

Flaherty & Crumrine PREFERRED INCOME OPPORTUNITY FUND INC  
Form N-30B-2  
April 27, 2018  
*FLAHERTY & CRUMRINE PREFERRED INCOME OPPORTUNITY FUND*

To the Shareholders of Flaherty & Crumrine Preferred Income Opportunity Fund (“PFO”):

Despite general weakness in most fixed-income markets (e.g., investment-grade corporate bonds), attributable mostly to higher benchmark interest rates, preferred securities performed reasonably well on a relative basis. Total return<sup>1</sup> on net asset value (“NAV”) for the first fiscal quarter was -0.5%, while total return on market price was -5.9%.

The U.S. economy remains on solid footing, with most economists forecasting faster growth in 2018. Inflation has remained in check thus far, and modest wage growth and strong business investment suggest that faster economic growth can be accommodated without the economy overheating. Faster economic growth combined with optimism around tax reform has caused interest rates to move modestly higher. Tax reform should be supportive of growth and investment, but much of it will be deficit-financed and could result in higher Treasury rates as government borrowing increases.

Investors often associate higher long-term interest rates with lower prices for preferred securities, and to some extent this is true. However, sensitivity of the Fund’s preferred portfolio to benchmark interest rates is much lower today than it was ten years ago. That is primarily attributable to larger holdings of fixed-to-floating rate securities relative to traditional fixed-for-life preferreds. Including these securities in a portfolio (~72% as of 2/28/2018) reduces sensitivity to benchmark interest rates. Moderate interest-rate sensitivity, along with a tightening of preferred credit spreads during the quarter, offset much of the weakness experienced by other fixed-income asset classes.

Most of the portfolio experienced credit-spread tightening as noted above, but one area of mixed performance was the energy sector, notably master limited partnerships (MLPs). The MLP industry appears to be in transition. The traditional MLP structure has struggled to meet investor expectations, leading some to collapse partnership structures into simpler organizations. Lower corporate tax rates from recent tax reform may accelerate that trend. While a simpler structure should benefit preferred investors over time, many MLPs issued preferreds in the last few months, causing yields to increase as concessions were offered to entice demand. Importantly, individual MLPs are in various stages of transition, and we remain comfortable with the level of MLP exposure in the Fund’s portfolio (~7.1% as of 2/28/2018). Many of the MLPs held by the Fund are among the strongest credits in the sector and a step ahead of peers in navigating these rough waters.

The Fund’s dividend rate was reduced during the quarter to reflect changes in interest rates and credit spreads that have cumulated over time. Tightening by the Federal Reserve has raised short-term interest rates and, therefore, leverage cost, while lower preferred yields have gradually reduced portfolio income. The investment objective of the Fund is to provide high current income consistent with the preservation of capital, and we believe the Fund will continue to meet that objective – although distributable income may be reduced as we proceed through this economic cycle. Fund shareholders have benefited from years of record-low interest rates and low leverage costs, but rates have moved up as the economy has improved. We believe the Fund’s strategy of investing in preferred securities and using leverage to increase income will continue to produce a competitive distribution rate for shareholders. We encourage shareholders to read the Fund’s 2017 annual report for a more-thorough discussion of this important topic.

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

<sup>2</sup> December 1, 2017 — February 28, 2018

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Market volatility is likely to increase from record-low levels as we move into later stages of this economic cycle, but we believe preferreds will continue to offer competitive performance. Their combination of credit quality and yield (much of which is tax-advantaged) will be difficult to replicate in other fixed-income asset classes.

As always, we encourage you to visit the Fund's website, [www.preferredincome.com](http://www.preferredincome.com), for timely and important information.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

March 31, 2018

Flaherty &amp; Crumrine Preferred Income Opportunity Fund Incorporated

**PORTFOLIO OVERVIEW****February 28, 2018 (Unaudited)****Fund Statistics**

Net Asset Value	\$ 11.67	
Market Price	\$ 11.11	
Discount	4.80	%
Yield on Market Price	7.13	%
Common Stock Shares Outstanding	12,518,382	

<b>Security Ratings**</b>	<b>% of Net Assets†</b>
A	1.2 %
BBB	53.3 %
BB	33.3 %
Below "BB"	0.9 %
Not Rated***	9.3 %

<b>Portfolio Rating Guidelines</b>	<b>% of Net Assets†</b>
Security Rated Below Investment Grade By All*****	30.8 %
Issuer or Senior Debt Rated Below Investment Grade by All*****	1.6 %

\*\*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 2.0%.

\*\*\*\*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†**

<b>Top 10 Holdings by Issuer</b>	<b>% of Net Assets†</b>
JPMorgan Chase & Co	4.6 %
MetLife Inc	4.3 %
Wells Fargo & Company	4.2 %
PNC Financial Services Group Inc	4.0 %
Morgan Stanley	3.9 %
BNP Paribas	3.1 %
Fifth Third Bancorp	3.0 %
Enbridge Energy Partners	3.0 %
Liberty Mutual Group	2.9 %
XL Group Limited	2.7 %

	<b>% of Net Assets*****†</b>
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.

