FLAHERTY & CRUMRINE PREFERRED INCOME FUND INC Form N-30B-2 October 26, 2018 FLAHERTY & CRUMRINE PREFERRED INCOME FUND

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

Preferreds performed well in the third fiscal quarter¹, bringing total return for the year just back into positive territory. While these returns have not kept pace with returns in recent years, preferreds continue to outperform certain areas of the fixed income market. Total return² on net asset value ("NAV") was 2.3% for the quarter, and 0.3% for the first nine months of fiscal 2018. Total return on market price over the same periods was 6.0% and -4.4%, respectively.

By most accounts, it has been a challenging year for corporate bond investments. As the current economic cycle has matured, interest rates rose modestly and credit spreads gradually widened. The yield curve flattened as the Federal Reserve methodically raised its benchmark rate while the long end of the Treasury yield curve moved up only modestly given a limited increase in broad-based inflation and subdued expectations for long-term economic growth. Over the first nine months of the Fund's fiscal year, the Bloomberg Barclays U.S. Aggregate Index returned -0.5%, while the Bloomberg Barclays Long U.S. Credit Index returned -2.7%.

Preferreds outperformed these fixed-income benchmarks for a few key reasons. First, duration is moderate for many preferreds – and for the Fund's portfolio specifically. We won't repeat the merits of fixed-to-float preferreds here, but as previously discussed they offer attractive yields with intermediate duration. Owning both fixed-rate and fixed-to-float preferreds allows for management of portfolio duration despite the long-term nature of the Fund's investments.

Second, an issuer's preferreds generally yield more than its corporate bonds. The Fund's strategy is to identify investment-grade issuers and invest down the capital structure (into preferreds) to earn extra yield for what is, in most cases, similar default risk. For issuers with solid credit quality, preferreds have consistently outperformed corporate bonds over a credit cycle. Over time, higher yields can make up for a lot of principal change and dampen effects of higher interest rates.

Outperformance of preferreds over other fixed income securities has been even better when considered after-tax. If shareholders missed our discussion on taxes in the semi-annual report dated May 31, 2018, we encourage a read. Most preferreds offer tax-advantaged income, which further enhances the extra yield earned for subordination (i.e. being lower in the capital structure than senior debt).

We believe the case for preferreds as an income investment remains largely intact, with a combination of higher relative yields, tax advantages, and benign credit conditions. Returns may be bumpy as markets navigate a late-cycle economy (albeit one that's currently showing few signs of weakness) and an active Federal Reserve. For fixed-income investors, however, preferreds' combination of credit quality, intermediate duration and yield should remain attractive.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

September 30, 2018

¹ June 1, 2018 – August 31, 2018

² Following the methodology required by the Securities and Exchange Commission, total return assumes dividend reinvestment.

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OVERVIEW

August 31, 2018 (Unaudited)			
Fund Statistics			
Net Asset Value		\$ 13.65	
Market Price		\$ 14.07	
Premium		3.08	%
Yield on Market F	Price	6.65	%
Common Stock Sl	hares Outstanding	11,193,561	
Security Ratings	Assets† 0.6 %		
BBB	55.6 %		
BB Below "BB" Not Rated***	32.5 % 0.9 % 8.8 %		
Portfolio Rating	Guidelines		% of Net Assets†
Security Rated Be	low Investment G	ade By All****	32.0 %
Issuer or Senior D by All*****	ebt Rated Below I	nvestment Grade	e 1.5 %

**Ratings are from Moody's Investors Service, Inc. "Not Rated" securities are those with no ratings available from Moody's.

***Excludes common stock and money market fund investments and net other assets and liabilities of 1.6%.

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

*****Security rating and issuer's senior unsecured debt or issuer rating are below investment grade by all of Moody's, S&P, and Fitch. The Fund's investment policy currently limits such securities to 15% of Net Assets.

