

Flaherty & Crumrine Dynamic Preferred & Income Fund Inc

Form N-30B-2

October 26, 2018

*FLAHERTY & CRUMRINE DYNAMIC PREFERRED AND INCOME FUND*

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

Preferreds performed well in the third fiscal quarter<sup>1</sup>, bringing total return for the year just back into positive territory. While these returns have not kept pace with returns in recent years, preferreds continue to outperform certain areas of the fixed income market. Total return<sup>2</sup> on net asset value (“NAV”) was 2.6% for the quarter, and 0.0% for the first nine months of fiscal 2018. Total return on market price over the same periods was 8.4% and -2.4%, respectively.

By most accounts, it has been a challenging year for corporate bond investments. As the current economic cycle has matured, interest rates rose modestly and credit spreads gradually widened. The yield curve flattened as the Federal Reserve methodically raised its benchmark rate while the long end of the Treasury yield curve moved up only modestly given a limited increase in broad-based inflation and subdued expectations for long-term economic growth. Over the first nine months of the Fund’s fiscal year, the Bloomberg Barclays U.S. Aggregate Index returned -0.5%, while the Bloomberg Barclays Long U.S. Credit Index returned -2.7%.

Preferreds outperformed these fixed-income benchmarks for a few key reasons. First, duration is moderate for many preferreds – and for the Fund’s portfolio specifically. We won’t repeat the merits of fixed-to-float preferreds here, but as previously discussed they offer attractive yields with intermediate duration. Owning both fixed-rate and fixed-to-float preferreds allows for management of portfolio duration despite the long-term nature of the Fund’s investments.

Second, an issuer’s preferreds generally yield more than its corporate bonds. The Fund’s strategy is to identify investment-grade issuers and invest down the capital structure (into preferreds) to earn extra yield for what is, in most cases, similar default risk. For issuers with solid credit quality, preferreds have consistently outperformed corporate bonds over a credit cycle. Over time, higher yields can make up for a lot of principal change and dampen effects of higher interest rates.

Outperformance of preferreds over other fixed income securities has been even better when considered after-tax. If shareholders missed our discussion on taxes in the semi-annual report dated May 31, 2018, we encourage a read. Most preferreds offer tax-advantaged income, which further enhances the extra yield earned for subordination (i.e. being lower in the capital structure than senior debt).

We believe the case for preferreds as an income investment remains largely intact, with a combination of higher relative yields, tax advantages, and benign credit conditions. Returns may be bumpy as markets navigate a late-cycle economy (albeit one that’s currently showing few signs of weakness) and an active Federal Reserve. For fixed-income investors, however, preferreds’ combination of credit quality, intermediate duration and yield should remain attractive.

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

September 30, 2018

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<sup>1</sup> June 1, 2018 – August 31, 2018

<sup>2</sup> Following the methodology required by the Securities and Exchange Commission, total return assumes dividend reinvestment.

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

## PORTFOLIO OVERVIEW

August 31, 2018 (Unaudited)

### Fund Statistics

|                                 |            |   |
|---------------------------------|------------|---|
| Net Asset Value                 | \$ 24.87   |   |
| Market Price                    | \$ 24.41   |   |
| Discount                        | 1.85       | % |
| Yield on Market Price           | 7.28       | % |
| Common Stock Shares Outstanding | 19,161,549 |   |

### Security Ratings\*\* % of Net Assets†

|              |      |   |
|--------------|------|---|
| A            | 0.2  | % |
| BBB          | 48.9 | % |
| BB           | 36.7 | % |
| Below "BB"   | 2.1  | % |
| Not Rated*** | 9.9  | % |

### Portfolio Rating Guidelines % of Net Assets†

|  |      |   |
|--|------|---|
| Security Rated Below Investment Grade By All*****              | 39.1 | % |
| Issuer or Senior Debt Rated Below Investment Grade by All***** | 2.8  | % |

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

\*\*\*Excludes common stock and money market fund investments and net other assets and liabilities of 2.2%.

