FLAHERTY & CRUMRINE PREFERRED 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 811-06179

Flaherty & Crumrine Preferred 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 INCOME FUND

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

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 0.9% for the fourth fiscal quarter, and 16.8% for the full fiscal year. Total return on market price of Fund shares over the same periods was 4.0% and 24.9%, 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 Income Fund	0.9%	4.1%	16.8%	8.9%	9.7%	10.3%	10.1%
Bloomberg Barclays U.S. Aggregate Index(2)	-0.5%	0.7%	3.2%	2.1%	2.0%	4.0%	5.9%
S&P 500 Index(3)	7.6%	10.9%	22.9%	10.9%	15.7%	8.3%	10.2%

(1) Since inception on January 31, 1991.
(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 PFD 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)		3.5%	12.7%
Impact of Leverage (including leverage expense)		1.2%	5.4%
Expenses (excluding leverage expense)		(0.6)%	(1.3)%
[1]Actual, not annualized	*Total Return on NAV*	**4.1%**	**16.8%**

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 24.9%.

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.

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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 $14.98 on December 29th and assuming its current monthly distribution of $0.082 does not change, the annualized yield on market price of Fund shares is 6.6%. 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 79.4% 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 17.7% 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 $117 in distributions from a fully-taxable bond fund to net the same after-tax amount as the $103 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 39.7% 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 Income Fund Incorporated

PORTFOLIO OVERVIEW

November 30, 2017

Fund Statistics

Net Asset Value	$ 14.33
Market Price	$ 15.50
Premium	8.16%
Yield on Market Price	6.35%
Common Stock Shares Outstanding	11,172,825

Moody s Ratings**	**% of Net Assets**
A	0.7%
BBB	55.1%
BB	32.3%
Below BB	0.5%
Not Rated***	9.1%
Below Investment Grade****	29.1%
Senior Debt Rating Below Investment Grade*****	1.1%

** 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 2.8%.

**** 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%

MetLife Inc	4.4%
Wells Fargo & Company	4.0%
PNC Financial Services Group	3.7%
Citigroup Inc	3.7%
Morgan Stanley	3.5%
BNP Paribas	3.3%
Liberty Mutual Group	3.2%
Fifth Third Bancorp	3.1%
Enbridge Energy Partners	3.0%

	% of Net Assets****
Holdings Generating Qualified Dividend Income (QDI) for Individuals	60%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	45%

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

PORTFOLIO OF INVESTMENTS

November 30, 2017

Shares/$ Par		Value
Preferred Securities§ 93.2%		
	Banking 53.5%	
$ 1,655,000	Australia & New Zealand Banking Group Ltd., 6.75% to 06/15/26 then ISDA5 + 5.168%, 144A****	$ 1,888,769**(2)
	Banco Bilbao Vizcaya Argentaria SA:	
$ 2,400,000	6.125% to 11/16/27 then SW5 + 3.87%	2,466,000**(2)
$ 400,000	9.00% to 05/09/18 then SW5 + 8.262%, 144A****	410,995**(2)
$ 530,000	Banco Mercantil del Norte SA, 7.625% to 01/06/28 then T10Y + 5.353%, 144A****	579,687**(2)
	Bank of America Corporation:	
$ 400,000	6.30% to 03/10/26 then 3ML + 4.553%, Series DD	457,160*
$ 2,170,000	8.00% to 01/30/18 then 3ML + 3.63%, Series K	2,189,031*(1)
$ 1,751,000	8.125% to 05/15/18 then 3ML + 3.64%, Series M	1,801,464*(1)
$ 1,924,000	Barclays Bank PLC, 7.875% to 03/15/22 then SW5 + 6.772%, 144A****	2,118,789**(2)
	BNP Paribas:	
$ 5,315,000	7.375% to 08/19/25 then SW5 + 5.15%, 144A****	6,165,400**(1)(2)
$ 1,500,000	7.625% to 03/30/21 then SW5 + 6.314%, 144A****	1,661,250**(2)
	Capital One Financial Corporation:	
12,900	6.00%, Series H	347,558*
7,000	6.20%, Series F	188,790*
29,600	6.70%, Series D	794,958*
	Citigroup, Inc.:	
103,800	6.875% to 11/15/23 then 3ML + 4.13%, Series K	2,977,243*(1)
119,778	7.125% to 09/30/23 then 3ML + 4.04%, Series J	3,495,421*(1)
$ 2,299,000	8.40% to 04/30/18 then 3ML + 4.0285%, min 7.7575%, Series E	2,347,601*(1)
	CoBank ACB:	
19,300	6.125%, Series G, 144A****	1,984,281*
10,000	6.20% to 01/01/25 then 3ML + 3.744%, Series H, 144A****	1,060,625*
10,000	6.25% to 10/01/22 then 3ML + 4.557%, Series F, 144A****	1,097,500*(1)
$ 447,000	6.25% to 10/01/26 then 3ML + 4.66%, Series I, 144A****	492,446*
$ 5,210,000	Colonial BancGroup, 7.114%, 144A****	521(3)(4)
$ 290,000	Credit Agricole SA, 7.875% to 12/23/24 then SW5 + 4.898%,144A****	329,553**(2)
258,558	Fifth Third Bancorp, 6.625% to 12/31/23 then 3ML + 3.71%, Series I	7,472,973*(1)