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

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**PORTFOLIO OF INVESTMENTS**

**February 28, 2018 (Unaudited)**

Shares/\$ Par	Value	
<b>Preferred Securities<sup>s</sup> — 93.8%</b>		
<b>Banking — 54.8%</b>		
	Australia & New Zealand Banking Group Ltd.,	
\$ 1,817,000	6,991,886	** (1)(2)
	to 06/15/26 then ISDA5 + 5.168%, 144A****	
	Banco Bilbao Vizcaya Argentaria SA:	
	6.125% to 11/16/27	
\$ 2,200,000	then 2,244,000	** (2)
	SW5 + 3.87% 9.00% to 05/09/18	
\$ 400,000	then 404,776	** (2)
	SW5 + 8.262%, 144A****	
\$ 490,000	534,810	** (2)

Banco  
 Mercantil  
 del  
 Norte  
 SA,  
 7.625%  
 to  
 01/06/28  
 then  
 T10Y  
 +  
 5.353%,  
 144A\*\*\*\*

Bank of America Corporation:

6.30%  
 to  
 03/10/26  
 then

\$ 300,000 3ML330,000 \*

+  
 4.553%,  
 Series  
 DD  
 3ML

\$ 2,540,000 3.63% 3,562,225 \*(1)  
 5.3969%<sup>(S)</sup>,

Series  
 K  
 8.125%  
 to  
 05/15/18  
 then

\$ 1,520,000 3ML1,544,700 \*(1)

+  
 3.64%,  
 Series  
 M

Barclays  
 Bank  
 PLC,  
 7.875%

\$ 2,848,000 03/15/27 3,028,702 \*\*(2)

then  
 SW5  
 +  
 6.772%,  
 144A\*\*\*\*

	BNP Paribas:		
	7.375%		
	to		
	08/19/25		
\$ 4,661,000	then	5,191,189	** (1)(2)
	SW5		
	+		
	5.15%,		
	144A****		
	7.625%		
	to		
	03/30/21		
\$ 1,500,000	then	1,635,000	** (2)
	SW5		
	+		
	6.314%,		
	144A****		
	Capital One Financial Corporation:		
	6.00%,		
2,020	Series	1,409	*
	B		
	6.00%,		
12,400	Series	327,608	*
	H		
	6.20%,		
7,000	Series	185,990	*
	F		
	6.70%,		
24,333	Series	649,691	*
	D		
	Citigroup, Inc.:		
	6.875%		
	to		
	11/15/23		
	then		
115,370	3ML	3,252,280	*(1)
	+		
	4.13%,		
	Series		
	K		
74,694	7.125%	2,145,212	*(1)
	to		
	09/30/23		
	then		
	3ML		
	+		
	4.04%,		

	Series J		
	8.40%		
	to		
	04/30/18		
	then		
	3ML		
\$ 299,000	+ 300,121	*	
	4.0285%,		
	min		
	7.7575%,		
	Series		
	E		
	CoBank ACB:		
	6.125%,		
15,600	Series G,	*	
	1,583,400		
	144A****		
	6.20%		
	to		
	01/01/25		
	then		
	3ML		
9,000	+ 964,575	*	
	3.744%,		
	Series		
	H,		
	144A****		
	6.25%		
	to		
	10/01/22		
	then		
	3ML		
10,000	+ 1,075,000	*(1)	
	4.557%,		
	Series		
	F,		
	144A****		
	6.25%		
	to		
	10/01/26		
	then		
	3ML		
\$ 415,000	+ 452,711	*	
	4.66%,		
	Series		
	I,		
	144A****		
\$ 4,500,000	450	(3)(4)††	



	Colonial BancGroup, 7.114%, 144A****	
	Credit Agricole SA, 7.875%	
\$ 270,000	to 302,063 01/23/24	** (2)
	then SW5 + 4.898%, 144A****	
	Fifth Third Bancorp, 6.625%	
232,807	to 6,693,201 12/31/23	* (1)
	then 3ML + 3.71%, Series I	
	First Horizon National Corporation:	
	First Tennessee Bank, 3ML	
750	+ 598,125 0.85%	* (1)
	min 3.75%, 3.75% <sup>(5)</sup> , 144A****	
	FT Real Estate Securities Company, 9.50%	
1	1,296,250 03/31/31, 144A****	
	Goldman Sachs Group: 5.00%, 950,240	* (1)
\$ 2,000,000	to	

	11/10/22	
	then	
	3ML	
	+	
	2.874%,	
	Series	
	P	
	5.70%	
	to	
	05/10/19	
	then	
\$ 195,000	3ML200,392	*
	+	
	3.884%,	
	Series	
	L	
	6.375%	
	to	
	05/10/24	
	then	
50,000	3ML1,399,000	*(1)
	+	
	3.55%,	
	Series	
	K	
	HSBC Holdings PLC:	
	6.00%	
	to	
	05/22/27	
\$ 325,000	then 332,800	** (2)
	ISDA5	
	+	
	3.746%	
	6.875%	
	to	
	06/01/21	
\$ 937,000	then 1,004,933	** (2)
	ISDA5	
	+	
	5.514%	
	8.00%,	
14,190	Series 377,951	** (1) (2)
	2	
\$ 800,000	HSBC 281,504	(1) (2)
	Capital	
	Funding	
	LP,	
	10.176%	
	to	