\*\*\*\*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             | 4.8 %            |

|                                  |     |   |
|----------------------------------|-----|---|
| Morgan Stanley                   | 4.5 | % |
| PNC Financial Services Group Inc | 4.1 | % |
| MetLife Inc                      | 4.0 | % |
| Liberty Mutual Group             | 3.4 | % |
| JPMorgan Chase & Co              | 3.2 | % |
| LLoyds Banking Group PLC         | 2.9 | % |
| HSBC PLC                         | 2.8 | % |
| Fifth Third Bancorp              | 2.8 | % |
| Enbridge Energy Partners         | 2.7 | % |

**% of Net  
Assets\*\*\*\*\*†**

|   |    |   |
|---|----|---|
| Holdings<br>Generating<br>Qualified<br>Dividend<br>Income<br>(QDI) for<br>Individuals                               | 64 | % |
| Holdings<br>Generating<br>Income<br>Eligible for<br>the<br>Corporate<br>Dividends<br>Received<br>Deduction<br>(DRD) | 46 | % |

\*\*\*\*\*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.

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

**PORTFOLIO OF INVESTMENTS****August 31, 2018 (Unaudited)**

| Shares/\$ Par                             | Value  |              |           |
|---|--|--------------|-----------|
| <b>Preferred Securities<sup>§</sup> —</b> |  |              |           |
| <b>95.5%</b>                              |  |              |           |
| <b>Banking — 59.6%</b>                    |  |              |           |
| \$ 1,738,000                              | Australia & New Zealand Banking Group Ltd., 6.75% to 06/15/26 then ISDA5 + 5.168%, 144A***** | \$ 1,807,520 | ** (2)    |
| \$ 7,000,000                              | Banco Bilbao Vizcaya Argentaria SA, 6.125% to 11/16/27 then SW5 + 3.87%                      | 6,191,990    | ** (1)(2) |
| \$ 1,660,000                              | Banco Mercantil del Norte SA, 7.625% to 01/06/28 then T10Y + 5.353%, 144A*****               | 1,692,370    | ** (2)    |
|   | Bank of America Corporation:   |              |           |
| 40,000                                    | 6.00%, Series EE   | 1,043,600    | *         |
| \$ 4,760,000                              | 5.875% to 03/15/28 then 3ML + 2.931%, Series FF  | 4,765,950    | * (1)     |
| \$ 1,800,000                              | 6.30% to 03/10/26 then 3ML + 4.553%, Series DD   | 1,930,500    | * (1)     |
| \$ 9,107,000                              | 6.50% to 10/23/24 then 3ML + 4.174%, Series Z  | 9,835,560    | * (1)     |
|   | Barclays Bank PLC:   |              |           |
| \$ 3,120,000                              | 7.75%, to 09/15/23 then SW5 + 4.842%   | 3,155,256    | ** (2)    |
| \$ 8,378,000                              | 7.875% to 03/15/22 then SW5 + 6.772%, 144A*****  | 8,717,552    | ** (1)(2) |
|   | BNP Paribas:   |              |           |
| \$ 1,300,000                              | 7.00%, to 08/16/28 then SW5 + 3.98%, 144A*****   | 1,303,250    | ** (2)    |
| \$ 11,200,000                             | 7.375% to 08/19/25 then SW5 + 5.15%, 144A*****   | 11,807,600   | ** (1)(2) |
| \$ 2,000,000                              | 7.625% to 03/30/21 then SW5 + 6.314%, 144A*****  | 2,130,000    | ** (2)    |
|   | Capital One Financial Corporation:   |              |           |
| 3,645                                     | 6.00%, Series B  | 93,512       | *         |
| 25,700                                    | 6.00%, Series H  | 676,553      | *         |
| 66,679                                    | 6.70%, Series D  | 1,759,325    | * (1)     |
|   | Citigroup, Inc.:   |              |           |
| \$ 1,400,000                              | 5.95% to 05/15/25 then 3ML + 3.905%, Series P  | 1,427,580    | *         |
| 1,191,837                                 | 6.875% to 11/15/23 then 3ML + 4.13%, Series K  | 33,198,620   | * (1)     |
| 24,371                                    | 7.125% to 09/30/23 then 3ML + 4.04%, Series J  | 693,477      | *         |
| \$ 5,000,000                              | Citizens Financial Group, Inc., 5.50% to 04/06/20 then 3ML + 3.96%, Series A                 | 5,117,500    | * (1)     |
|   | CoBank ACB:  |              |           |

