

Flaherty & Crumrine Dynamic Preferred & Income Fund Inc

Form N-30B-2

April 27, 2018

*FLAHERTY & CRUMRINE DYNAMIC PREFERRED AND INCOME FUND*

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

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 -0.6%, while total return on market price was -5.4%.

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 (~83% 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 (~8.5% 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 total return, with an emphasis on high current income, 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 Dynamic Preferred and Income Fund Incorporated

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

Net Asset Value	\$ 25.67
Market Price	\$ 24.56
Discount	4.32%
Yield on Market Price	7.23%
Common Stock Shares Outstanding	19,161,549

<b>Security Ratings**</b>	<b>% of Net Assets†</b>
A	0.2%
BBB	49.1%
BB	36.5%
Below “BB”	2.1%
Not Rated***	10.4%

<b>Portfolio Rating Guidelines</b>	<b>% of Net Assets†</b>
Security Rated Below Investment Grade By All*****	36.7%
Issuer or Senior Debt Rated Below Investment Grade by All*****	2.7%

\*\*Ratings are from Moody’s Investors Service, Inc. “Not Rated” securities are those with no ratings available from Moody’s.

\*\*\*Excludes common stock and money market fund investments and net other assets and liabilities of 1.7%.

\*\*\*\*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 20% of Net Assets.

**Industry Categories\* % of Net Assets†**

<b>Top 10 Holdings by Issuer</b>	<b>% of Net Assets†</b>
Citigroup Inc	4.6%
Morgan Stanley	4.4%
Bank of America Corporation	4.1%
MetLife Inc	4.1%
PNC Financial Services Group Inc	4.0%
Liberty Mutual Group	3.5%
JPMorgan Chase & Co	3.1%
Lloyds Banking Group PLC	3.1%
Fifth Third Bancorp	2.8%
Enbridge Energy Partners	2.7%

**% of Net Assets\*\*\*\*\*†**

Holdings  
Generating  
Qualified  
Dividend Income  
(QDI) for  
Individuals 65%

Holdings  
Generating  
Income  
Eligible for  
the Corporate  
Dividends  
Received  
Deduction  
(DRD) 49%

\*\*\*\*\*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 &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS****February 28, 2018 (Unaudited)**

<b>Shares/\$ Par</b>	<b>Value</b>	
<b>Preferred Securities<sup>s</sup> — 95.9%</b>		
<b>Banking — 60.7%</b>		
	Australia & New Zealand Banking Group Ltd.,	
\$ 1,738,000	6.75%, 905,283	** (2)
	to 06/15/26 then ISDA5 + 5.168%, 144A****	
	Banco Bilbao Vizcaya Argentaria SA:	
	6.125% to 11/16/27	
\$ 7,000,000	then 7,140,000	** (1)(2)
	SW5 + 3.87% 9.00% to 05/09/18	
\$ 1,200,000	then 1,214,328	** (2)
	SW5 + 8.262%, 144A****	
\$ 1,660,000	1,811,807	** (2)

	Banco Mercantil del Norte SA, 7.625% to 01/06/28 then T10Y + 5.353%, 144A****	
	Bank of America Corporation:	
40,000	6.00%, Series,053,600 EE	*
	6.30% to 03/10/26 then	
\$ 1,800,000	3ML 1,980,000	*(1)
	+ 4.553%, Series DD	
	6.50% to 10/23/24 then	
\$ 9,107,000	3ML 9,996,754	*(1)
	+ 4.174%, Series Z	
	3ML +	
\$ 3,350,000	3.63%,3,379,313 5.3969% <sup>(3)</sup> ,	*(1)
	Series K	
\$ 14,105,000	8.125%,4,334,206	*(1)
	to 05/15/18 then 3ML +	
	3.64%, Series	

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	M		
	Barclays		
	Bank		
	PLC,		
	7.875%		
	to		
\$ 8,378,000	03/15/25	56,660	** (1)(2)
	then		
	SW5		
	+		
	6.772%,		
	144A****		
	BNP Paribas:		
	7.375%		
	to		
	08/19/25		
\$ 11,200,000	then	12,474,000	** (1)(2)
	SW5		
	+		
	5.15%,		
	144A****		
	7.625%		
	to		
	03/30/21		
\$ 2,000,000	then	2,180,000	** (2)
	SW5		
	+		
	6.314%,		
	144A****		
	Capital One Financial		
	Corporation:		
	6.00%,		
3,645	Serie	92,765	*
	B		
	6.00%,		
25,700	Serie	678,994	*
	H		
	6.70%,		
66,679	Serie	1,780,329	* (1)
	D		
	Citigroup, Inc.:		
1,191,837	6.875%	3,597,885	* (1)
	to		
	11/15/23		
	then		
	3ML		
	+		
	4.13%,		