06/30/30  
then  
3ML  
+  
4.98%,  
144A\*\*\*\*

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

<b>Shares/\$ Par</b>	<b>Value</b>
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**Preferred Securities  
— (Continued)**

**Banking —  
(Continued)**

	Huntington Bancshares, Inc.:	
	5.700%	
	to	
	04/15/23	
	then	
\$ 950,000	3MB158,906	*
	+	
	2.88%,	
	Series	
	E	
99,000	6.25%,	
	Series2,679,930	*(1)
	D	
	JPMorgan Chase & Company:	
	6.00%	
	to	
	08/01/23	
	then	
\$ 300,000	3MB14,400	*
	+	
	3.30%,	
	Series	
	R	
54,650	6.70%,	
	Series428,004	*(1)
	T	
\$ 4,167,000	4,609,744	*(1)

6.75%  
 to  
 02/01/24  
 then  
 3ML  
 +  
 3.78%,  
 Series  
 S  
 7.90%  
 to  
 04/30/18  
 then  
 \$ 3,750,000 3MB,787,500 \*(1)  
 +  
 3.47%,  
 Series  
 I  
 KeyCorp,  
 6.125%  
 to  
 12/15/26  
 then  
 84,000 2,340,257 \*(1)  
 3ML  
 +  
 3.892%,  
 Series  
 E  
 Lloyds  
 TSB  
 Bank  
 PLC,  
 12.00%  
 to  
 \$ 1,550,000 2,022,937 (2)  
 12/16/24  
 then  
 3ML  
 +  
 11.756%,  
 144A\*\*\*\*  
 \$ 2,240,000 M&T,489,379 \*(1)  
 Bank  
 Corporation,  
 6.45%  
 to  
 02/15/24  
 then  
 3ML  
 +  
 3.61%,

	Series	
	E	
	Macquarie	
	Bank	
	Ltd.,	
	6.125%	
	to	
\$ 500,000	03/08/2000	** (2)
	then	
	SW5	
	+	
	3.703%,	
	144A****	
	MB	
	Financial,	
40,220	Inc. 999,467	*
	6.00%,	
	Series	
	C	
	Morgan Stanley:	
	5.85%	
	to	
	04/15/27	
	then	
82,600	3M 2,215,332	*(1)
	+	
	3.491%,	
	Series	
	K	
	6.875%	
	to	
	01/15/24	
	then	
148,000	3M 2,207,640	*(1)
	+	
	3.94%,	
	Series	
	F	
	7.125%	
	to	
	10/15/23	
	then	
77,200	3M 2,234,168	*(1)
	+	
	4.32%,	
	Series	
	E	
162,500	New 4,574,375	*(1)
	York	

	Community Bancorp, Inc., 6.375% to 03/17/27 then 3ML + 3.821%, Series A	
297,806	PNC Financial Services Group, Inc.: 6.125% to 05/01/22 then 3M	B,319,032 *(1)
	+ 4.067%, Series P 6.75% to 08/01/21 then 3M	427,418 *(1)
\$ 395,000	+ 3.678%, Series O	
	Rabobank Nederland, 11.00% to 06/30/19 then 3ML	1,945,844 (1)(2)
\$ 1,775,000	+ 10.868%, 144A****	
35,000	Regions Financial Corporation, 6.375% to 09/15/24 then	965,531 *

	3ML	
	+	
	3.536%,	
	Series	
	B	
	Societe	
	Generale	
	SA,	
	7.375%	
	to	
\$ 3,800,000	09/14/2014,000	** (1)(2)
	then	
	SW5	
	+	
	6.238%,	
	144A****	
	Sovereign	
	Bancorp:	
	Sovereign	
2,600	REIT	3,237,000
	12.00%,	
	Series	
	A,	
	144A****	
	Standard Chartered	
	PLC:	
	7.50%	
	to	
	04/02/22	
\$ 1,370,000	then	1,485,833 ** (1)(2)
	SW5	
	+	
	6.301%,	
	144A****	
	7.75%	
	to	
	04/02/23	
\$ 2,500,000	then	2,721,875 ** (1)(2)
	SW5	
	+	
	5.723%,	
	144A****	
83,700	Stat	2,280,825 * (1)
	Street	
	Corporation,	
	5.90%	
	to	
	03/15/24	
	then	



	3ML	
	+	
	3.108%,	
	Series	
	D	
20,517	Sterling Bancorp, Inc. Series A	6,507,545 *
8,200	SunTrust Banks, Inc. Series E	206,804 *
10,000	Texas Capital Bancshares Inc. Series A	254,100 *
35,000	US Bancorp, 6.50% to 01/15/22 then 3ML + 4.468%, Series F	984,764 *(1)
28,000	Valley National Bancorp, 5.50% to 09/30/22 then 3ML + 3.578%, Series B	724,080 *

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

Shares/\$ Par	Value
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**Preferred Securities  
— (Continued)**