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|              |   |            |            |
|--------------|---|------------|------------|
| 38,100       | 6.20% to 01/01/25 then 3ML + 3.744%, Series H, 144A****                 | 4,076,700  | *          |
| 3,450        | 6.25% to 10/01/22 then 3ML + 4.557%, Series F, 144A****                 | 360,525    | *          |
| \$ 550,000   | 6.25% to 10/01/26 then 3ML + 4.66%, Series I, 144A****                  | 585,750    | *          |
| 7,000        | Compeer Financial ACA, 6.75% to 08/15/23 then 3ML + 4.58%, 144A****     | 7,525,000  | *          |
| \$ 915,000   | Credit Agricole SA, 7.875% to 01/23/24 then SW5 + 4.898%, 144A****      | 973,281    | ** (2)     |
| 724,983      | Fifth Third Bancorp, 6.625% to 12/31/23 then 3ML + 3.71%, Series I      | 20,259,650 | * (1)      |
| 5,000        | First Horizon National Corporation, 6.20%, Series A                     | 127,783    | *          |
|              | Goldman Sachs Group:  |            |            |
| 54,609       | 6.30%, Series N   | 1,460,791  | *          |
| \$ 2,000,000 | 5.00% to 11/10/22 then 3ML + 2.874%, Series P                           | 1,896,984  | * (1)      |
| 10,000       | 5.50% to 05/10/23 then 3ML + 3.64%, Series J                            | 262,550    | *          |
| 531,522      | 6.375% to 05/10/24 then 3ML + 3.55%, Series K                           | 14,473,344 | * (1)      |
|              | HSBC Holdings PLC:  |            |            |
| \$ 1,000,000 | 6.00% to 05/22/27 then ISDA5 + 3.746%                                   | 971,300    | ** (1) (2) |
| \$ 9,025,000 | 6.50% to 03/23/28 then ISDA5 + 3.606%                                   | 8,844,500  | ** (1) (2) |
| \$ 3,988,000 | 6.875% to 06/01/21 then ISDA5 + 5.514%                                  | 4,162,475  | ** (1) (2) |
| \$ 4,458,000 | HSBC Capital Funding LP, 10.176% to 06/30/30 then 3ML + 4.98%, 144A**** | 6,653,565  | (1) (2)    |

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Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)****August 31, 2018 (Unaudited)****Shares/\$ Par      Value****Preferred Securities —  
(Continued)****Banking — (Continued)**