	Series K 7.125% to 09/30/23 then		
24,371	3ML 699,935	*	
	+ 4.04%, Series J Citizens Financial Group, Inc., 5.50% to		
\$ 5,000,000	04/06/2015,000	*(1)	
	then 3ML +		
	3.96%, Series A CoBank ACB: 6.20% to 01/01/25 then		
38,100	3ML 4,083,367	*	
	+ 3.744%, Series H, 144A**** 6.25% to 10/01/22 then		
3,450	3ML 370,875	*	
	+ 4.557%, Series F, 144A**** 6.25%		
\$ 550,000	599,978	*	
	to 10/01/26 then		



	3ML	
	+	
	4.66%,	
	Series	
	I,	
	144A****	
	Compeer	
	Financial	
	ACA,	
	6.75%	
	to	
7,000	08/15/23 260,000	*
	then	
	3ML	
	+	
	4.58%,	
	144A****	
	Credit	
	Agricole	
	SA,	
	7.875%	
	to	
\$ 915,000	01/23/24 1,023,656	** (2)
	then	
	SW5	
	+	
	4.898%, 144A****	
	Fifth	
	Third	
	Bancorp,	
	6.625%	
	to	
724,983	12/31/23 20,843,261	* (1)
	then	
	3ML	
	+	
	3.71%,	
	Series	
	I	
	First	
	Horizon	
	National	
5,000	02/16/21 21,691	*
	6.20%,	
	Series	
	A	
	Goldman Sachs Group:	
\$ 2,000,000	5.00% 1,950,240	* (1)
	to	

	11/10/22	
	then	
	3ML	
	+	
	2.874%,	
	Series	
	P	
	5.50%	
	to	
	05/10/23	
	then	
10,000	3ML 267,611	*
	+	
	3.64%,	
	Series	
	J	
	6.30%,	
54,609	Series 461,883	*
	N	
	6.375%	
	to	
	05/10/24	
	then	
531,522	3ML 14,871,986	*(1)
	+	
	3.55%,	
	Series	
	K	
	HSBC Holdings PLC:	
	6.00%	
	to	
	05/22/27	
\$ 1,000,000	then 1,024,000	** (1)(2)
	ISDA5	
	+	
	3.746%	
	6.875%	
	to	
	06/01/21	
\$ 3,988,000	then 4,277,130	** (1)(2)
	ISDA5	
	+	
	5.514%	
\$ 4,458,000	HSBC 141,181	(1)(2)
	Capital	
	Funding	
	LP,	
	10.176%	
	to	

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

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

Shares/\$ Par	Value
<b>Preferred Securities</b>	
<b>— (Continued)</b>	
	<b>Banking —</b>
	<b>(Continued)</b>
	Huntington Bancshares, Inc.:
	5.700%
	to
	04/15/23
	then
\$ 3,200,000	3ML3,230,000 *
	+
	2.88%,
	Series
	E
332,000	6.25%, Series 8,987,240 *(1)
	D
	ING
114,400	Groep, NV, 2,957,240 **(1)(2)
	6.375%
	JPMorgan Chase & Company:
	6.00%
	to
	08/01/23
	then
\$ 10,700,000	3ML11,213,600 *(1)
	+
	3.30%,
	Series
	R

	6.75%	
	to	
	02/01/24	
	then	
\$ 8,000,000	3ML8,850,000	*(1)
	+	
	3.78%,	
	Series	
	S	
	7.90%	
	to	
	04/30/18	
	then	
\$ 3,331,000	3ML3,364,310	*(1)
	+	
	3.47%,	
	Series	
	I	
	KeyCorp,	
	6.125%	
	to	
	12/15/26	
283,700	then 7,903,939	*(1)
	3ML	
	+	
	3.892%,	
	Series	
	E	
	Lloyds	
	Banking	
	Group	
	PLC,	
	6.657%	
\$ 14,022,000	to 16,300,575	***(1)(2)
	05/21/37	
	then	
	3ML	
	+	
	1.27%,	
	144A****	
\$ 5,200,000	Lloyds 6,786,629	(2)
	TSB	
	Bank	
	PLC,	
	12.00%	
	to	
	12/16/24	
	then	
	3ML	
	+	