**Banking —  
(Continued)**

	Wells Fargo & Company:	
15,000	5.625%, Series Y	*
	\$17,430	
	5.85% to 09/15/23 then	
56,200	3ML,501,664	*(1)
	+ 3.09%, Series Q	
	5.875% to 06/15/25 then	
\$ 2,075,000	3ML,208,588	*(1)
	+ 3.99%, Series U	
34,400	6.625%, to 03/15/24 then	*(1)
	3ML + 3.69%, Series	

	R		
225	7.50%, Series 286,875	*	
	L		
	7.98%		
	to		
	03/15/18		
	then		
\$ 1,139,000	3ML,158,932	*	
	+		
	3.77%,		
	Series		
	K		
104,500	8.00%, Series 2,720,135	*(1)	
	J		
	Westpac Banking Corporation, 5.00%		
\$ 1,100,000	to 1,052,848	** (2)	
	09/21/27		
	then		
	ISDA5		
	+		
	2.888%		
	Zions Bancorporation, 7.20%		
	to		
	09/15/23		
\$ 1,000,000	then 1,105,000	*	
	3ML		
	+		
	4.44%,		
	Series		
	J		
	120,872,204		

**Financial Services — 0.6%**

\$ 410,000	AerCap, Global Aviation Trust, 6.50%	(2)	
	to		
	06/15/25		
	then		
	3ML		
	+		

	4.30%, 06/15/45, 144A**** E*TRADE Financial Corporation, 5.30% to 03/15/23 then 439,560	*
\$ 444,000	3ML + 3.16%, Series B General Motors Financial Company, 5.75% to 09/30/23 then 427,888	*
\$ 420,000	3ML + 3.598%, Series A 1,313,348	
<b>Insurance — 18.9%</b>		
73,000	Allstate Corporation, 6.625%, Series E Aon Corporation, 8.205% 01/01/27	*(1)
\$ 275,000	355,438	(1)
11,000	Arch Capital Group, Ltd.: 5.25%, Series E 258,500	** (2)
9,900	5.45%, Series F 239,481	** (2)
\$ 1,453,000	AXA SA, 692,745	** (1)(2)

	6.379%		
	to		
	12/14/36		
	then		
	3ML		
	+		
	2.256%,		
	144A*****		
	Axis		
	Capital		
	Holdings		
19,750	Ltd.480,320	**	(2)
	5.50%,		
	Series		
	E		
	Chubb		
	Ltd.:		
	Ace		
\$ 1,200,000	Capital	1,791,000	(1)(2)
	Trust		
	II,		
	9.70%		
	04/01/30		
	Delphi		
	Financial		
	Group,		
120,000	3ML	2,760,000	(1)
	+		
	3.19%,		
	5.0288% <sup>(5)</sup>		
	05/15/37		
	Everest		
	Reinsurance		
	Holdings,		
\$ 1,759,000	3ML	1,729,976	(1)
	+		
	2.385%,		
	4.2238% <sup>(5)</sup>		
	05/15/37		
10,000	Harbor	28,300	
	Financial		
	Services		
	Group,		
	Inc.,		
	7.875%		
	to		
	04/15/22		
	then		
	3ML		

	+		
	5.596%,		
	04/15/42		
	Liberty		
	Mutual		
\$ 3,054,000	Group,	3,802,230	(1)
	7.80%		
	03/15/37,		
	144A****		
	MetLife, Inc.:		
	9.25%		
\$ 3,350,000	04/08/38,	4,638,375	(1)
	144A****		
	10.75%		
\$ 2,704,000	4,333,160		(1)
	08/01/39		
	MetLife		
	Capital		
	Trust		
\$ 350,000	IV, 449,750		(1)
	7.875%		
	12/15/37,		
	144A****		

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

Shares/\$ Par	Value	
<b>Preferred Securities</b>		
<b>— (Continued)</b>		
	<b>Insurance —</b>	
	<b>(Continued)</b>	
	PartnerRe Ltd.:	
	5.875%,	
23,350	\$159,461	** (1)(2)
	Series I	
	6.50%,	
5,300	\$39,443	** (2)
	Series G	
	7.25%,	
78,200	\$160,666	** (1)(2)
	Series H	
	Prudential	
	Financial,	
	Inc.,	
	5.625%	
	to	
\$ 241,000	\$21,556	
	06/15/43	
	then	
	3ML	
	+	
	3.92%,	
	06/15/43	
\$ 3,634,000	\$1,133,675	(1)(2)
	QBE	
	Insurance	
	Group	
	Ltd.,	
	7.50%	
	to	
	11/24/23	
	then	

	SW10		
	+		
	6.03%,		
	11/24/43,		
	144A****		
	Unum		
	Group:		
	Provident		
\$ 2,750,000	Financing	3,135,000	(1)
	Trust		
	I,		
	7.405%		
	03/15/38		
	W.R.		
	Berkley		
24,000	Corp	16,056,	
	5.75%		
	06/01/56		
	XL Group Limited:		
	Catlin		
	Insurance		
	Company		
	Ltd.,		
\$ 1,400,000	3ML	379,000	(1)(2)
	+		
	2.975%,		
	4.7142% <sup>(5)</sup> ,		
	144A****		
	XL		
	Capital		
	Ltd.,		
	3ML		
\$ 4,750,000	+	4,542,188	(1)(2)
	2.4575%,		
	4.1790% <sup>(5)</sup> ,		
	Series		
	E		
	41,778,491		
<b>Utilities — 9.3%</b>			
	Commonwealth		
	Edison:		
	COMED		
\$ 2,512,000	Financing	2,687,840	(1)
	III,		
	6.35%		
	03/15/33		
136,000	Dominion	1,614	(1)
	Energy,		