|               |   |              |           |
|---------------|---|--------------|-----------|
|               | Huntington Bancshares, Inc.:  |              |           |
| 332,000       | 6.25%, Series D   | \$ 8,824,560 | *(1)      |
| \$ 3,200,000  | 5.70% to 04/15/23 then 3ML + 2.88%, Series E  | 3,198,000    | *(1)      |
| 114,400       | ING Groep NV, 6.375%  | 2,937,792    | ** (1)(2) |
|               | JPMorgan Chase & Company:   |              |           |
| \$ 3,331,000  | 3ML + 3.47%, 5.8089% <sup>(3)</sup> , Series I                                      | 3,358,481    | *(1)      |
| \$ 10,700,000 | 6.00% to 08/01/23 then 3ML + 3.30%, Series R  | 11,179,039   | *(1)      |
| \$ 8,000,000  | 6.75% to 02/01/24 then 3ML + 3.78%, Series S  | 8,815,600    | *(1)      |
| 283,700       | KeyCorp, 6.125% to 12/15/26 then 3ML + 3.892%, Series E                             | 7,953,530    | *(1)      |
| \$ 14,022,000 | Lloyds Banking Group PLC, 6.657% to 05/21/37 then 3ML + 1.27%,<br>144A****          | 14,460,188   | ** (1)(2) |
| \$ 5,200,000  | Lloyds TSB Bank PLC, 12.00% to 12/16/24 then 3ML + 11.756%, 144A****                | 6,328,691    | (2)       |
| \$ 15,425,000 | M&T Bank Corporation, 6.45% to 02/15/24 then 3ML + 3.61%, Series E                  | 16,543,312   | *(1)      |
| \$ 1,700,000  | Macquarie Bank Ltd., 6.125% to 03/08/27 then SW5 + 3.703%, 144A****                 | 1,561,875    | ** (2)    |
| 135,740       | MB Financial, Inc., 6.00%, Series C   | 3,542,814    | *(1)      |
|               | Morgan Stanley:   |              |           |
| 251,971       | 5.85% to 04/15/27 then 3ML + 3.491%, Series K                                       | 6,595,341    | *(1)      |
| 674,994       | 6.875% to 01/15/24 then 3ML + 3.94%, Series F                                       | 19,004,456   | *(1)      |
| 241,200       | 7.125% to 10/15/23 then 3ML + 4.32%, Series E                                       | 6,950,178    | *(1)      |
| 549,300       | New York Community Bancorp, Inc., 6.375% to 03/17/27 then<br>3ML + 3.821%, Series A | 15,319,977   | *(1)      |
| 35,000        | People's United Financial, 5.625% to 12/15/26 then 3ML + 4.02%, Series A            | 914,375      | *         |
|               | PNC Financial Services Group, Inc.:   |              |           |
| 675,080       | 6.125% to 05/01/22 then 3ML + 4.067%, Series P                                      | 18,797,603   | *(1)      |
| \$ 9,928,000  | 6.75% to 08/01/21 then 3ML + 3.678%, Series O                                       | 10,806,628   | *(1)      |
| \$ 6,125,000  | RaboBank Nederland, 11.00% to 06/30/19 then 3ML + 10.868%, 144A****                 | 6,507,812    | (1)(2)    |
| 627,170       |   | 17,149,901   | *(1)      |

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|              |  |           |           |
|--------------|--|-----------|-----------|
|              | Regions Financial Corporation, 6.375% to 09/15/24 then 3ML + 3.536%, Series B                    |           |           |
| \$ 4,825,000 | Royal Bank of Scotland Group PLC:<br>RBS Capital Trust II, 6.425% to 01/03/34 then 3ML + 1.9425% | 5,705,562 | ** (1)(2) |
|              | Societe Generale SA:   |           |           |
| \$ 300,000   | 6.75% to 04/06/28 then SW5 + 3.929%, 144A****  | 284,250   | ** (2)    |
| \$ 8,200,000 | 7.375% to 09/13/21 then SW5 + 6.238%, 144A****   | 8,589,500 | ** (1)(2) |
| \$ 5,000,000 | 8.00% to 09/29/25 then ISDA5 + 5.873%, 144A****  | 5,343,750 | ** (1)(2) |
|              | Sovereign Bancorp:   |           |           |
| 4,000        | Sovereign REIT, 12.00%, Series A, 144A****   | 4,710,000 |           |
|              | Standard Chartered PLC:  |           |           |
| \$ 6,615,000 | 7.50% to 04/02/22 then SW5 + 6.301%, 144A****  | 6,846,525 | ** (1)(2) |
| \$ 4,000,000 | 7.75% to 04/02/23 then SW5 + 5.723%, 144A****  | 4,155,000 | ** (1)(2) |
| 26,174       | State Street Corporation, 5.90% to 03/15/24 then 3ML + 3.108%, Series D                          | 710,493   | * (1)     |
| 23,596       | Sterling Bancorp, 6.50%, Series A  | 628,489   | *         |
| 40,895       | US Bancorp, 6.50% to 01/15/22 then 3ML + 4.468%, Series F  | 1,154,261 | * (1)     |
| 50,000       | Valley National Bancorp, 6.25% to 06/30/25 then 3ML + 3.85%, Series A                            | 1,335,000 | *         |