	11.756%,	
	144A****	
	M&T	
	Bank	
	Corporation,	
	6.45%	
	to	
\$ 15,425,000	02/15/24	17,142,265 *(1)
	then	
	3ML	
	+	
	3.61%,	
	Series	
	E	
	Macquarie	
	Bank	
	Ltd.,	
	6.125%	
	to	
\$ 1,700,000	03/08/24	2,340,000 **(2)
	then	
	SW5	
	+	
	3.703%,	
	144A****	
	MB	
	Financial,	
135,740	Inc.,	3,373,139 *(1)
	6.00%,	
	Series	
	C	
	Morgan Stanley:	
	5.85%	
	to	
	04/15/27	
	then	
251,971	3MI	6,757,862 *(1)
	+	
	3.491%,	
	Series	
	K	
674,994	6.875%	190,079 *(1)
	to	
	01/15/24	
	then	
	3ML	
	+	
	3.94%,	
	Series	

	F	
	7.125%	
	to	
	10/15/23	
	then	
241,200	3M16,980,328	*(1)
	+	
	4.32%,	
	Series	
	E	
	New	
	York	
	Community	
	Bancorp,	
	Inc.,	
	6.375%	
549,300	to 15,462,795	*(1)
	03/17/27	
	then	
	3ML	
	+	
	3.821%,	
	Series	
	A	
	People's	
	United	
	Financial,	
	5.625%	
	to	
35,000	12/15/26	*
	then 930,426	
	3ML	
	+	
	4.02%,	
	Series	
	A	
	PNC Financial Services	
	Group, Inc.:	
	6.125%	
	to	
	05/01/22	
	then	
685,080	3M19,137,299	*(1)
	+	
	4.067%,	
	Series	
	P	
\$ 9,928,000	6.75%	*(1)
	to	

	08/01/21	
	then	
	3ML	
	+	
	3.678%,	
	Series	
	O	
	RaboBank	
	Nederland,	
	11.00%	
	to	
\$ 6,125,000	06/30/19	6,714,531 (1)(2)
	then	
	3ML	
	+	
	10.868%,	
	144A****	
	Regions	
	Financial	
	Corporation,	
	6.375%	
	to	
627,170	09/15/24	17,301,488 *(1)
	then	
	3ML	
	+	
	3.536%,	
	Series	
	B	
	Royal	
	Bank	
	of	
	Scotland	
	Group	
	PLC:	
	RBS	
	Capital	
\$ 4,825,000	Trust	5,910,625 **(1)(2)
	II,	
	6.425%	
	to	
	01/03/34	
	then	
	3ML	
	+	
	1.9425%	
	Societe Generale SA:	
\$ 8,200,000	7.378%	8,856,000 **(1)(2)
	to	



	09/13/21	
	then	
	SW5	
	+	
	6.238%,	
	144A****	
	8.00%	
	to	
	09/29/25	
\$ 5,000,000	then 5,775,000	** (1)(2)
	ISDAS	
	+	
	5.873%,	
	144A****	
	Sovereign	
	Bancorp:	
	Sovereign	
4,000	REIT,	
	12.00%,	
	Series	
	A,	
	144A****	
	Standard Chartered PLC:	
	7.50%	
	to	
	04/02/22	
\$ 5,835,000	then 6,328,349	** (1)(2)
	SW5	
	+	
	6.301%,	
	144A****	
	7.75%	
	to	
	04/02/23	
\$ 4,000,000	then 4,355,000	** (1)(2)
	SW5	
	+	
	5.723%,	
	144A****	
26,174	State 13,241	*(1)
	Street	
	Corporation,	
	5.90%	
	to	
	03/15/24	
	then	
	3ML	
	+	
	3.108%,	

