

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^s — 95.9% | | |
| Banking — 60.7% | | |
| | 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
 +
 3.63%

\$ 3,350,000 3,379,313 *(1)
 5.3969%⁽³⁾,

Series
 K

\$ 14,105,000 8.125% 14,334,206 *(1)

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 | 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 | |
| 10,000 | then | |
| | 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 |
|-----------------------------|---------------------------------|
| Preferred Securities | |
| — (Continued) | |
| | Banking — |
| | (Continued) |
| | Huntington Bancshares, Inc.: |
| | 5.700% |
| | to |
| | 04/15/23 |
| | then |
| \$ 3,200,000 | 3ML3,230,000 * |
| | + |
| | 2.88%, |
| | Series |
| | E |
| 332,000 | 8,987,240 *(1) |
| | 6.25%, |
| | Series |
| | D |
| 114,400 | 2,957,240 **(1)(2) |
| | ING |
| | Groep |
| | NV, |
| | 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
 06/30/19
 \$ 6,125,000 6,714,531 (1)(2)
 then
 3ML
 +
 10.868%,
 144A****
 Regions
 Financial
 Corporation,
 6.375%
 to
 09/15/24
 627,170 17,301,488 *(1)
 then
 3ML
 +
 3.536%,
 Series
 B
 Royal
 Bank
 of
 Scotland
 Group
 PLC:
 RBS
 Capital
 \$ 4,825,000 Trust, 910,625 **(1)(2)
 II,
 6.425%
 to
 01/03/34
 then
 3ML
 +
 1.9425%
 Societe Generale SA:
 \$ 8,200,000 7,378,856,000 *(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 | |
|-----------------------------|--|-----------|
| Preferred Securities | | |
| — (Continued) | | |
| | Banking — | |
| | (Continued) | |
| | 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 3ML + 2.256%, 144A**** 7,630,750 | ** (1)(2) |
| 306,000 | Delphi Financial Group, 3ML + 3.19%, 5.0288% ⁽³⁾ 05/15/37 7,038,000 | (1) |
| \$ 754,000 | Everest Reinsurance Holdings, 3ML + 2.385%, 4.2238% ⁽³⁾ 05/15/37 741,559 | (1) |
| 137,500 | Hartford Financial Services Group, Inc., 7.875% to 04/15/22 then 3ML + 5.596%, 1,016,250 | (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 | |
|-----------------------------|---|-----------|
| Preferred Securities | | |
| — (Continued) | | |
| | Insurance — | |
| | (Continued) | |
| | 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%⁽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 | | |
| 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% ⁽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 | 5,480,938 | (1) |
| | 08/01/66, | |
| | Series | |
| | A | |
| | 3ML | |
| | + | |
| \$ 3,675,000 | 2,693,375 | |
| | 7.034% ⁽³⁾ , | |
| | 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% ⁽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 | |

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**

742,209
(Cost
\$670,635,603)

Corporate Debt Securities^s — 2.3%

Banking — 1.9%

451,000 Texas
Capital
Bancshares
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 & 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 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

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 | 182,075 |
| 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 | (8,755,856) |

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 (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⁽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 $\$ 26.29$
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 \$ 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 —

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