

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 return¹ 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.

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

² 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, for timely and important information.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

March 31, 2018

Flaherty & 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

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

Portfolio Rating Guidelines	% of Net Assets†
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†

Top 10 Holdings by Issuer	% of Net Assets†
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 65%
Income
(QDI) for
Individuals

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

*****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 Dynamic Preferred and Income Fund Incorporated

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

Shares/\$ Par	Value	
Preferred Securities\$ — 95.9%		
Banking — 60.7%		
	Australia & New Zealand Banking Group Ltd.,	
\$ 1,738,000	6.75%, 1,905,283	** (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 EE 1,053,600	*
	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 + 3.63%, 3,379,313	*(1)
\$ 3,350,000	5.3969% ⁽³⁾ , Series K 14,334,206	*(1)
\$ 14,105,000	8.125% to 05/15/18 then 3ML + 3.64%, Series	

	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	Series	92,765	*
	B		
	6.00%,		
25,700	Series	678,994	*
	H		
	6.70%,		
66,679	Series	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	04/06/24 5,000	*(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****	
\$ 550,000	6.25% 599,978	*
	to	
	10/01/26	
	then	

	3ML	
	+	
	4.66%,	
	Series	
	I,	
	144A****	
	Compeer	
	Financial	
	ACA,	
	6.75%	
	to	
7,000	08/15/25 260,000	*
	then	
	3ML	
	+	
	4.58%,	
	144A****	
	Credit	
	Agricole	
	SA,	
	7.875%	
\$ 915,000	to 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	Corporation 27,691	*
	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	
10,000	then	
	3ML 267,611	*
	+	
	3.64%,	
	Series	
	J	
54,609	6.30%,	
	Series 461,883	*
	N	
	6.375%	
	to	
	05/10/24	
531,522	then	
	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
Preferred Securities	
— (Continued)	
	Banking —
	(Continued)
	Huntington Bancshares, Inc.:
	5.700%
	to
	04/15/23
	then
\$ 3,200,000	3ML13,230,000 *
	+
	2.88%,
	Series
	E
	6.25%,
332,000	Series, 987,240 *(1)
	D
	ING
	Groep
114,400	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	03/08/23	1,734,000 **(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	3ML16,980,328	*(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	3ML19,137,299	*(1)
	+	
	4.067%,	
	Series	
	P	
\$ 9,928,000	6.7510,742,791	*(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
then 5,775,000 ** (1)(2)
\$ 5,000,000 ISDAS
+
5.873%,
144A****
Sovereign
Bancorp:
Sovereign
REIT, 4,980,000
4,000 12.00%,
Series
A,
144A****
Standard Chartered PLC:
7.50%
to
04/02/22
then 6,328,349 ** (1)(2)
\$ 5,835,000 SW5
+
6.301%,
144A****
7.75%
to
04/02/23
then 4,355,000 ** (1)(2)
\$ 4,000,000 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%	1,821,502	*
	Series		
	A		
	SunTrust		
	Banks,		
	Inc.,		
315,008	7.944,502		*
	5.875%,		
	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	
Preferred Securities		
— (Continued)		
	Banking —	
	(Continued)	
	Wells Fargo & Company:	
27,000	5.625%, Series Y	*
	\$16,793,374	
	5.85% to 09/15/23 then	
180,300	3ML4,817,616	*(1)
	+	
	3.09%, Series Q	
759	7.50%, Series L	*
	\$67,725	
	7.98% to 06/15/18 then	
\$ 13,025,000	3ML13,252,938	*(1)
	+	
	3.77%, Series K	
\$ 3,700,000	Westpac Banking Corporation, 5.00%	** (1)(2)
	\$541,397	

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, 3ML 369,600 (1)(2)

then
3ML
+

4.30%,
06/15/45,
144A****

\$ 1,500,000 E*TRADE, 144A**** *
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	273,288	*
	then		
	3ML		
	+		
	3.598%,		
	Series		
	A		
	4,497,888		
Insurance — 20.5%			
	Allstate		
	Corporation,		
373,578	6.625%	77,664	*(1)
	Series		
	E		
	American		
	International		
	Group:		
	8.175%		
	to		
\$ 350,000	05/15/2013	178,375	
	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 893,000 E	** (2)
33,000	5.45%, Series 798,270 F	** (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% ⁽³⁾ 05/15/37	(1)
\$ 754,000	Everest Reinsurance Holdings, 3ML 741,559 + 2.385%, 4.2238% ⁽³⁾ 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	(1)
	23,000	
	144A****	
\$ 3,759,000	10.75%	
	6,023,798	(1)
	08/01/39	

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

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

Shares/\$ Par	Value	
Preferred Securities		
— (Continued)		
	Insurance —	
	(Continued)	
	PartnerRe Ltd.:	
77,450	5.875%, Series I	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)
	+ 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	
\$ 1,750,000	Financing	
	Trust	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	3ML	14,122,930 (1)(2)
	+	
	2.975%,	
	4.7142% ⁽³⁾ ,	
	144A****	
	XL	
	Capital	
	Ltd.,	
	3ML	
\$ 4,850,000	+	4,637,813 (1)(2)
	2.4575%,	
	4.1790% ⁽³⁾ ,	
	Series	
	E	
		152,076,224
Utilities — 4.7%		
\$ 2,545,000		2,723,150

