To the Shareholders of Flaherty & Crumrine Preferred and Income Opportunity Fund ("PFO"):

Fiscal 2019 came to an end on November 30, 2019, closing out a fantastic year for preferreds and income securities. Total return on net asset value ("NAV") was 2.8% for the fourth fiscal quarter and 20.4% for the full fiscal year. Total return on market price of Fund shares over the same periods was 1.8% and 19.6%, 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 NOVEMBER 30, 2019
(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 and Income Opportunity Fund	2.8%	8.9%	20.4%	10.1%	8.2%	12.8%	9.3%
Bloomberg Barclays U.S. Aggregate Index[2]	-0.3%	3.8%	10.8%	4.1%	3.1%	3.6%	5.6%
S&P 500 Index[3]	7.9%	15.3%	16.1%	14.9%	11.0%	13.4%	9.8%

(1) Since inception on February 13, 1992.
(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.

What a difference a year can make! The fourth quarter of 2018 produced dismal performance as markets worried about rate hikes and a possible recession. The Federal Reserve's unexpected pivot in January 2019 on its outlook for future rate hikes and size of its balance sheet, however, prompted a sudden and dramatic mood change. As the year progressed and the Fed's shift from tighter to more accommodative monetary policy became clear, markets gradually became desensitized to macro headlines. While trade and political uncertainty was abundant, the U.S. economy continued to progress despite these uncertainties, and interest rates settled into a relatively narrow range in the second half of 2019.

The Fed's pivot was a strong signal to markets that it would be cautious on monetary policy, erring on the side of protecting a U.S. economy whose growth stood out among struggling global economies. With the Fed signaling that higher interest rates were unlikely near-term, markets began to price in lower rates as a dovish stance was in place for the foreseeable future. Indeed, interest rates moved substantially lower across the curve, and risk assets generally benefited from monetary policy easing. A global hunt for yield was once again in full effect.

Preferreds and contingent capital securities ("CoCos") offer a yield advantage compared to senior debt (and most other fixed-income alternatives), primarily because they are subordinated in an issuer's capital structure. Issuer credit quality in these markets has remained sound, partly due to a strong regulatory oversight

regime for most financial issuers. Preferreds and CoCos have been a natural fit for investors searching for yield. While once a very specialized market, preferreds and CoCos have benefited from a substantial broadening of the investor base. Even traditional bond funds now regularly add a layer of preferreds and CoCos to their portfolios to enhance yield and total return.

While investor demand has been strong, net new issuance this year has been measured. Issuers have largely entered a maintenance phase, where they issue at the margin to facilitate modest balance sheet growth, but where most issuance reflects refinancing of older securities to take advantage of lower rates. We believe this trend likely continues near-term, although CoCo issuance could pick up in the new year. Broad-based demand combined with limited supply have kept these markets well bid.

At risk of sounding like a broken record, bank preferreds and CoCos continued to be among the best sectors in 2019, and their consistent performance has been an important part of our investment thesis. Current bank regulation grew out of the financial crisis – and while we are a long way from the crisis, we don't expect regulatory requirements to ease materially anytime soon. U.S. bank capital levels and loan loss provisions are high, earnings are healthy, and borrowers (broadly) are also healthy. Of course, not all banks are the same, and ongoing credit monitoring is important to our process. U.S. banks continue to be better positioned than their foreign counterparts on both earnings and capital, but European bank CoCos have been some of the best performers late in the year as Brexit finally appears to be on-track. As of November 30, U.S. bank holdings were 40.5% and foreign bank holdings were 16.2% of the Fund's total managed assets.

All portfolio segments ended the year in positive territory, although the energy sector was volatile throughout most of the year. There has been much debate on the future of energy, from continued use of fossil fuels to increased adoption of renewable energy sources. At the same time, many Master Limited Partnerships (MLPs) have transformed from high-growth companies to more disciplined companies with much-simplified corporate structures. As a result, investor appetite for these companies' securities has changed dramatically, and much of this exposure has migrated to different types of owners. Preferreds have continued to be a source of capital for MLPs, as they are uninterested in issuing common stock at depressed levels. The good news is that yields on these securities remain above-average in this space, and we believe a strategy of selective exposure will be successful. As of November 30, energy holdings were 7.4% of the Fund's total managed assets.

A number of recent developments helped close 2019 on a positive note and should improve the outlook for 2020. U.K. elections provided a path to proceed finally with Brexit, and although much work remains over coming years, moving Brexit to resolution is positive for markets. China trade issues are much the same – a lot of work remains, and we may veer off course a few times, but both sides appear to be seeking common ground. Markets believe progress may finally be around the corner. As 2020 is a presidential election year in the U.S., we would caution that a long-term investment view is always prudent regarding political events. We believe the preferred and CoCo markets continue to offer long-term investors an attractive combination of good credit quality, high income and moderate interest-rate risk.

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 31, 2019