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

**PORTFOLIO OF INVESTMENTS (Continued)****August 31, 2018 (Unaudited)**

| <b>Shares/\$ Par</b>             | <b>Value</b>   |             |                      |
|----------------------------------|--|-------------|----------------------|
| <b>Preferred Securities —</b>    |  |             |                      |
| <b>(Continued)</b>               |  |             |                      |
| <b>Banking — (Continued)</b>     |  |             |                      |
|                                  | Wells Fargo & Company:   |             |                      |
| 27,000                           | 5.625%, Series Y   | \$ 687,822  | *                    |
| 759                              | 7.50%, Series L  | 985,171     | *                    |
| 180,300                          | 5.85% to 09/15/23 then 3ML + 3.09%, Series Q   | 4,668,868   | *(1)                 |
| \$ 13,025,000                    | 3ML + 3.77%, 6.1106% <sup>(3)</sup> , Series K                                       | 13,209,304  | *(1)                 |
| \$ 3,700,000                     | Westpac Banking Corporation, 5.00% to 09/21/27 then ISDA5 + 2.888%                   | 3,323,750   | ** <sup>(1)(2)</sup> |
|                                  | Zions Bancorporation:  |             |                      |
| 10,000                           | 6.30% to 03/15/23 then 3ML + 4.24%, Series G   | 271,960     | *                    |
| \$ 10,000,000                    | 7.20% to 09/15/23 then 3ML + 4.44%, Series J   | 10,725,000  | *(1)                 |
|                                  |  | 434,066,771 |                      |
| <b>Financial Services — 1.0%</b> |  |             |                      |
| \$ 1,440,000                     | AerCap Global Aviation Trust, 6.50% to 06/15/25 then 3ML + 4.30%, 06/15/45, 144A**** | 1,490,400   | (1)(2)               |
| \$ 2,600,000                     | Credit Suisse Group AG, 7.50% to 07/17/23 then SW5 + 4.60%, 144A****                 | 2,694,900   | ** <sup>(2)</sup>    |
| \$ 1,500,000                     | E*TRADE Financial Corporation, 5.30% to 03/15/23 then 3ML + 3.16%, Series B          | 1,495,500   | *                    |
| \$ 1,420,000                     | General Motors Financial Company, 5.75% to 09/30/27 then 3ML + 3.598%, Series A      | 1,385,387   | *                    |
|                                  |  | 7,066,187   |                      |
| <b>Insurance — 21.5%</b>         |  |             |                      |
| 373,578                          | Allstate Corporation, 6.625%, Series E   | 9,717,922   | *(1)                 |
|                                  | American International Group:  |             |                      |
| \$ 280,000                       | AIG Life Holdings, Inc., 7.57% 12/01/45, 144A****                                    | 345,100     |                      |
| \$ 497,000                       | AIG Life Holdings, Inc., 8.125% 03/15/46, 144A****                                   | 647,342     |                      |
| \$ 350,000                       | 8.175% to 05/15/38 then 3ML + 4.195%, 05/15/58                                       | 441,875     |                      |
| \$ 680,000                       | Aon Corporation, 8.205% 01/01/27   | 834,700     | (1)                  |
|                                  | Arch Capital Group, Ltd.:  |             |                      |



