	Phillips 66 Capital Trust II, 8.00% 01/15/37 Capital Security .....

---



---

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)

---

SHARES/\$ PAR

---

PREFERRED SECURITIES -- (CONTINUED)

REAL ESTATE INVESTMENT TRUST (REIT) -- 2.0%

---

	AMB Property Corporation:
54,405	6.50% Pfd., REIT, Series L .....
30,000	6.75% Pfd., REIT, Series M .....
160,000	BRE Properties, Inc., 6.75% Pfd., REIT, Series C .....
19,100	Equity Office Property Trust, 7.75% Pfd., REIT, Series G .....
51,000	Equity Residential Properties, 8.29% Pfd., REIT, Series K .....
	Health Care Property Investment:
160,000	7.10% Pfd., REIT, Series F .....
25,000	7.25% Pfd., REIT, Series E .....
	PS Business Parks, Inc.:
133,000	6.875% Pfd., REIT, Series I .....
75,000	7.60% Pfd., REIT, Series L .....
60,000	7.95% Pfd., REIT, Series K .....
	Public Storage, Inc.:
14,700	7.625% Pfd., REIT, Series U .....
18,000	8.00% Pfd., REIT, Series R .....
232,000	Regency Centers Corporation, 7.25% Pfd., REIT .....
162,000	Weingarten Realty Investment, 6.95% Pfd., REIT .....

---

MISCELLANEOUS INDUSTRIES -- 0.6%

---

21,500	Delphi Trust I, 8.25% Pfd. ....
100,000	Ocean Spray Cranberries, Inc., 6.25% Pfd., 144A**** .....

---

TOTAL PREFERRED SECURITIES  
 (Cost \$1,193,042,325)

CORPORATE DEBT SECURITIES -- 15.0%  
 BANKING -- 0.2%

---

Edgar Filing: F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC - Form N-30B-2

\$2,500,000 Citigroup, Inc., 6.00% 10/31/33 .....

FINANCIAL SERVICES -- 2.8%

47,000 Corp-Backed Trust Certificates, 5.80% Series Goldman Sachs .....  
 \$25,000,000 General Motors Acceptance Corporation, 8.00% 11/01/31, Senior Bonds .....  
 Lehman Brothers:  
 \$5,000,000 Guaranteed Note, Variable Rate, 12/16/16, 144A\*\*\*\* .....  
 \$9,593,000 Guaranteed Note, Variable Rate, 10/15/15, 144A\*\*\*\* .....

9

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)

SHARES/\$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)  
 FINANCIAL SERVICES -- (CONTINUED)

\$2,200,000 Morgan Stanley Finance, 8.03% 02/28/17, Capital Units .....

INSURANCE -- 0.8%

239,000 Delphi Financial, 8.00% 05/15/33, Senior Notes .....  
 \$4,400,000 Oneamerica Financial Partners, 7.00% 10/15/33 144A\*\*\*\* .....  
 \$1,000,000 UnumProvident Corporation, 7.25% 03/15/28, Senior Notes .....

OIL AND GAS -- 0.4%

238,261 Nexen, Inc., 7.35% Subordinated Notes .....

UTILITIES -- 10.4%

\$32,000,000 AEP Texas Central Company, 6.65% 02/15/33, Senior Notes, Series E .....  
 \$19,000,000 Constellation Energy Group, 7.60% Pfd., 04/1/32, Senior Notes .....  
 \$1,000,000 DTE Energy Company, 6.375% 04/15/33, Senior Notes .....  
 Duke Capital Corporation:  
 \$11,179,000 6.75% 02/15/32, Senior Notes .....  
 \$10,000,000 8.00% 10/01/19 Senior Notes .....  
 \$5,000,000 Entergy Gulf States, Inc., 6.20% 07/01/33, 1st Mortgage .....  
 16,500 Entergy Mississippi, Inc., 7.25%, 1st Mortgage .....  
 Georgia Power Company:  
 567,015 5.90% 04/15/33, Senior Notes .....  
 125,000 6.00% 10/15/33, Senior Notes .....  
 125,000 6.00% 08/15/44, Senior Notes .....