	Commonwealth	
	Edison:	
	COMED	
	Financing	
	III,	
	6.35%	
	03/15/33	
	Dominion	
	Energy,	
	Inc.,	
454,000	5.25%	(1)
	1,054,945	
	07/30/76,	
	Series	
	A	
	DTE	
	Energy	
	Company,	
47,000	5.37%	(1)
	1,158,545	
	06/01/76,	
	Series	
	B	
	Emera,	
	Inc.,	
	6.75%	
	to	
	06/15/26	
\$ 6,830,000	then	(1)(2)
	3ML	
	7,615,450	
	+	
	5.44%,	
	06/15/76,	
	Series	
	2016A	
	Georgia	
	Power	
	Company,	
19,016	5.00%	
	1,164,276	
	10/01/77,	
	Series	
	2017A	
121,452	2.24%	(1)
	1,248,841	
	Energy	
	Group,	
	Inc.,	
	6.00%	
	to	
	08/01/23	
	then	
	3ML	

	+	
	3.22%,	
	08/01/73	
	PPL	
	Corp:	
	PPL	
	Capital	
	Funding,	
	Inc.,	
\$ 6,163,000	3ML6,147,593	(1)
	+	
	2.665%,	
	4.3584% ⁽³⁾	
	03/30/67,	
	Series	
	A	
	Puget	
	Sound	
	Energy,	
	Inc.,	
	3ML	
\$ 2,131,000	+ 2,115,018	(1)
	2.53%,	
	4.5363% ⁽³⁾	
	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	
Energy — 7.2%		
\$ 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% ⁽³⁾	
	10/01/37	

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

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

Shares/\$ Par	Value	
Preferred Securities		
— (Continued)		
	Energy —	
	(Continued)	
	Enterprise Products	
	Operating L.P.:	
	3ML	
	+	
	3.7075%,	
\$ 3,750,000	5.4809725,938	(1)
	08/01/66,	
	Series	
	A	
	3ML	
	+	
\$ 3,675,000	2.68%,693,375	
	7.034% ⁽³⁾ ,	
	01/15/68	
	5.25%	
	to	
	08/16/27	
	then	
\$ 2,700,000	3ML 2,612,250	
	+	
	3.033%,	
	08/16/77,	
	Series	
	E	
94,595	Kindr168,932	*
	Morgan,	
	Inc.,	
	9.75%	
	10/26/18,	
	Series	

	A	
	NuStar	
	Logistics	
	LP,	
105,773	3ML	2,713,077
	+	
	6.734%,	
	8.4555% ⁽³⁾	
	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	2,133
	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	

	5.75%, Series U	21,124	
4,886		645,063	
Miscellaneous Industries — 2.1%			
	BHP Billiton Limited:		
	BHP Billiton Finance U.S.A., Ltd.,	1,592,500	(1)(2)
\$ 1,400,000	6.75% to 10/19/25 then SW5 + 5.093%, 10/19/75, 144A****		
	Land O' Lakes, Inc.:		
	7.25%, Series B,	810,188	*
\$ 725,000	144A****		
	8.00%, Series A,	13,250,250	*(1)
\$ 11,700,000	144A****		
		15,652,938	
	Total Preferred Securities	714,209	
	(Cost \$670,635,603)		

Corporate Debt Securities\$ — 2.3%

Banking — 1.9%

	Texas Capital Bancshares Inc.,	11,666,919	(1)
451,000	6.50% 09/21/42, Sub Notes		

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

Flaherty & 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**
(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**
(Cost
\$9,576,730)

Money Market Fund —

0.0%

	BlackRock
	Liquidity
71,820	Funds:
	T-Fund,
	Institutional
	Class
	Total
	Money
	Market
	Fund
	(Cost
	\$71,820)

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

⁽¹⁾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.

⁽²⁾Foreign Issuer.

⁽³⁾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

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Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE TO COMMON STOCK⁽¹⁾

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

Value	
OPERATIONS:	
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
Net decrease in net assets resulting from operations	(3,079,141)
DISTRIBUTIONS:	
Dividends paid from net investment income to Common	\$7,856

Stock
Shareholders⁽²⁾

**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
assets (11,810,532)
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⁽¹⁾

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
of
period

\$ 26.29

**INVESTMENT
OPERATIONS:**

Net
investment
income

0.41

Net
realized
and
unrealized
gain/(loss)
on
investments

0.57

)

Total
from
investment
operations

(0.16

)

**DISTRIBUTIONS
TO
COMMON
STOCK
SHAREHOLDERS:**

From
net
investment

(0.46

)

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 6.67 %*
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 \$ 744,147
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 & Crumrine Dynamic Preferred and Income Fund Incorporated

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

	Total Dividends Paid	Net Asset Value	NYSE Closing Price	Dividend Reinvestment Price⁽¹⁾
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

⁽¹⁾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 & 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:

	Total Value at February 28, 2018	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
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 —

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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