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|               |  |            |           |
|---------------|--|------------|-----------|
| 38,000        | 5.25%, Series E  | 921,394    | ** (2)    |
| 33,000        | 5.45%, Series F  | 818,070    | ** (2)    |
| \$ 6,550,000  | AXA SA, 6.379% to 12/14/36 then 3ML + 2.256%, 144A *****                                   | 7,008,500  | ** (1)(2) |
| 307,263       | Delphi Financial Group, 3ML + 3.19%, 5.5038% <sup>(3)</sup> 05/15/37                       | 6,951,825  | (1)       |
| 141,000       | Enstar Group Ltd., 7.00% to 08/31/28 then 3ML + 4.015%, Series D                           | 3,706,185  | ** (1)(2) |
| \$ 754,000    | Everest Reinsurance Holdings, 3ML + 2.385%, 4.6988% <sup>(3)</sup> 05/15/37                | 746,460    | (1)       |
| 137,500       | Hartford Financial Services Group, Inc., 7.875% to 04/15/22 then<br>3ML + 5.596%, 04/15/42 | 3,931,812  | (1)       |
| \$ 20,983,000 | Liberty Mutual Group, 7.80% 03/15/37, 144A*****<br>MetLife, Inc.:                          | 24,812,397 | (1)       |
| \$ 17,200,000 | 9.25% 04/08/38, 144A*****  | 23,478,000 | (1)       |
| \$ 3,759,000  | 10.75% 08/01/39  | 5,798,258  | (1)       |

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Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)****August 31, 2018 (Unaudited)****Shares/\$ Par Value****Preferred Securities —  
(Continued)****Insurance — (Continued)**

|               |  |              |           |
|---------------|--|--------------|-----------|
|               | PartnerRe Ltd.:  |              |           |
| 77,450        | 5.875%, Series I   | \$ 1,947,868 | ** (1)(2) |
| 37,556        | 6.50%, Series G  | 986,221      | ** (1)(2) |
| 236,349       | 7.25%, Series H  | 6,618,954    | ** (1)(2) |
|               | Prudential Financial, Inc.:  |              |           |
| \$ 2,727,000  | 5.625% to 06/15/23 then 3ML + 3.92%, 06/15/43  | 2,855,114    | (1)       |
| \$ 5,848,000  | 5.875% to 09/15/22 then 3ML + 4.175%, 09/15/42                                       | 6,235,430    | (1)       |
| \$ 13,160,000 | QBE Insurance Group Ltd., 7.50% to 11/24/23 then<br>SW10 + 6.03%, 11/24/43, 144A**** | 14,393,750   | (1)(2)    |
| 56,900        | RenaissanceRe Holdings Ltd., 5.75%, Series F   | 1,444,976    | ** (2)    |
| \$ 6,750,000  | Unum Group:<br>Provident Financing Trust I, 7.405% 03/15/38                          | 7,428,375    |           |
|               | W.R. Berkley Corporation:  |              |           |
| 95,479        | 5.625% 04/30/53  | 2,372,376    | (1)       |
| 211,928       | 5.75% 06/01/56   | 5,275,948    | (1)       |
| 1,530         | 5.90% 03/01/56   | 38,342       |           |
|               | XL Group Limited:  |              |           |
| \$ 14,338,000 | Catlin Insurance Company Ltd., 3ML + 2.975%, 5.3169% <sup>(3)</sup> , 144A****       | 14,194,620   | (1)(2)    |
| \$ 3,020,000  | XL Capital Ltd., 3ML + 2.4575%, 4.7967% <sup>(3)</sup> , Series E                    | 2,975,002    | (1)(2)    |
|               |  | 156,926,816  |           |
|               | <b>Utilities — 3.7%</b>  |              |           |
| \$ 2,100,000  | CenterPoint Energy, Inc., 6.125% to 09/01/23 then 3ML + 3.27%, Series A              | 2,142,000    | *         |
| \$ 2,545,000  | Commonwealth Edison:<br>COMED Financing III, 6.35% 03/15/33                          | 2,700,016    |           |
| 404,000       | Dominion Energy, Inc., 5.25% 07/30/76, Series A                                      | 9,960,620    | (1)       |
| 15,782        | DTE Energy Company, 5.375% 06/01/76, Series B  | 390,399      | (1)       |
| \$ 6,830,000  | Emera, Inc., 6.75% to 06/15/26 then 3ML + 5.44%, 06/15/76, Series 2016A              | 7,274,774    | (1)(2)    |