	Inc.,		
	5.25%		
	07/30/76,		
	Series		
	A		
	DTE Energy Company:		
	5.375%		
7,000	06/01/76,	172,349	
	Series		
	B		
	6.00%		
13,000	12/15/76,	347,361	
	Series		
	F		
	Emera,		
	Inc.,		
	6.75%		
	to		
	06/15/26		
\$ 2,030,000	then	2,263,450	(1)(2)
	3ML		
	+		
	5.44%,		
	06/15/76,		
	Series		
	2016A		
	Georgia		
	Power		
	Company,		
21,200	5.00%	17,598	
	10/01/77,		
	Series		
	2017A		
	Indianapolis		
	Power		
	&		
24,000	Light	2,479,855	*(1)
	Company,		
	5.65%		
77,100	Integr	2,062,425	(1)
	Energy		
	Group,		
	Inc.,		
	6.00%		
	to		
	08/01/23		
	then		
	3ML		
	+		

	3.22%, 08/01/73	
	NextEra Energy: FPL Group Capital, Inc.,	
\$ 1,600,000	3ML,557,056	(1)
	+	
	2.125%, 3.7135% <sup>(5)</sup>	
	06/15/67, Series C	
	PECO Energy: PECO Energy Capital	
\$ 1,500,000	Trust,717,572	(1)
	III, 7.38%	
	04/06/28, Series D	
	PPL Corp: PPL Capital Funding, Inc.,	
26,800	681,256	(1)
	5.90%	
	04/30/73, Series B	
	PPL Capital Funding, Inc., 3ML	
\$ 902,000	+ 899,745	(1)
	2.665%, 4.3584% <sup>(5)</sup>	
	03/30/67, Series A	
\$ 1,298,000	Puget,288,265	(1)
	Sound Energy,	

Inc.,  
 3ML  
 +  
 2.53%,  
 4.0106%<sup>(5)</sup>  
 06/01/67,  
 Series  
 A  
 Southern  
 California  
 Edison:  
 SCE  
 Trust  
 V,  
 5.45%  
 20,000 to 523,128 \*  
 03/15/26  
 then  
 3ML  
 +  
 3.79%,  
 Series  
 K  
 20,509,714

**Energy — 5.9%**

DCP  
 Midstream  
 LP,  
 7.375%  
 to  
 \$ 1,060,000 12/15/22  
 then 1,071,262  
 3ML  
 +  
 5.148%,  
 Series  
 A  
 Enbridge,  
 Inc.,  
 6.00%  
 to  
 \$ 1,030,000 01/15/27  
 then, 1,045,450 (2)  
 3ML  
 +  
 3.89%,  
 01/15/77  
 \$ 6,595,000 Enbridge, 6,614,488 (1)  
 Energy

Partners  
LP,  
3ML  
+  
3.7975%,  
5.4917%<sup>(5)</sup>  
10/01/37

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

<b>Shares/\$ Par</b>	<b>Value</b>
--------------------------	--------------

**Preferred Securities  
— (Continued)**

**Energy —  
(Continued)**

	Enterprise Products Operating L.P.:	
	3ML	
	+	
\$ 400,000	3.7075%,	
	5,808,500	
	08/01/66,	
	Series	
	A	
	5.25%	
	to	
	08/16/27	
	then	
\$ 500,000	3ML	
	+ 483,750	
	3.033%,	
	08/16/77,	
	Series	
	E	
	Kinder	
	Morgan,	
	Inc.,	
14,920	9.75%	*
	10,820	
	10/26/18,	
	Series	
	A	
31,500	NuStar	
	807,975	
	Logistics	
	LP,	
	3ML	

+  
 6.734%,  
 8.4555%<sup>(5)</sup>  
 01/15/43  
 Transcanada Pipelines,  
 Ltd.:  
 5.30%  
 to  
 03/15/27  
 then  
 3ML  
 \$ 1,000,000 + 1,009,375 (2)  
 +  
 3.208%,  
 03/15/77,  
 Series  
 2017-A  
 5.875%  
 to  
 08/15/26  
 then  
 3ML  
 \$ 1,000,000 + 1,077,500 (1)(2)  
 +  
 4.64%,  
 08/15/76,  
 Series  
 2016-A  
 13,005,120

**Real Estate Investment Trust  
 (REIT) — 0.5%**

Annaly  
 Capital  
 Management,  
 Inc.,  
 6.95%  
 to  
 3,110 09/30/27  
 then  
 3ML  
 +  
 4.993%,  
 Series  
 F  
 National Retail  
 Properties, Inc.:  
 5.20%,  
 5,500 Series 26,995  
 F  
 23,962 5.7087,697 (1)