Edgar Filing: F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC - Form N-30B-2

\$3,000,000	Indianapolis Power & Light Company, 6.60% 01/01/34, 1st Mortgage, 144A****
40,000	Northern States Power Company, 8.00%
\$10,000,000	Oncor Electric Delivery Company, 7.25% 01/15/33, Secured
\$18,268,000	PSEG Power LLC, 8.625% 04/15/31
\$10,250,000	TXU U.S. Holdings Company, 7.00% 03/15/13
\$6,000,000	Wisconsin Electric Power Company, 6.875% 12/01/95

MISCELLANEOUS -- 0.4%

\$390,000	BellSouth Telecommunication, 7.00% 12/01/95
\$5,000,000	Ford Motor Company, 7.45% 07/16/31

10

Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)

SHARES/\$ PAR

CORPORATE DEBT SECURITIES -- (CONTINUED)  
 MISCELLANEOUS -- (CONTINUED)

30,000	Maytag Corporation, 7.875% 08/01/31
--------	-------------------------------------

TOTAL CORPORATE DEBT SECURITIES  
 (Cost \$221,638,140)

COMMON STOCK AND CONVERTIBLE SECURITIES -- 4.1%  
 INSURANCE -- 0.2%

20,000	Hartford Financial Services, 7.00% Mandatory Convertible, 08/16/06
45,000	UnumProvident Corporation, 8.25% Mandatory Convertible, 05/16/06
54,000	XL Capital Ltd., 6.50% Mandatory Convertible, 05/15/07

UTILITIES -- 3.7%

170,700	Ameren Corporation, 9.75%, Mandatory Convertible, 05/15/05
125,000	American Electric Power, 9.25%, Mandatory Convertible, 8/16/05
300,000	Duke Energy Corporation
324,300	FPL Group, Inc., 8.50%, Mandatory Convertible, Series A 02/16/05
100,000	Keyspan Corporation, 8.75%, Mandatory Convertible, 05/16/05
365,000	TXU Corporation, 8.75%, Mandatory Convertible, 11/16/05

MISCELLANEOUS -- 0.2%

Edgar Filing: F&C/CLAYMORE PREFERRED SECURITIES INCOME FUND INC - Form N-30B-2

65,000 Alltel Corporation, 7.75% Pfd. Mandatory Convertible, 05/17/05 .....

TOTAL COMMON STOCK AND CONVERTIBLE SECURITIES  
(Cost \$53,073,434) .....

11

-----  
Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
AUGUST 31, 2004 (UNAUDITED)  
-----

SHARES/\$ PAR  
-----

OPTION CONTRACTS -- 0.1%  
10,500 October Put Options on December U.S. Treasury Bond Futures, Expiring 9/25/04 .....

TOTAL OPTIONS CONTRACTS  
(Cost \$8,330,949) .....

MONEY MARKET FUND -- 1.8%  
28,885,432 BlackRock Provident Institutional, TempFund .....

TOTAL MONEY MARKET FUND  
(Cost \$28,885,432) .....

TOTAL INVESTMENTS (Cost \$1,504,970,280\*\*\*) ..... 99.3%  
OTHER ASSETS AND LIABILITIES (NET) ..... 0.7%

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK AND PREFERRED STOCK ..... 100.0%++  
-----

AUCTION MARKET PREFERRED STOCK (AMPS) REDEMPTION VALUE .....  
ACCUMULATED UNDECLARED DISTRIBUTIONS TO AMPS .....

TOTAL NET ASSETS AVAILABLE TO COMMON STOCK .....

12

-----  
Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
FINANCIAL DATA  
PER SHARE OF COMMON STOCK (UNAUDITED)  
-----

	TOTAL DIVIDENDS PAID	NET ASSET VALUE	NYSE CLOSING PRICE
	-----	-----	-----
December 16, 2003 .....	\$0.1725	\$24.90	\$26.42
December 31, 2003 Extra .....	0.9000	25.12	26.76
January 31, 2004 .....	0.1725	25.49	26.67
February 29, 2004 .....	0.1725	25.61	27.07
March 31, 2004 .....	0.1725	25.69	27.66
April 30, 2004 .....	0.1725	24.49	24.45
May 31, 2004 .....	0.1725	24.00	24.49
June 30, 2004 .....	0.1725	23.65	23.60
July 31, 2004 .....	0.1725	23.86	24.67
August 31, 2004 .....	0.1725	24.33	25.23

13

-----  
 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK (1)  
 FOR THE PERIOD FROM DECEMBER 1, 2003 THROUGH AUGUST 31, 2004 (UNAUDITED)  
 -----

OPERATIONS:

-----  
 Net investment income .....