Industry Categories* % of Net Assets†

Top 10 Holdings by Issuer	% of Net Assets†
JPMorgan Chase & Co	4.7 %

MetLife Inc	4.2 %
Wells Fargo & Company	4.1 %
Morgan Stanley	3.7 %
PNC Financial Services Group Inc	3.6 %
BNP Paribas	3.3 %
Enbridge Energy Partners	3.2 %
Fifth Third Bancorp	3.1 %
Liberty Mutual Group	3.1 %
Citigroup Inc	3.0 %

% of Net
Assets******Holdings Generating Qualified Dividend Income (QDI) for Individuals62%Holdings Generating Income Eligible for the Corporate Dividends Received
Deduction (DRD)45%

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

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

Shares/\$ Par Value

Preferred Securities[§] — 93.7% Banking — 55.3%

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OF INVESTMENTS

August 31, 2018 (Unaudited)

\$ 1,655,000	Australia & New Zealand Banking Group Ltd., 6.75% to 06/15/26 then ISDA5 + 5.168%, 144A****	\$ 1,721,200 **(1)(2)
\$ 2,400,000	Banco Bilbao Vizcaya Argentaria SA, 6.125% to 11/16/27 then SW5 + 3.87%	2,122,968 **(2)
\$ 530,000	Banco Mercantil del Norte SA, 7.625% to 01/06/28 then T10Y + 5.353%, 144A****	540,335 **(2)
	Bank of America Corporation:	
\$ 3,600,000	5.875% to 03/15/28 then 3ML + 2.931%, Series FF	3,604,500 *(1)
\$ 400,000	6.30% to 03/10/26 then 3ML + 4.553%, Series DD	429,000 *
	Barclays Bank PLC:	
\$ 990,000	7.75%, to 09/15/23 then SW5 + 4.842%	1,001,187 **(2)
\$ 2,802,000	7.875% to 03/15/22 then SW5 + 6.772%, 144A****	2,915,562 **(2)
	BNP Paribas:	
\$ 420,000	7.00%, to 08/16/28 then SW5 + 3.98%, 144A****	421,050 **(2)
\$ 5,315,000	7.375% to 08/19/25 then SW5 + 5.15%, 144A****	5,603,339 **(1)(2)
\$ 1,500,000	7.625% to 03/30/21 then SW5 + 6.314%, 144A****	1,597,500 **(2)
	Capital One Financial Corporation:	
2,100	6.00%, Series B	53,875 *
12,900	6.00%, Series H	339,592 *
7,000	6.20%, Series F	183,540 *
29,600	6.70%, Series D	780,996 *
	Citigroup, Inc.:	
\$ 460,000	5.95% to 05/15/25 then 3ML + 3.905%, Series P	469,062 *
113,670	6.875% to 11/15/23 then 3ML + 4.13%, Series K	3,166,278 *(1)
119,778	7.125% to 09/30/23 then 3ML + 4.04%, Series J	3,408,283 *(1)
	CoBank ACB:	
19,300	6.125%, Series G, 144A****	1,939,650 *
10,000	6.20% to 01/01/25 then 3ML + 3.744%, Series H, 144A****	1,070,000 *

10,000	6.25% to 10/01/22 then 3ML + 4.557%, Series F, 144A****	1,045,000	*(1)
\$ 447,000	6.25% to 10/01/26 then 3ML + 4.66%, Series I, 144A****	476,055	*
\$ 5,210,000	Colonial BancGroup, 7.114%, 144A****	521	(3)(4)††
\$ 290,000	Credit Agricole SA, 7.875% to 01/23/24 then SW5 + 4.898%,144A****	308,472	**(2)
258,558	Fifth Third Bancorp, 6.625% to 12/31/23 then 3ML + 3.71%, Series I	7,225,403	*(1)
	First Horizon National Corporation:		
795	First Tennessee Bank, 3ML + 0.85%, min 3.75%, 3.75% ⁽⁵⁾ ,144A****	620,183	*(1)
1	FT Real Estate Securities Company, 9.50% 03/31/31, 144A****	1,296,000)
	Goldman Sachs Group:		
\$ 2,100,000	5.00% to 11/10/22 then 3ML + 2.874%, Series P	1,991,833	*(1)
\$ 195,000	5.70% to 05/10/19 then 3ML + 3.884%, Series L	197,946	*
50,000	6.375% to 05/10/24 then 3ML + 3.55%, Series K	1,361,500	*(1)