Series  
 E  
 PS Business Parks, Inc.:  
 5.20%,  
 6,918 Series 66,862  
 W  
 5.70%,  
 7,983 Series 97,899  
 V  
 5.75%,  
 325 Series 8,057  
 U  
 1,164,389

**Miscellaneous Industries — 3.8%**

BHP  
 Billiton  
 Limited:  
  
 BHP  
 Billiton  
 Finance  
 U.S.A.,  
 Ltd. 455,000 (2)  
 \$ 400,000 6.75%  
 to  
 10/19/25  
 then  
 SW5  
 +  
 5.093%,  
 10/19/75,  
 144A\*\*\*\*  
  
 General  
 Electric  
 Company,  
 5.00%  
 to  
 \$ 802,000 01/21/21 792,978 \*(1)  
 then  
 3ML  
 +  
 3.33%,  
 Series  
 D  
  
 Land O' Lakes, Inc.:  
 \$ 240,000 7.25% 268,200 \*  
 Series  
 B,

	144A****		
	8.00%,		
\$ 3,630,000	Series	4,110,975	*(1)
	A,		
	144A****		
	Ocean		
	Spray		
30,400	Cranberries	2,766,400	*
	Inc.,		
	6.25%,		
	144A****		
	8,393,553		
	<b>Total</b>		
	<b>Preferred</b>		
	<b>Securities</b>	6,819	
	(Cost		
	\$196,414,132)		

**Corporate Debt Securities<sup>s</sup> — 4.3%**

**Banking — 2.0%**

	Regions		
	Financial		
	Corporation,		
\$ 550,000	7.375%	7,731	(1)
	12/10/37,		
	Sub		
	Notes		
	Texas		
	Capital		
	Bancshares		
123,450	Inc.	3,193,528	(1)
	6.50%		
	09/21/42,		
	Sub		
	Notes		
	Zions		
	Bancorporation,		
	6.95%		
	to		
	09/15/23		
18,000	then	526,498	
	3ML		
	+		
	3.89%,		
	09/15/28,		
	Sub		
	Notes		
	4,448,757		





Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

Shares/\$ Par	Value
------------------	-------

**Corporate Debt  
Securities —  
(Continued)**

**Financial  
Services  
— 0.0%**

1,000	B. Riley Financial Inc., 7.50% 05/31/27 25,690	\$ 25,690
-------	------------------------------------------------------------------	-----------

**Insurance —  
1.2%**

\$ 1,850,000	Liberty Mutual Insurance 7.697% 10/15/97, 144A**** 2,544,321	2,544,321 (1)
--------------	--------------------------------------------------------------------------------	---------------

**Energy — 0.5%**

\$ 904,000	Energy Transfer Partners LP, 8.25% 11/15/29 1,134,692	1,134,692 (1)
------------	-------------------------------------------------------------------------	---------------

**Communication — 0.5%**

Qwest  
Corporation:

19,728	6.50%	426,125
		09/01/56
24,920	6.75%	563,690
		06/15/57
400	7.00%	9,477
		04/01/52
		999,292

**Miscellaneous Industries —  
0.1%**

10,000	eBay, Inc.	264,315
		6.00%
		02/01/56
		264,315

**Total  
Corporate  
Debt  
Securities**  
(Cost  
\$8,176,187)

**Common Stock — 0.6%**

**Energy — 0.6%**

87,504	Kinder Morgan Inc.	1,417,565	*
		1,417,565	

**Insurance — 0.0%**

17,907	WMI Holdings Corporation, 144A****	23,100	*†
		23,100	

**Total  
Common  
Stock**  
(Cost  
\$2,409,064)

**Money Market Fund — 0.8%**

1,795,362	BlackRock Liquidity Funds; T-Fund, Institutional Class	1,795,362
-----------	-----------------------------------------------------------------------	-----------

**Total  
Money  
Market  
Fund** 1,795,362  
(Cost  
\$1,795,362)

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

			<b>Value</b>
<b>Total Investments</b> (Cost \$208,794,745***)	99.5	%	\$ 219,689,913
<b>Other Assets And Liabilities</b> (Net)	0.5	%	1,073,385
<b>Total Managed Assets</b>	100.0	% ‡	\$ 220,763,298
<b>Loan Principal Balance</b>			(74,700,000 )
<b>Total Net Assets Available To Common Stock</b>			\$ 146,063,298

§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 February 28, 2018, these securities amounted to \$63,188,601 or 28.6% 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 \$142,218,782 at February 28, 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 February 28, 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

**T10Y** — Federal Reserve H.15 10-Yr Constant Maturity Treasury Semiannual yield

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK<sup>(1)</sup>**

**For the period from December 1, 2017 through February 28, 2018 (Unaudited)**

<b>Value</b>	
<b>OPERATIONS:</b>	
Net investment income	\$214,095
Net realized gain/(loss) on investments sold during the period	(62,037 )
Change in net unrealized appreciation/(depreciation) of investments	(2,949,759 )
<b>Net decrease in net assets resulting from operations</b>	<b>(866,691 )</b>
<b>DISTRIBUTIONS:</b>	
Dividends paid from net investment income to	(2,153,750 )