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|                      |  |            |        |
|----------------------|--|------------|--------|
| 121,452              | Integrys Energy Group, Inc., 6.00% to 08/01/23 then 3ML + 3.22%, 08/01/73                | 3,148,643  | (1)    |
| \$ 1,000,000         | NiSource, Inc., 5.65% to 06/15/23 then T5Y + 2.843%, 144A****                            | 1,013,750  | *      |
| 15,000               | Southern California Edison:<br>SCE Trust V, 5.45% to 03/15/26 then 3ML + 3.79%, Series K | 390,825    | *(1)   |
|                      |  | 27,021,027 |        |
| <b>Energy — 7.6%</b> |  |            |        |
| \$ 9,780,000         | DCP Midstream LLC, 5.85% to 05/21/23 then 3ML + 3.85%, 05/21/43,<br>144A****             | 9,046,500  | (1)    |
|                      | DCP Midstream LP:  |            |        |
| \$ 3,500,000         | 7.375% to 12/15/22 then 3ML + 5.148%, Series A   | 3,506,563  | (1)    |
| 11,900               | 7.875% to 06/15/23 then 3ML + 4.919%, Series B   | 308,032    |        |
| \$ 3,500,000         | Enbridge, Inc., 6.00% to 01/15/27 then 3ML + 3.89%, 01/15/77                             | 3,421,250  | (1)(2) |
| \$ 19,804,000        | Enbridge Energy Partners LP, 3ML + 3.7975%, 6.1349% <sup>(3)</sup> 10/01/37              | 19,913,547 | (1)    |

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

**PORTFOLIO OF INVESTMENTS (Continued)****August 31, 2018 (Unaudited)**

| <b>Shares/\$ Par</b>                                | <b>Value</b>  |              |        |
|---|---|--------------|--------|
| <b>Preferred Securities —</b>                       |   |              |        |
| <b>(Continued)</b>                                  |   |              |        |
| <b>Energy — (Continued)</b>                         |   |              |        |
|   | Energy Transfer Partners LP:  |              |        |
| 351,126   | 7.375% to 05/15/23 then 3ML + 4.53%, Series C   | \$ 9,010,911 | (1)    |
| 4,800   | 7.625% to 08/15/23 then 3ML + 4.738%, Series D  | 126,000      |        |
| \$ 2,700,000  | Enterprise Products Operating L.P., 5.25% to 08/16/27 then 3ML + 3.033%, 08/16/77, Series E | 2,558,250    |        |
| 94,595  | Kinder Morgan, Inc., 9.75% 10/26/18, Series A   | 3,142,976    | *      |
| 105,773   | NuStar Logistics LP, 3ML + 6.734%, 9.0732% <sup>(3)</sup> 01/15/43                          | 2,744,280    |        |
| \$ 1,500,000  | Transcanada Pipelines, Ltd., 5.875% to 08/15/26 then 3ML + 4.64%, 08/15/76, Series 2016-A   | 1,533,750    | (1)(2) |
|   |   | 55,312,059   |        |
| <b>Real Estate Investment Trust (REIT) — 0.0%</b>   |   |              |        |
| 10,685  | Annaly Capital Management, Inc., 6.95% to 09/30/22 then 3ML + 4.993%, Series F              | 274,070      |        |
|   |   | 274,070      |        |
| <b>Miscellaneous Industries — 2.1%</b>              |   |              |        |
|   | BHP Billiton Limited:   |              |        |
| \$ 1,400,000  | BHP Billiton Finance U.S.A., Ltd., 6.75% to 10/19/25 then SW5 + 5.093%, 10/19/75, 144A****  | 1,540,000    | (1)(2) |
|   | Land O' Lakes, Inc.:  |              |        |
| \$ 725,000  | 7.25%, Series B, 144A****   | 784,813      | *      |
| \$ 11,700,000                                       | 8.00%, Series A, 144A****   | 12,870,000   | *(1)   |
|   |   | 15,194,813   |        |
|   | <b>Total Preferred Securities</b>   | 695,861,743  |        |
|   | (Cost \$668,824,504)  |              |        |
| <b>Corporate Debt Securities<sup>s</sup> — 2.4%</b> |   |              |        |
| <b>Banking — 1.9%</b>                               |   |              |        |