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2018 (Unaudited)

Shares/\$ Par Value

Preferred Securities — (Continued) Banking — (Continued)

	HSBC Holdings PLC:		
\$ 350,000	6.00% to 05/22/27 then ISDA5 + \$ 3.746%	339,955	**(2)
\$ 3,710,000	6.50% to 03/23/28 then ISDA5 + 3.606%	3,635,800	**(1)(2)
\$ 995,000	6.875% to 06/01/21 then ISDA5 + 5.514%	1,038,531	**(2)
\$ 800,000	HSBC Capital Funding LP, 10.176% to 06/30/30 then 3ML + 4.98%, 144A****	1,194,000	(1)(2)
	Huntington Bancshares, Inc.:		
106,000	6.25%, Series D	2,817,480	*(1)
\$ 1,000,000	5.70% to 04/15/23 then 3ML + 2.88%, Series E	999,375	*(1)
40,000	ING Groep NV, 6.375%	1,027,200	**(2)
	JPMorgan Chase & Company:		
61,700	6.70%, Series T	1,605,434	*(1)
\$ 4,000,000	3ML + 3.47%, 5.8089% ⁽⁵⁾ , Series I	4,033,000	*(1)
\$ 4,715,000	6.75% to 02/01/24 then 3ML + 3.78%, Series S	5,195,694	*(1)
90,400		2,534,364	*(1)

	KeyCorp, 6.125% to 12/15/26 then 3ML + 3.892%, Series E		
\$ 1,660,000	Lloyds TSB Bank PLC, 12.00% to 12/16/24 then 3ML + 11.756%, 144A****	2,020,313	(2)
\$ 2,790,000	M&T Bank Corporation, 6.45% to 02/15/24 then 3ML + 3.61%, Series E	2,992,275	*(1)
\$ 540,000	Macquarie Bank Ltd., 6.125% to 03/08/27 then SW5 + 3.703%, 144A****	496,125	**(2)
43,230	MB Financial, Inc., 6.00%, Series C	1,128,303	*
	Morgan Stanley:		
77,800	5.85% to 04/15/27 then 3ML + 3.491%, Series K	2,036,415	*(1)
154,665	6.875% to 01/15/24 then 3ML + 3.94%, Series F	4,354,593	*(1)
80,516	7.125% to 10/15/23 then 3ML + 4.32%, Series E	2,320,069	*(1)
174,600	New York Community Bancorp, Inc., 6.375% to 03/17/27 then 3ML + 3.821%, Series A	4,869,594	*(1)
	PNC Financial Services Gr	oup, Inc.:	
274,357	6.125% to 05/01/22 then 3ML + 4.067%, Series P	7,639,471	*(1)
\$ 625,000	6.75% to 08/01/21 then 3ML + 3.678%, Series O	680,313	*(1)
\$ 2,160,000	RaboBank Nederland, 11.00% to 06/30/19 then 3ML + 10.868%, 144A****	2,295,000	(1)(2)

50,000	Regions Financial Corporation, 6.375% to 09/15/24 then 3ML + 3.536%, Series B	1,367,245	*(1)
	Societe Generale SA:		
\$ 400,000	6.75% to 04/06/28 then SW5 + 3.929%, 144A****	379,000	**(2)
\$ 4,000,000	7.375% to 09/13/21 then SW5 + 6.238%, 144A****	4,190,000	**(1)(2)
1,750	Sovereign Bancorp: Sovereign REIT, 12.00%, Series A, 144A****	2,060,625	
	Standard Chartered PLC:		
\$ 1,815,000	7.50% to 04/02/22 then SW5 + 6.301%, 144A****	1,878,525	**(1)(2)
\$ 1,250,000	7.75% to 04/02/23 then SW5 + 5.723%, 144A****	1,298,438	**(1)(2)
92,900	State Street Corporation, 5.90% to 03/15/24 then 3ML + 3.108%, Series D	2,521,770	*(1)
8,494	Sterling Bancorp, 6.50%, Series A	226,241	*
10,000	Texas Capital Bancshares Inc., 6.50%, Series A	254,050	*
29,260	US Bancorp, 6.50% to 01/15/22 then 3ML + 4.468%, Series F	825,863	*(1)