Common  
Stock  
Shareholders<sup>(2)</sup>

**Total  
Distributions**

to **(2,553,750** )  
**Common**  
**Stock**  
**Shareholders**

**FUND  
SHARE  
TRANSACTIONS:**

Increase  
from  
shares  
issued  
under  
the  
Dividend **78,219**  
Reinvestment  
and  
Cash  
Purchase  
Plan

**Net  
increase  
in  
net  
assets  
available  
to **78,219**  
Common  
Stock  
resulting  
from  
Fund  
share  
transactions**

**NET \$ (3,342,222** )  
**DECREASE  
IN  
NET  
ASSETS  
AVAILABLE  
TO  
COMMON  
STOCK  
FOR**



**THE  
period**

**NET  
ASSETS  
AVAILABLE  
TO  
COMMON  
STOCK:**

Beginning  
of \$ 149,405,520  
period

Net  
decrease  
in  
net  
assets (3,342,222 )  
during  
the  
period

End  
of \$ 146,063,298  
period

(1)These tables summarize the three months ended February 28, 2018 and should be read in conjunction with the Fund's audited financial statements, including notes to financial statements, in its Annual Report dated November 30, 2017.

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

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**Financial Highlights<sup>(1)</sup>**

**For the period December 1, 2017 through February 28, 2018 (Unaudited)  
For a Common Stock share outstanding throughout the period**

**PER  
SHARE  
OPERATING  
PERFORMANCE:**

Net  
asset  
value  
beginning of period \$ 11.94

**INVESTMENT  
OPERATIONS:**

Net  
investment income 0.17

Net  
realized  
and  
unrealized gain/(loss) on  
investments 0.24 )

Total  
from investment operations (0.07 )

**DISTRIBUTIONS  
TO  
COMMON  
STOCK  
SHAREHOLDERS:**

From  
net investment income (0.20 )

Total  
distributions  
to  
Common (0.20 )  
Stock  
Shareholders

Net  
asset  
value, \$ 11.67  
end  
of  
period

Market  
value,  
end \$ 11.11  
of  
period

Common  
Stock  
shares  
outstanding, 518,382  
end  
of  
period

**RATIOS TO  
AVERAGE NET  
ASSETS AVAILABLE  
TO COMMON  
STOCK  
SHAREHOLDERS:**

Net  
investment 1.87 %\*  
income†

Operating  
expenses  
including 2.48 %\*  
interest  
expense

Operating  
expenses  
excluding 1.32 %\*  
interest  
expense

**SUPPLEMENTAL  
DATA:**

††  
2 %\*\*

Portfolio  
turnover  
rate  
Total  
managed  
assets,  
end  
of \$ 220,763  
period  
(in  
000's)

Ratio  
of  
operating  
expenses  
including  
interest  
expense 1.65 %\*  
to  
average  
total  
managed  
assets

Ratio  
of  
operating  
expenses  
excluding  
interest  
expense 0.87 %\*  
to  
average  
total  
managed  
assets

(1)These tables summarize the three months ended February 28, 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.

\*Annualized.

\*\*Not annualized.

†The net investment income ratio reflects income net of operating expenses, including interest expense.

††Information presented under heading Supplemental Data includes loan principal balance.



## Flaherty &amp; Crumrine Preferred Income Opportunity Fund Incorporated

**Financial Highlights (Continued)****Per Share of Common Stock (Unaudited)**

	<b>Total Dividends Paid</b>	<b>Net Asset Value</b>	<b>NYSE Closing Price</b>	<b>Dividend Reinvestment Price<sup>(1)</sup></b>
December 29, 2017	\$0.0690	\$11.93	\$11.81	\$11.78
January 31, 2018	0.0690	11.80	10.98	11.02
February 28, 2018	0.0660	11.67	11.11	11.09

<sup>(1)</sup>Whenever the net asset value per share of the Fund's Common Stock is less than or equal to the market price per share on the reinvestment date, new shares issued will be valued at the higher of net asset value or 95% of the then current market price. Otherwise, the reinvestment shares of Common Stock will be purchased in the open market.

Flaherty & Crumrine Preferred Income Opportunity Fund Incorporated

**Notes to Financial Statements (Unaudited)**

**1. Aggregate Information for Federal Income Tax Purposes**

At February 28, 2018, the aggregate cost of securities for federal income tax purposes was \$214,312,030, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$16,816,652 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$11,438,769.

**2. Additional Accounting Standards**

*Fair Value Measurements:* The Fund has analyzed all existing investments to determine the significance and character of all inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of levels are recognized at market value at the end of the period.