Net realized loss on investments sold during the period .....

Change in net unrealized appreciation of investments held during the period. ....

Distributions to Auction Market Preferred Stock (AMPS) Shareholders from net  
 investment income, including changes in accumulated undeclared distributions .....

NET INCREASE IN NET ASSETS FROM OPERATIONS .....

DISTRIBUTIONS:

-----  
 Dividends paid from net investment income to Common Stock Shareholders (2) .....

Distributions paid from net realized capital gains to Common Stock Shareholders .....

TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....

FUND SHARES TRANSACTIONS:

-----  
 Increase from Common Stock Transactions .....

NET INCREASE IN NET ASSETS FROM FUND SHARE TRANSACTIONS .....

NET DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE

PERIOD

NET ASSETS AVAILABLE TO COMMON STOCK:

-----  
 Beginning of period  
 Net decrease during the period  
  
 End of period  
 -----

-----  
 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 FINANCIAL HIGHLIGHTS(1)  
 FOR THE PERIOD FROM DECEMBER 1, 2003 THROUGH AUGUST 31, 2004 (UNAUDITED)  
 FOR A COMMON SHARE OUTSTANDING THROUGHOUT THE PERIOD.  
 -----

PER SHARE OPERATING PERFORMANCE:

Net asset value, beginning of period ..... \$

INVESTMENT OPERATIONS:

Net investment income .....  
 Net realized loss and unrealized depreciation on investments .....

DISTRIBUTIONS TO AMPS\* SHAREHOLDERS:

From net investment income .....  
 From net realized capital gains .....

Total from investment operations .....

DISTRIBUTIONS TO COMMON SHAREHOLDERS:

From net investment income .....  
 From net realized capital gains .....

Total distributions to Common Shareholders .....

Net asset value, end of period ..... \$

Market value, end of period ..... \$

Common shares outstanding, end of period ..... 4

RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:

Net investment income + .....  
 Operating expenses .....

SUPPLEMENTAL DATA:++

Portfolio turnover rate .....  
 Total net assets available to Common and Preferred Stock, end of period (in 000's) .. \$  
 Ratio of operating expenses to total average net assets available to Common and  
 Preferred Stock .....

[BEGIN SIDEBAR]

DIRECTORS

Martin Brody  
Donald F. Crumrine, CFA  
Nicholas Dalmaso  
David Gale  
Morgan Gust  
Robert F. Wulf, CFA

OFFICERS

Donald F. Crumrine, CFA  
Chairman of the Board  
and Chief Executive Officer  
Robert M. Ettinger, CFA  
President  
R. Eric Chadwick, CFA  
Chief Financial Officer,  
Vice President, Treasurer  
and Secretary  
Peter C. Stimes, CFA  
Chief Compliance  
Officer and Vice President  
Nicholas Dalmaso  
Vice President  
Bradford S. Stone  
Vice President  
Laurie Lodolo  
Assistant Compliance Officer,  
Assistant Treasurer and  
Assistant Secretary

INVESTMENT ADVISER

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

QUESTIONS CONCERNING YOUR SHARES OF FLAHERTY &  
CRUMRINE/CLAYMORE PREFERRED SECURITIES INCOME FUND?

- o If your shares are held in a brokerage  
Account, contact your broker.
- o If you have physical possession of your shares  
in certificate form, contact the Fund's Transfer  
Agent & Shareholder Servicing Agent --  
PFPC Inc.  
P.O. Box 43027  
Providence, RI  
02940-3027  
1-800-331-1710

THIS REPORT IS SENT TO SHAREHOLDERS OF FLAHERTY & CRUMRINE/CLAYMORE 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.

[END SIDEBAR]

[GRAPHIC OMITTED]  
LIGHTHOUSE



FLAHERTY & CRUMRINE/CLAYMORE

=====

PREFERRED SECURITIES  
INCOME FUND

QUARTERLY  
REPORT

AUGUST 31, 2004

web site: [www.fcclaymore.com](http://www.fcclaymore.com)