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2018 (Unaudited)

Shares/\$ Par Value

Preferred Securities —

(Continued)

Banking — (Continued)

30,000	Valley National Bancorp, 5.50% to 09/30/22 then 3ML + 3.578%, Series B	\$ 786,000	*
	Wells Fargo & Company:		
15,000	5.625%, Series Y	382,124	*
241	7.50%, Series L	312,814	*
123,500	8.00%, Series J	3,101,703	*(1)
60,300	5.85% to 09/15/23 then 3ML + 3.09%, Series Q	1,561,468	*(1)
\$ 2,075,000	5.875% to 06/15/25 then 3ML + 3.99%, Series U	2,189,125	*(1)
\$ 1,095,000	3ML + 3.77%, 6.1106% ⁽⁵⁾ , Series K	1,110,494	*(1)
35,900	6.625% to 03/15/24 then 3ML + 3.69%, Series R	987,609	*(1)
\$ 1,200,000	Westpac Banking Corporation, 5.00% to 09/21/27 then ISDA5 + 2.888%	1,077,973	**(2)
\$ 1,000,000	Zions Bancorporation, 7.20% to 09/15/23 then 3ML + 4.44%, Series J	1,072,500	*
		128,727,701	1
Financial Se	rvices — 1.0%		
\$ 460,000	AerCap Global Aviation Trust, 6.50% to 06/15/25 then 3ML + 4.30%, 06/15/45, 144A****	476,100	(2)
\$ 800,000	Credit Suisse Group AG, 7.50% to 07/17/23 then SW5 + 4.60%, 144A****	829,200	**(2)
\$ 476,000	E*TRADE Financial Corporation, 5.30% to 03/15/23 then 3ML + 3.16%, Series B	474,572	*
\$ 453,000	General Motors Financial Company, 5.75% to 09/30/27 then 3ML + 3.598%, Series A	441,958	*
		2,221,830	
Insurance —	- 18.6%		
82,392	Allstate Corporation, 6.625%, Series E	2,143,271	*(1)
\$ 300,000	Aon Corporation, 8.205% 01/01/27	368,250	(1)
	Arch Capital Group, Ltd.:		
12,000	5.25%, Series E	290,966	**(2)
10,500	5.45%, Series F	260,295	**(2)

\$ 1,423,000	AXA SA, 6.379% to 12/14/36 then 3ML + 2.256%, 144A****	1,522,610	**(1)(2)
21,450	Axis Capital Holdings Ltd., 5.50%, Series E	536,036	**(2)
\$ 975,000	Chubb Ltd.: Ace Capital Trust II, 9.70% 04/01/30	1,372,313	(1)(2)
124,779	Delphi Financial Group, 3ML + 3.19%, 5.5038% ⁽⁵⁾ 05/15/37	2,823,125	(1)
45,000	Enstar Group Ltd., 7.00% to 08/31/28 then 3ML + 4.015%, Series D	1,182,825	**(1)(2)
\$ 885,000	Everest Reinsurance Holdings, 3ML + 2.385%, 4.6988% ⁽⁵⁾ 05/15/37	876,150	(1)
10,000	Hartford Financial Services Group, Inc., 7.875% to 04/15/22 then 3ML + 5.596%, 04/15/42	285,950	
\$ 3,736,000	Liberty Mutual Group, 7.80% 03/15/37, 144A****	4,417,820	(1)
	MetLife, Inc.:		
\$ 3,600,000	9.25% 04/08/38, 144A****	4,914,000	(1)
\$ 3,096,000	10.75% 08/01/39	4,775,580	(1)