## Flaherty &amp; Crumrine Preferred Income Opportunity Fund Incorporated

**Notes to Financial Statements (Unaudited) (Continued)**

A summary of the inputs used to value the Fund's investments as of February 28, 2018 is as follows:

	<b>Total Value at February 28, 2018</b>	<b>Level 1 Quoted Price</b>	<b>Level 2 Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>
<b>Preferred Securities</b>				
Banking	\$120,872,204	\$104,542,845	\$16,328,909	\$450
Financial Services	1,313,348	866,448	446,900	—
Insurance	41,778,491	20,999,427	20,779,064	—
Utilities	20,509,714	10,273,757	10,235,957	—
Energy	13,005,120	6,393,632	6,611,488	—
Real Estate Investment Trust (REIT)	1,164,389	1,164,389	—	—
Miscellaneous Industries	8,393,553	1,247,978	7,145,575	—
<b>Corporate Debt Securities</b>				
Banking	4,448,757	3,720,026	728,731	—
Financial Services	25,690	25,690	—	—
Insurance	2,544,321	—	2,544,321	—
Energy	1,134,692	—	1,134,692	—
Communication	999,292	999,292	—	—
Miscellaneous Industries	264,315	264,315	—	—
<b>Common Stock</b>				
Energy	1,417,565	1,417,565	—	—
Insurance	23,100	23,100	—	—
Money Market Fund	1,795,362	1,795,362	—	—
<b>Total Investments</b>	<b>\$219,689,913</b>	<b>\$153,733,826</b>	<b>\$65,955,637</b>	<b>\$450</b>

During the reporting period, securities with an aggregate market value of \$2,489,379 were transferred into Level 2 from Level 1. The securities were transferred due to a decrease in the quantity and quality of information related to trading activity or broker quotes for these securities. During the period, there were no transfers into Level 1 from Level 2. During the reporting period, there were no transfers into or out of Level 3.

The fair values of the Fund's investments are generally based on market information and quotes received from brokers or independent pricing services that are approved by the Board of Directors and are unaffiliated with the Adviser. To



assess the continuing appropriateness of security valuations, management, in consultation with the Adviser, regularly compares current prices to prior prices, prices across comparable securities, actual sale prices for securities in the Fund's portfolio, and market information obtained by the Adviser as a function of being an active market participant.

Securities with quotes that are based on actual trades or actionable bids and offers with a sufficient level of activity on or near the measurement date are classified as Level 1. Securities that are priced using quotes derived from implied values, indicative bids and offers, or a limited number of actual trades—or the same information for securities that are similar in many respects to those being valued—are classified as Level 2. If market information is not available for securities being valued, or materially-comparable securities, then those securities are classified as Level 3. In considering market information, management evaluates changes in liquidity, willingness of a broker to execute at the quoted price, the depth and consistency of prices from pricing services, and the existence of observable trades in the market.

## Flaherty &amp; Crumrine Preferred Income Opportunity Fund Incorporated

**Notes to Financial Statements (Unaudited) (Continued)**

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	<b>Total Investments</b>	<b>Preferred Securities Banking</b>
<b>Balance as of 11/30/17</b>	\$ 450	\$ 450
Accrued discounts/premiums	—	—
Realized gain/(loss)	—	—
Change in unrealized appreciation/(depreciation)	—	—
Purchases	—	—
Sales	—	—
Transfer in	—	—
Transfer out	—	—
<b>Balance as of 02/28/18</b>	\$ 450	\$ 450

For the three months ended February 28, 2018, total change in unrealized gain/(loss) on Level 3 securities still held at period-end and included in the change in net assets was \$0.

The following table summarizes the valuation techniques used and unobservable inputs developed to determine the fair value of Level 3 investments:

<b>Category</b>	<b>Fair Value at 02/28/18</b>	<b>Valuation Technique</b>	<b>Unobservable Input</b>	<b>Input Range (Wgt Avg)</b>
Preferred Securities (Banking)	\$450	Bankruptcy recovery	Credit/Structure-specific recovery	0.00% - 0.02% (0.01%)

The significant unobservable inputs used in the fair value measurement technique for bankruptcy recovery are based on recovery analysis that is specific to the security being valued, including the level of subordination and structural features of the security, and the current status of any bankruptcy or liquidation proceedings. Observable market trades in bankruptcy claims are utilized by management, when available, to assess the appropriateness of valuations, although the frequency of trading depends on the specific credit and seniority of the claim. Expected recoveries in bankruptcy by security type and industry do not tend to deviate much from historical recovery rates, which are very low (sometimes zero) for preferred securities and more moderate for senior debt. Significant changes in these inputs would result in a significantly higher or lower fair value measurement.

**Directors**

R. Eric Chadwick, CFA  
Chairman of the Board

Morgan Gust

David Gale

Karen H. Hogan

**Officers**

R. Eric Chadwick, CFA  
Chief Executive Officer and  
President

Chad C. Conwell  
Chief Compliance Officer,  
Vice President and Secretary

Bradford S. Stone  
Chief Financial Officer,  
Vice President and Treasurer

Roger W. Ko  
Assistant Treasurer

Laurie C. Lodolo  
Assistant Compliance Officer,  
Assistant Treasurer and  
Assistant Secretary

Linda M. Puchalski  
Assistant Treasurer

**Investment Adviser**

Flaherty & Crumrine Incorporated  
e-mail: flaherty@pfdincome.com

**Questions concerning your shares of Flaherty & Crumrine Preferred Income Opportunity 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 Income Opportunity 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.**

Quarterly  
Report

February 28, 2018

[www.preferredincome.com](http://www.preferredincome.com)