	Series		
	D		
	Sterling		
	Bancorp,		
23,596	6.50%	1,215	*
	Series		
	A		
	SunTrust		
	Banks,		
	Inc.,		
315,008	5.875%	7,944,502	*
	Series		
	E		
	US		
	Bancorp,		
	6.50%		
	to		
	01/15/22		
43,095	then	1,212,525	*(1)
	3ML		
	+		
	4.468%,		
	Series		
	F		
	Valley		
	National		
	Bancorp,		
	6.25%		
	to		
	06/30/25		
50,000	then	1,382,000	*
	3ML		
	+		
	3.85%,		
	Series		
	A		

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

Shares/\$ Par	Value	
<b>Preferred Securities</b>		
<b>— (Continued)</b>		
	<b>Banking —</b>	
	<b>(Continued)</b>	
	Wells Fargo & Company:	
27,000	5.625%, Series Y \$679,374	*
180,300	5.85% to 09/15/23 then 3ML4,817,616	*(1)
759	+ 3.09%, Series Q 7.50%, Series L 967,725	*
\$ 13,025,000	7.98% to 06/15/18 then 3ML13,252,938	*(1)
\$ 3,700,000	+ 3.77%, Series K Westpac Banking Corporation, 5.00% \$541,397	** (1)(2)

to  
09/21/27  
then  
ISDA5  
+

2.888%  
Zions Bancorporation:

6.30%  
to  
03/15/23

10,000 then 3ML268,701 \*

+  
4.24%,  
Series  
G  
7.20%

to  
09/15/23

\$ 10,000,000 then 3ML11,050,000 \*(1)

+  
4.44%,  
Series  
J

451,837,462

**Financial Services — 0.6%**

AerCap  
Global  
Aviation  
Trust,  
6.50%

\$ 1,440,000 to 06/15/25 3ML369,600 (1)(2)

then  
3ML  
+  
4.30%,  
06/15/45,  
144A\*\*\*\*

\$ 1,500,000 E\*TRADE 1,000 \*

Financial  
Corporation,  
5.30%

to  
03/15/23

then  
3ML  
+

3.16%,  
 Series  
 B  
 General  
 Motors  
 Financial  
 Company,  
 5.75%  
 to  
 \$ 1,420,000 09/30/2013,288 \*

**Insurance — 20.5%**

373,578 Allstate  
 Corporation,  
 6.625% 77,664 \*(1)  
 Series  
 E

American  
 International  
 Group:  
 8.175%  
 to  
 \$ 350,000 05/15/58,375  
 then  
 3ML  
 +  
 4.195%,  
 05/15/58

AIG  
 Life  
 Holdings,  
 \$ 280,000 Inc.,350,700  
 7.57%  
 12/01/45,  
 144A\*\*\*\*

AIG  
 Life  
 Holdings,  
 \$ 497,000 Inc.,692,073  
 8.125%  
 03/15/46,  
 144A\*\*\*\*

\$ 680,000 878,900 (1)

	Aon Corporation, 8.205% 01/01/27	
	Arch Capital Group, Ltd.:	
38,000	5.25%, Series E 893,000	** (2)
33,000	5.45%, Series F 798,270	** (2)
\$ 6,550,000	AXA SA, 6.379% to 12/14/36 then 7,630,750 3ML + 2.256%, 144A****	** (1)(2)
306,000	Delphi Financial Group, 3ML + 7,038,000 3.19%, 5.0288% <sup>(3)</sup> 05/15/37	(1)
\$ 754,000	Everest Reinsurance Holdings, 3ML + 741,559 2.385%, 4.2238% <sup>(3)</sup> 05/15/37	(1)
137,500	Hartford Financial Services Group, Inc., 7.875% to 04/15/22 then 3ML + 5.596%,	(1)

	04/15/42		
	Liberty		
	Mutual		
\$ 20,983,000	Group	26,123,835	(1)
	7.80%		
	03/15/37,		
	144A****		
	MetLife, Inc.:		
	9.25%		
\$ 17,200,000	04/08/48	23,000	(1)
	144A****		
	10.75%		
\$ 3,759,000	08/01/39	6,023,798	(1)

