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Assistant Compliance Officer,
Assistant Treasurer and
Assistant Secretary
Linda M. Puchalski
Assistant Treasurer

Investment Adviser

Flaherty & Crumrine Incorporated
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Questions concerning your shares of Flaherty & Crumrine Preferred and Income Fund?

- If your shares are held in a Brokerage Account, contact your Broker.
- If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent & Shareholder Servicing Agent —
BNY Mellon c/o Computershare
P.O. Box 30170
College Station, TX 77842-3170
1-866-351-7446

This report is sent to shareholders of Flaherty & Crumrine Preferred and 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.



Flaherty & Crumrine

P R E F E R R E D A N D
I N C O M E F U N D

(formerly, Flaherty & Crumrine
Preferred Income Fund)

Semi-Annual Report May 31, 2019

Beginning January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, the Fund intends to no longer mail paper copies of the Fund's shareholder reports like this one, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary (such as a broker-dealer or bank). Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically ("edelivery"), you will not be affected by this change and you need not take any action. If you have not already elected edelivery, you may elect to receive shareholder reports and other communications from the Fund electronically at any time by contacting the Fund at the telephone number or mailing address listed on the left side of this page, if you invest directly with the Fund, or by contacting your financial intermediary.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. That election will apply to all funds held in your account at that financial intermediary. Likewise, your election to receive reports in paper will apply to all funds held with the fund complex if you invest directly with the Fund. If you are a direct shareholder with the Fund, you can call or write to the Fund at the telephone number or address listed on the left side of this page to let the Fund know you wish to continue receiving paper copies of your shareholder reports.

www.preferredincome.com

FLAHERTY & CRUMRINE PREFERRED AND INCOME FUND

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

The fixed-income rally that began in early 2019 gained steam in the second fiscal quarter as central banks around the world signaled that more accommodative monetary policy was a near certainty. Lower interest rates renewed a global hunt for yield and provided a steady tailwind for preferreds and contingent capital securities. Total return¹ on net asset value (“NAV”) was 4.4% for the fiscal quarter² and 10.7% for the first half of the fiscal year. Total return on market price of Fund shares over the same periods was 9.1% and 22.5%, respectively.

The table below shows Fund NAV returns over various measurement periods. 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 MAY 31, 2019

	Actual Returns			Average Annualized Returns			
	Three Months	Six Months	One Year	Three Years	Five Years	Ten Years	Life of Fund ⁽¹⁾
Flaherty & Crumrine Preferred and Income Fund . . .	4.4%	10.7%	7.2%	7.7%	7.3%	15.6%	9.7%
Bloomberg Barclays U.S. Aggregate Index ⁽²⁾	3.8%	6.7%	6.4%	2.5%	2.7%	3.8%	5.8%
S&P 500 Index ⁽³⁾	-0.7%	0.7%	3.8%	11.7%	9.7%	13.9%	9.9%

(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.

Before we get into our market discussion, we wanted to note that we’ve completed the name and policy changes that we had announced on April 23, 2019. On July 5, 2019, the Fund’s name changed to “Flaherty & Crumrine Preferred and Income Fund Incorporated”.

The market’s shift in outlook for monetary policy from future rate hikes to rate cuts was sudden and is largely responsible for a risk-asset rally in 2019. The U.S. economy has held up well, although recent data indicates there may be areas of weakness on the horizon. Markets, however, have taken a more-dovish outlook much farther than the Federal Reserve itself. Market prices indicate future rates cuts are necessary, highly likely, and potentially large. As a result, Treasury rates have moved materially lower, with the 10-year Treasury yield around 2% as of this writing, compared to about 3% as of the Fund’s fiscal year-end on November 30, 2018.

¹ Following the methodology required by the Securities and Exchange Commission, total return assumes dividend reinvestment.

² March 1, 2019 – May 31, 2019

The Fed remains focused on its struggle to achieve a 2% inflation target. Many larger macroeconomic concerns we have discussed in prior shareholder letters remain unresolved – including immigration, trade wars, polarized politics, and Brexit in the U.K. – but investors seem even more convinced that monetary policy will be used proactively, and on a global basis, to counter economic weakness associated with negative outcomes in these areas.

After a weak end to 2018, the market was poised to benefit from this sudden change in sentiment. Preferreds and contingent capital securities continue to offer more yield than most fixed-income alternatives, particularly on a risk-adjusted basis. Given their desire for higher yields and limited supply, investors scooped up almost every new issue brought to market this year. If Treasury rates remain low, demand should remain healthy.

Securities with more call protection (longer duration) outperformed securities with near-term calls, which is expected when Treasuries rally. Call protection is important as rates fall, since call options inherently favor issuers. Call protection allows the Fund to seek a more stable income profile over time as interest rates move up and down, and it is a feature we have always valued greatly. Although returns were positive, energy-industry securities underperformed the broader market during the quarter, partly due to supply overhang from late-2018 through early-2019 and the balance due to weakness in oil prices. While we are very selective in this segment of the market, we continue to see good value in many energy-industry securities.

Banks and financials continue to be our favorite sectors, largely driven by strong current and projected credit quality. The Fed recently released 2019 Stress Test results, and banks passed comfortably. Profitability remains solid, and supply of new securities should remain limited (although some will look to refinance if rates remain low). Valuations in these sectors are rather mixed at this point, and, as always, it pays to be selective on issuers and structure. Portfolio allocations by industry, and other categories, can be seen on the Portfolio Overview page later in this report.

Monetary policy has carried the day so far in 2019, and it is likely to remain an important driver looking forward. Economic data remains very important, and could validate the market's move or muddy the picture further. Either way, Fed officials appear ready and willing to err on the side of stimulus – and that should be supportive of risk assets. In fairness, however, market expectations for central bank rate cuts are high, and disappointment on this front could result in a pullback and increased market volatility.

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

June 30, 2019