

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:

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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% |

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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.

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(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

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Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
PORTFOLIO OVERVIEW  
AUGUST 31, 2004  
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FUND STATISTICS ON 8/31/04

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|                           |    |            |
|---------------------------|----|------------|
| 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%           |

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

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 Holdings Generating Qualified Dividend Income (QDI) for Individuals  
 Holdings Generating Income Eligible for the Corporate Dividend Received Deduction (DRD)  
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 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS  
 AUGUST 31, 2004 (UNAUDITED)  
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SHARES/\$ PAR  
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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 ..... |

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|              |   |
|--------------|---|
| \$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 .....               |

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

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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 .....                                    |

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|              |   |
|--------------|---|
| \$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 .....                        |

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 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- (CONTINUED)  
 INSURANCE -- (CONTINUED)  
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|        |                               |
|--------|-------------------------------|
|        | Zurich RegCaPS Funding Trust: |
| 19,525 | 6.01% Pfd., 144A**** .....    |
| 31,900 | 6.58% Pfd., 144A**** .....    |

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 UTILITIES -- 12.5%  
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|              |   |
|--------------|---|
| \$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. ....   |



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|              |  |
|--------------|--|
| 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 ..... |

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 Flaherty & Crumrine/Claymore Preferred Securities Income Fund Incorporated  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 AUGUST 31, 2004 (UNAUDITED)  
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SHARES/\$ PAR  
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PREFERRED SECURITIES -- (CONTINUED)  
 UTILITIES -- (CONTINUED)  
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|              |   |
|--------------|---|
|              | 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 .....   |

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 OIL AND GAS -- 1.9%

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|              |   |
|--------------|---|
| 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 ..... |

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

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SHARES/\$ PAR

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PREFERRED SECURITIES -- (CONTINUED)

REAL ESTATE INVESTMENT TRUST (REIT) -- 2.0%

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|                                  |   |
|----------------------------------|---|
| 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 .....            |

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MISCELLANEOUS INDUSTRIES -- 0.6%

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

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

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

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\$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\*\*\*\* .....

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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 .....

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|              |  |
|--------------|--|
| \$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          |

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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%

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

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

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

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

|                               | TOTAL<br>DIVIDENDS<br>PAID | NET ASSET<br>VALUE | NYSE<br>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                 |

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 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 .....

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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

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PREFERRED SECURITIES  
INCOME FUND

QUARTERLY  
REPORT

AUGUST 31, 2004

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