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2018 (Unaudited)

Shares/\$ Par Value

Preferred Securities —

(Continued)

Insurance — (Continued)

	PartnerRe Ltd.:		
25,000	5.875%, Series I	\$ 628,750	**(1)(2)
5,600	6.50%, Series G	147,056	**(2)
94,510	7.25%, Series H	2,646,753	**(1)(2)
\$ 402,000	Prudential Financial, Inc., 5.625% to 06/15/23 then 3ML + 3.92%, 06/15/43	420,886	
\$ 4,043,00	OBE Insurance Group Ltd., 7.50% to 11/24/23 then SW10 + 6.03%, 11/24/43, 144A****	4,422,031	(1)(2)
18,200	RenaissanceRe Holdings Ltd., 5.75%, Series F	462,189	**(2)
\$ 3,370,00	Unum Group: Provident Financing Trust I, 7.405% 03/15/38	3,708,685	(1)
24,000	W.R. Berkley Corporation, 5.75% 06/01/56	597,480	
	XL Group Limited:		
\$ 1,400,00	Catlin Insurance Company Ltd., 3ML + 2.975%, 5.3169% ⁽⁵⁾ , 144A****	1,386,000	(1)(2)
\$ 3,226,00) XL Capital Ltd., 3ML + 2.4575%, 4.7967% ⁽⁵⁾ , Series E	3,177,933	(1)(2)
		43,366,954	
Utilities —	7.7%		
\$ 670,000	CenterPoint Energy, Inc., 6.125% to 09/01/23 then 3ML + 3.27%, Series A	683,400	*
\$ 3,127,00	Commonwealth Edison: COMED Financing III, 6.35% 03/15/33	3,317,466	(1)
145,000	Dominion Energy, Inc., 5.25% 07/30/76, Series A	3,574,975	(1)
	DTE Energy Company:		
18,000	5.375% 06/01/76, Series B	445,266	
10,000	6.00% 12/15/76, Series F	262,800	
\$ 2,180,00	Emera, Inc., 6.75% to 06/15/26 then 3ML + 5.44%, 06/15/76, Series 2016A	2,321,963	(1)(2)
500	Georgia Power Company, 5.00% 10/01/77, Series 2017A	12,282	
25,000	Indianapolis Power & Light Company, 5.65%	2,564,750	*

84,500 \$ 325,000	Integrys Energy Group, Inc., 6.00% to 08/01/23 then 3ML + 3.22%, 08/01/73 NiSource, Inc., 5.65% to 06/15/23 then T5Y + 2.843%, 144A****	2,190,662 329,469	(1) *
\$ 500,000	PECO Energy: PECO Energy Capital Trust III, 7.38% 04/06/28, Series D	569,101	(1)
44,960	PPL Corp: PPL Capital Funding, Inc., 5.90% 04/30/73, Series B	1,145,806	(1)
20,000	Southern California Edison: SCE Trust V, 5.45% to 03/15/26 then 3ML + 3.79%, Series K	521,100	*
		17,939,040)
Energy — 7	.1%		
	DCP Midstream LP:		
\$ 1,140,000	7.375% to 12/15/22 then 3ML + 5.148%, Series A	1,142,138	(1)
3,700	7.875% to 06/15/23 then 3ML + 4.919%, Series B	95,774	

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2018 (Unaudited)