Flaherty & Crumrine Dynamic Preferred and Income 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.:	
77,450	5.875%, Series I \$1,985,043	** (1)(2)
37,556	6.50%, Series G 988,098	** (1)(2)
236,349	7.25%, Series H 6,530,323	** (1)(2)
	Prudential Financial, Inc.:	
\$ 2,727,000	5.625% to 06/15/23 then 3ML 2,880,394	(1)
\$ 5,848,000	+ 3.92%, 06/15/43 5.875% to 09/15/22 then 3ML 6,286,600	(1)
\$ 13,160,000	+ 4.175%, 09/15/42 QBEI Insurance 4,969,500	(1)(2)



Group  
 Ltd.,  
 7.50%  
 to  
 11/24/23  
 then  
 SW10  
 +  
 6.03%,  
 11/24/43,  
 144A\*\*\*\*

Unum  
 Group:  
 Provident  
 Financing  
 Trust  
 \$ 1,750,000 1,995,000  
 I,  
 7.405%  
 03/15/38  
 W.R. Berkley Corporation:

95,479	5.625% 04/30/53	2,454,765	(1)
211,928	5.75% 06/01/56	5,439,980	(1)
1,530	5.90% 03/01/56	39,229	

XL Group Limited:  
 Catlin  
 Insurance  
 Company  
 Ltd.,  
 \$ 14,338,000 3ML14,122,930 (1)(2)  
 +  
 2.975%,  
 4.7142%<sup>(3)</sup>,  
 144A\*\*\*\*

XL  
 Capital  
 Ltd.,  
 3ML  
 \$ 4,850,000 + 4,637,813 (1)(2)  
 2.4575%,  
 4.1790%<sup>(3)</sup>,  
 Series  
 E  
 152,076,224

**Utilities — 4.7%**  
 \$ 2,545,000 2,723,150

	Commonwealth Edison: COMED Financing III, 6.35% 03/15/33		
454,000	Dominion Energy, Inc., 5.25% 07/30/76, Series A	1,054,945	(1)
47,000	DTE Energy Company, 5.37% 06/01/76, Series B	1,158,545	(1)
\$ 6,830,000	Emera, Inc., 6.75% to 06/15/26 then 3ML	7,615,450	(1)(2)
19,016	+ 5.44%, 06/15/76, Series 2016A		
	Georgia Power Company, 5.00% 10/01/77, Series 2017A	164,276	
121,452	Integrus Energy Group, Inc., 6.00% to 08/01/23 then 3ML	1,248,841	(1)

	+		
	3.22%,		
	08/01/73		
	PPL		
	Corp:		
	PPL		
	Capital		
	Funding,		
	Inc.,		
\$ 6,163,000	3ML6,147,593	(1)	
	+		
	2.665%,		
	4.3584% <sup>(3)</sup>		
	03/30/67,		
	Series		
	A		
	Puget		
	Sound		
	Energy,		
	Inc.,		
	3ML		
\$ 2,131,000	+ 2,115,018	(1)	
	2.53%,		
	4.5363% <sup>(3)</sup>		
	06/01/67,		
	Series		
	A		
	Southern		
	California		
	Edison:		
	SCE		
	Trust		
	V,		
	5.45%		
15,000	to 392,346	*(1)	
	03/15/26		
	then		
	3ML		
	+		
	3.79%,		
	Series		
	K		
	34,920,164		
<b>Energy — 7.2%</b>			
\$ 9,780,000	DCP9,315,450	(1)	
	Midstream		
	LLC,		
	5.85%		
	to		

	05/21/23		
	then		
	3ML		
	+		
	3.85%,		
	05/21/43,		
	144A****		
	DCP		
	Midstream		
	LP,		
	7.375%		
	to		
\$ 3,500,000	12/15/22	3,537,188	(1)
	then		
	3ML		
	+		
	5.148%,		
	Series		
	A		
	Enbridge,		
	Inc.,		
	6.00%		
	to		
\$ 3,500,000	01/15/27	3,552,500	(1)(2)
	then		
	3ML		
	+		
	3.89%,		
	01/15/77		
	Enbridge		
	Energy		
	Partners		
	LP,		
\$ 19,804,000	3ML	19,853,510	(1)
	+		
	3.7975%,		
	5.4917% <sup>(3)</sup>		
	10/01/37		