	First Horizon National Corporation:	
795	First Tennessee Bank, 3ML + 0.85%, min 3.75%, 3.75%(5), 144A****	636,074*(1)
1	FT Real Estate Securities Company, 9.50% 03/31/31, 144A****	1,298,750
	Goldman Sachs Group:	
$ 2,100,000	5.00% to 11/10/22 then 3ML + 2.874%, Series P	2,089,500*(1)
$ 195,000	5.70% to 05/10/19 then 3ML + 3.884%, Series L	200,801*
50,000	6.375% to 05/10/24 then 3ML + 3.55%, Series K	1,445,000*(1)

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

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

November 30, 2017

Shares/$ Par		Value
Preferred Securities (Continued)		
	Banking (Continued)	
	HSBC Holdings PLC:	
$ 350,000	6.00% to 05/22/27 then ISDA5 + 3.746%	$ 368,550**(2)
$ 995,000	6.875% to 06/01/21 then ISDA5 + 5.514%	1,079,575**(2)
15,407	8.00%, Series 2	414,333**(1)(2)
$ 800,000	HSBC Capital Funding LP, 10.176% to 06/30/30 then 3ML + 4.98%, 144A****	1,291,000(1)(2)
106,000	Huntington Bancshares, Inc., 6.25%, Series D	2,944,415*(1)
40,000	ING Groep NV, 6.375%	1,025,200**(2)
	JPMorgan Chase & Company:	
61,700	6.70%, Series T	1,654,794*(1)
$ 4,715,000	6.75% to 02/01/24 then 3ML + 3.78%, Series S	5,397,779*(1)
$ 4,000,000	7.90% to 04/30/18 then 3ML + 3.47%, Series I	4,054,680*(1)
90,400	KeyCorp, 6.125% to 12/15/26 then 3ML + 3.892%, Series E	2,604,650*(1)
$ 1,660,000	Lloyds TSB Bank PLC, 12.00% to 12/16/24 then 3ML + 11.756%, 144A****	2,243,025(2)
$ 2,790,000	M&T Bank Corporation, 6.45% to 02/15/24 then 3ML + 3.61%, Series E	3,159,675*(1)
$ 540,000	Macquarie Bank Ltd., 6.125% to 03/08/27 then SW5 + 3.703%, 144A****	563,625**(2)
43,000	MB Financial, Inc., 6.00%, Series C	1,102,950*
	Morgan Stanley:	
61,000	5.85% to 04/15/27 then 3ML + 3.491%, Series K	1,650,813*
154,665	6.875% to 01/15/24 then 3ML + 3.94%, Series F	4,450,099*(1)
80,516	7.125% to 10/15/23 then 3ML + 4.32%, Series E	2,342,412*(1)
174,600	New York Community Bancorp, Inc., 6.375% to 03/17/27 then 3ML + 3.821%, Series A	4,951,656*(1)
	PNC Financial Services Group, Inc.:	
289,050	6.125% to 05/01/22 then 3ML + 4.067%, Series P	8,261,771*(1)
$ 625,000	6.75% to 08/01/21 then 3ML + 3.678%, Series O	697,344*(1)
$ 2,160,000	RaboBank Nederland, 11.00% to 06/30/19 then 3ML + 10.868%, 144A****	2,438,100(1)(2)
50,000	Regions Financial Corporation, 6.375% to 09/15/24 then 3ML + 3.536%, Series B	1,440,625*(1)
$ 4,000,000		4,345,000**(1)(2)

	Societe Generale SA, 7.375% to 09/13/21 then SW5 + 6.238%, 144A****	
	Sovereign Bancorp:	
1,750	Sovereign REIT, 12.00%, Series A, 144A****	2,194,063
	Standard Chartered PLC:	
$ 1,565,000	7.50% to 04/02/22 then SW5 + 6.301%, 144A****	1,696,069**(1)(2)
$ 1,250,000	7.75% to 04/02/23 then SW5 + 5.723%, 144A****	