Shares/\$ Par Value

Preferred Securities — (Continued)			
Energy — (Continued)		
\$ 1,120,000	Enbridge, Inc., 6.00% to 01/15/27 then 3ML + 3.89%, 01/15/77	\$ 1,094,800	(1)(2)
\$ 7,302,000	Enbridge Energy Partners LP, 3ML + 3.7975%, 6.1349% ⁽⁵⁾ 10/01/37	7,342,391	(1)
	Energy Transfer Partners LP:		
112,355	7.375% to 05/15/23 then 3ML + 4.53%, Series C	2,883,355	(1)
1,500	7.625% to 08/15/23 then 3ML + 4.738%, Series D	39,375	
\$ 500,000	Enterprise Products Operating L.P., 5.25% to 08/16/27 then 3ML + 3.033%, 08/16/77, Series E	473,750	
16,900	Kinder Morgan, Inc., 9.75% 10/26/18, Series A	561,513	*
33,700	NuStar Logistics LP, 3ML + 6.734%, 9.0732% ⁽⁵⁾ 01/15/43	874,346	
	Transcanada Pipelines, Ltd.:		
\$ 1,000,000	5.30% to 03/15/27 then 3ML + 3.208%, 03/15/77, Series 2017-A	960,625	(2)
\$ 1,000,000	5.875% to 08/15/26 then 3ML + 4.64%, 08/15/76, Series 2016-A	1,022,500	(1)(2)
		16,490,567	
Real Estate	Investment Trust (REIT) — 0.4%		
3,440	Annaly Capital Management, Inc., 6.95% to 09/30/22 then 3ML + 4.993%, Series F	88,236	
	National Retail Properties, Inc.:		
5,500	5.20%, Series F	131,010	
24,270	5.70%, Series E	609,541	(1)
7,760	PS Business Parks, Inc., 5.20%, Series W	186,667	
		1,015,454	
Miscellaneous Industries — 3.6%			
	BHP Billiton Limited:		
\$ 400,000	BHP Billiton Finance U.S.A., Ltd., 6.75% to 10/19/25 then SW5 + 5.093%, 10/19/75, 144A****	440,000	(2)
\$ 413,000	General Electric Company, 5.00% to 01/21/21 then 3ML + 3.33%, Series D	407,063	*(1)

	Land O' Lakes, Inc.:		
\$ 260,000	7.25%, Series B, 144A****	281,450	*
\$ 3,900,000	8.00%, Series A, 144A****	4,290,000	*(1)
34,700	Ocean Spray Cranberries, Inc., 6.25%, 144A****	3,079,625	*
		8,498,138	
	Total Preferred Securities (Cost \$211,186,202)	218,259,684	
Cornorate Debt Securities ⁸ — 4.6%			

Corporate Debt Securities[§] — 4.6% Banking — 2.0%

0			
\$ 600,000	Regions Financial Corporation, 7.375% 12/10/37, Sub Notes	785,165	(1)
133,500	Texas Capital Bancshares Inc., 6.50% 09/21/42, Sub Notes	3,438,292	(1)
18,000	Zions Bancorporation, 6.95% to 09/15/23 then 3ML + 3.89%, 09/15/28, Sub Notes	532,530	(1)
		4,755,987	

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2018 (Unaudited)

Shares/\$ Par Value

Corporate D Securities — (Continued)	-		
Financial Se 0.0%	rvices —		
1,000	B. Riley Financial, Inc., 7.50% 05/31/27	\$ 25,455 25,455	
Insurance -	- 1.2%		
\$ 2,000,000	Liberty Mutual Insurance, 7.697% 10/15/97, 144A****	2,722,367 (1) 2,722,367	
Energy — 0	9%		
\$ 1,680,000	Energy Transfer Partners LP, 8.25% 11/15/29	2,050,749 (1) 2,050,749	
Communica	tion — 0.5%		
	Qwest Corporation:		
22,170	6.50% 09/01/56	522,436	
28,330	6.75% 06/15/57	692,810	
400	7.00% 04/01/52	10,162	
		1,225,408	
	Total Corporate Debt Securities (Cost \$9,430,969)	10,779,966	
Common Stock — 0.0%			
Insurance —	- 0.0%		
19,896	WMI Holdings Corporation, 144A****	30,043 *†	
		30,043	
	Total Common Stock (Cost \$1,000,000)	30,043	