Flaherty & Crumrine Dynamic Preferred and Income 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	
	+	
	3.7075%,	
\$ 3,750,000	5,480,938	(1)
	08/01/66,	
	Series	
	A	
	3ML	
	+	
\$ 3,675,000	2,693,375	
	7.034% <sup>(3)</sup> ,	
	01/15/68	
	5.25%	
	to	
	08/16/27	
	then	
\$ 2,700,000	2,612,250	
	3ML	
	+	
	3.033%,	
	08/16/77,	
	Series	
	E	
94,595	1,168,932	*
	Kindrigan	
	Morgan,	
	Inc.,	
	9.75%	
	10/26/18,	
	Series	

A  
 NuStar  
 Logistics  
 LP,  
 105,773 3ML 2,713,077  
 +  
 6.734%,  
 8.4555%<sup>(3)</sup>  
 01/15/43  
 Transcanada  
 Pipelines,  
 Ltd.,  
 5.875%  
 to  
 08/15/26  
 \$ 1,500,000 then 1,616,250 (1)(2)  
 3ML  
 +  
 4.64%,  
 08/15/76,  
 Series  
 2016-A  
 53,798,470

**Real Estate Investment Trust (REIT)**

— 0.1%

Annaly  
 Capital  
 Management,  
 Inc.,  
 6.95%  
 to  
 10,685 09/30/24 133  
 then  
 3ML  
 +  
 4.993%,  
 Series  
 F  
 National  
 Retail  
 Properties,  
 541 Inc., 13,269 (1)  
 5.70%,  
 Series  
 E  
 PS Business Parks, Inc.:  
 5.70%,  
 9,945 Series 346,537  
 V

4,886 5.75%,  
Series 21,124  
U

645,063

**Miscellaneous Industries — 2.1%**

BHP  
Billiton  
Limited:

\$ 1,400,000 BHP  
Billiton  
Finance  
U.S.A.,  
Ltd., 1,592,500 (1)(2)  
6.75%

to  
10/19/25  
then  
SW5

+  
5.093%,  
10/19/75,  
144A\*\*\*\*

Land O' Lakes, Inc.:

\$ 725,000 7.25%,  
Series 810,188 \*  
B,  
144A\*\*\*\*

8.00%,

\$ 11,700,000 Series 13,250,250 \*(1)  
A,  
144A\*\*\*\*

15,652,938

**Total  
Preferred  
Securities** 428,209

(Cost  
\$670,635,603)

**Corporate Debt Securities<sup>s</sup> — 2.3%**

**Banking — 1.9%**

Texas  
Capital  
Bancshares

451,000 Inc., 11,666,919 (1)  
6.50%

09/21/42,  
Sub  
Notes

	Zions	
	Bancorporation,	
	6.95%	
	to	
	09/15/23	
89,000	then	
	3ML	2,603,241 (1)
	+	
	3.89%,	
	09/15/28,	
	Sub	
	Notes	
		14,270,160



## Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

February 28, 2018 (Unaudited)

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

**Corporate Debt  
Securities —  
(Continued)**

**Communication  
— 0.4%**

Qwest Corporation:

54,050	6.50%	\$1,167,480
		09/01/56

82,550	6.75%	1,867,281
		06/15/57

1,298	7.00%	30,752
		04/01/52

3,065,513

**Total  
Corporate  
Debt  
Securities**

17,335,673  
(Cost  
\$16,691,278)

**Common Stock — 1.2%****Energy — 1.2%**

555,315	Kinder Morgan	8,996,103	*
	Inc.		

8,996,103

**Total  
Common  
Stock**

8,996,103  
(Cost  
\$9,576,730)

**Money Market Fund —**

**0.0%**

71,820	BlackRock Liquidity Funds; T-Fund, Institutional Class <b>Total Money Market Fund</b> (Cost \$71,820)
--------	---

<b>Total Investments</b> (Cost \$696,975,431***)	99.4 %	739,831,805
<b>Other Assets And Liabilities</b> (Net)	0.6 %	4,315,195
<b>Total Managed Assets</b>	100.0 %‡	\$ 744,147,000
<b>Loan Principal Balance</b>		(252,200,000 )
<b>Total Net Assets Available To Common Stock</b>		\$ 491,947,000

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

**February 28, 2018 (Unaudited)**

§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 \$225,801,995 or 30.3% of total managed assets.

<sup>(1)</sup>All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$453,839,701 at February 28, 2018.

<sup>(2)</sup>Foreign Issuer.

<sup>(3)</sup>Represents the rate in effect as of the reporting date.

‡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 Dynamic Preferred and Income 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	\$7,850,671
Net realized gain/(loss) on investments sold during the period	\$2,075
Change in net unrealized appreciation/(depreciation) of investments	\$11,887
<b>Net decrease in net assets resulting from operations</b>	<b>(3,079,141)</b>
<b>DISTRIBUTIONS:</b>	
Dividends paid from net investment income to Common	\$7,856

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

**Total  
Distributions**

to **(8,775,856** )  
**Common**

**Stock  
Shareholders**

**FUND  
SHARE  
TRANSACTIONS:**

Increase  
from  
shares  
issued  
under  
the  
Dividend **44,465**  
Reinvestment  
and  
Cash  
Purchase  
Plan

**Net  
increase  
in  
net  
assets  
available  
to **44,465**  
Common  
Stock  
resulting  
from  
Fund  
share  
transactions**

**NET \$(11,810,532** )

**DECREASE  
IN  
NET  
ASSETS  
AVAILABLE  
TO  
COMMON  
STOCK  
FOR  
THE**

**period**

**NET  
ASSETS  
AVAILABLE  
TO  
COMMON  
STOCK:**

Beginning  
of \$ 503,757,532  
period

Net  
decrease  
in  
net (11,810,532 )  
assets  
during  
the  
period

End  
of \$ 491,947,000  
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.

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Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

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

**For the period from 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  $\$ 26.29$   
of  
period

**INVESTMENT  
OPERATIONS:**

Net  
investment  $0.41$   
income

Net  
realized  
and  
unrealized  $(0.57)$  )  
gain/(loss)  
on  
investments

Total  
from  $(0.16)$  )  
investment  
operations

**DISTRIBUTIONS  
TO  
COMMON  
STOCK  
SHAREHOLDERS:**

From  $(0.46)$  )  
net  
investment

income  
 Total  
 distributions  
 to  
 Common (0.46 )  
 Stock  
 Shareholders

Net  
 asset  
 value, \$ 25.67  
 end

of  
 period  
 Market  
 value,  
 end \$ 24.56

of  
 period  
 Common  
 Stock  
 shares  
 outstanding 19,161,549  
 end

of  
 period

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

Net  
 investment 6.37 %\*  
 income †

Operating  
 expenses  
 including 2.22 %\*  
 interest  
 expense

Operating  
 expenses  
 excluding 1.05 %\*  
 interest  
 expense

**SUPPLEMENTAL  
 DATA: ††**

1 %\*\*



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

Ratio  
of  
operating  
expenses  
including  
interest  
expense 1.48 %\*  
to  
average  
total  
managed  
assets

Ratio  
of  
operating  
expenses  
excluding  
interest  
expense 0.70 %\*  
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 Dynamic Preferred and Income 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	\$0.1550	\$26.27	\$26.67	\$26.27
January 31, 2018	0.1550	26.01	24.31	24.55
February 28, 2018	0.1480	25.67	24.56	24.60

<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 Dynamic Preferred and Income 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 \$705,374,687, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$47,196,546 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$12,739,428.

**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 Dynamic Preferred and Income 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>
Preferred Securities				
Banking	\$451,837,462	\$381,139,640	\$70,697,822	\$—
Financial Services	4,497,888	2,928,288	1,569,600	—
Insurance	152,076,224	77,532,977	74,543,247	—
Utilities	34,920,164	26,833,155	8,087,009	—
Energy	53,798,470	24,629,510	29,168,960	—
Real Estate Investment Trust (REIT)	645,063	645,063	—	—
Miscellaneous Industries	15,652,938	1,592,500	14,060,438	—
Corporate Debt Securities				
Banking	14,270,160	14,270,160	—	—
Communication	3,065,513	3,065,513	—	—
Common Stock				
Energy	8,996,103	8,996,103	—	—
Money Market Fund	71,820	71,820	—	—
Total Investments	\$ 739,831,805	\$541,704,729	\$198,127,076	\$—

During the reporting period, securities with an aggregate market value of \$17,142,265 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.

**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

**Servicing Agent**

Destra Capital Investments LLC  
1-877-855-3434

**Questions concerning your shares of Flaherty & Crumrine Dynamic 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 —

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 Dynamic 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.**

Quarterly  
Report

February 28, 2018

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