Money Market Fund — 0.7%

1,555,675	BlackRock Liquidity Funds: T-Fund, Institutional Class	1,555,675
	Total Money Market Fund (Cost \$1,555,675)	1,555,675

Flaherty & Crumrine Preferred Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2018 (Unaudited)

 Total Investments (Cost \$223,172,846***)
 99.0
 %
 \$
 230,625,368

 Other Assets And Liabilities (Net)
 1.0
 %
 2,280,366

 Total Managed Assets
 100.0
 % ‡
 232,905,734

 Loan Principal Balance
 (80,100,000)
)

 Total Net Assets Available To Common Stock
 \$
 152,805,734

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

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

**Securities distributing Qualified Dividend Income only.

***Aggregate cost of securities held.

****Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional buyers. At August 31, 2018, these securities amounted to \$64,507,608 or 27.7% 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 \$147,926,841 at August 31, 2018.

⁽²⁾Foreign Issuer.

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

⁽⁴⁾Valued at fair value as determined in good faith by or under the direction of the Board of Directors as of August 31, 2018.

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

[†]Non-income producing.

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

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

ABBREVIATIONS:

- **3ML** 3-Month ICE LIBOR USD A/360
- **ISDA5** 5-year USD ICE Swap Semiannual 30/360
- SW5 5-year USD Swap Semiannual 30/360
- SW10 10-year USD Swap Semiannual 30/360
- T5Y Federal Reserve H.15 5-Yr Constant Maturity Treasury Semiannual yield
- T10Y Federal Reserve H.15 10-Yr Constant Maturity Treasury Semiannual yield

Flaherty & Crumrine Preferred Income Fund Incorporated

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

For the period from December 1, 2017 through August 31, 2018 (Unaudited)

Value **OPERATIONS:** Net investmen,295,002 income Net realized gain/(loss) on investibent\$33) sold during the period Change in net unrea (62,870,678) appreciation/(depreciation) of investments Net increase in assets 306,891 resulting from operations **DISTRIBUTIONS:** Divid@h@40,678) paid from net investment income

Stock Shareholders⁽²⁾ Total Distributions to (7,940,678 Common) Stock Shareholders **FUND** SHARE **TRANSACTIONS:** Increase from shares issued under the 290,739 Dividend Reinvestment and Cash Purchase Plan Net increase in net assets available to to 290,739 Common Stock resulting from Fund share transactions NET\$ (7,343,048) DECREASE IN NET ASSETS **AVAILABLE** ТО **COMMON** STOCK

to

Common

FOR THE period NET ASSETS **AVAILABLE** ТО **COMMON STOCK:** Beginning of \$ 160,148,782 period Net decrease in assets (7,343,048 during the period End of \$ 152,805,734 period

⁽¹⁾These tables summarize the nine months ended August 31, 2018 and should be read in conjunction with the Fund's audited financial statements, including notes to the financial statements, in its Annual Report dated November 30, 2017.

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

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Flaherty & Crumrine Preferred Income Fund Incorporated

Financial Highlights⁽¹⁾

For the period December 1, 2017 through August 31, 2018 (Unaudited) For a Common Stock share outstanding throughout the period

PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of period	\$	14.33	
INVESTMENT OPERATIONS:			
Net investment income		0.65	
Net realized and unrealized gain/(loss) on investments		(0.62)
Total from investment operations		0.03	
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:			
From net investment income		(0.71)
Total distributions to Common Stock Shareholders		(0.71)
Net asset value, end of period	\$	13.65	
Market value, end of period	\$	14.07	
Common Stock shares outstanding, end of period	11,193,561		
RATIOS TO AVERAGE NET ASSETS AVAI	LABLE TO C	OMMON STOCK SH	AREHOLDERS:
Net investment income†		6.26	%*
Operating expenses including interest expense		2.60	%*
Operating expenses excluding interest expense		1.25	%*
SUPPLEMENTAL DATA: ††			
Portfolio turnover rate		9	%**
Total managed assets, end of period (in 000's)	\$	232,906	

Ratio of operating expenses including interest expense to average total managed assets