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|                             |   |            |     |
|-----------------------------|---|------------|-----|
| 451,000                     | Texas Capital Bancshares Inc., 6.50% 09/21/42, Sub Notes                      | 11,615,505 | (1) |
| 89,000                      | Zions Bancorporation, 6.95% to 09/15/23 then 3ML + 3.89%, 09/15/28, Sub Notes | 2,633,065  | (1) |
|                             |   | 14,248,570 |     |
| <b>Communication — 0.5%</b> |   |            |     |
|                             | Qwest Corporation:  |            |     |
| 54,050                      | 6.50% 09/01/56  | 1,273,688  |     |
| 82,550                      | 6.75% 06/15/57  | 2,018,760  |     |
| 1,298                       | 7.00% 04/01/52  | 32,976     |     |
|                             |   | 3,325,424  |     |
|                             | <b>Total Corporate Debt Securities</b>  | 17,573,994 |     |
|                             | (Cost \$16,691,278)   |            |     |

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Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)****August 31, 2018 (Unaudited)****Shares/\$ Par      Value****Money Market Fund —****1.1%**

|   |   |                |  |
|---|---|----------------|--|
| 7,858,416   | BlackRock Liquidity Funds:<br>T-Fund, Institutional Class | \$ 7,858,416   |  |
|   | <b>Total Money Market Fund</b><br>(Cost \$7,858,416)      | 7,858,416      |  |
| <b>Total Investments</b> (Cost \$693,374,198***)  | 99.0 %  | 721,294,153    |  |
| <b>Other Assets And Liabilities</b> (Net)         | 1.0 %   | 7,366,424      |  |
| <b>Total Managed Assets</b>                       | 100.0 % <sup>‡</sup>                                      | \$ 728,660,577 |  |
| <b>Loan Principal Balance</b>                     |   | (252,200,000 ) |  |
| <b>Total Net Assets Available To Common Stock</b> |   | \$ 476,460,577 |  |

§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 August 31, 2018, these securities amounted to \$220,740,776 or 29.6% of total managed assets.

(1)All or a portion of this security is pledged as collateral for the Fund's loan. The total value of such securities was \$444,248,905 at August 31, 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

**T5Y** — Federal Reserve H.15 5-Yr Constant Maturity Treasury Semiannual yield

**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 August 31, 2018 (Unaudited)**

**Value**

**OPERATIONS:**

Net  
investment  
income

Net  
realized  
gain/(loss)  
on  
investments

sold  
during  
the  
period

Change  
in  
net  
unrealized  
appreciation/(depreciation)  
of  
investments

**Net  
decrease  
in  
net  
assets  
resulting  
from  
operations**

**DISTRIBUTIONS:**

Dividends  
paid  
from  
net  
investment  
income  
to

\$18,610,814

887,184

(26,048,306 )

(1,550,108 )

(2,791,312 )



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

**Total  
Distributions**

to (25,791,312 )  
**Common  
Stock  
Shareholders**

**FUND  
SHARE  
TRANSACTIONS:**

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

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

**NET \$(27,296,955 )  
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 (27,296,955 )  
during  
the  
period

End  
of \$ 476,460,577  
period

(1)These tables summarize the nine months ended August 31, 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 December 1, 2017 through August 31, 2018 (Unaudited)**

**For a Common Stock share outstanding throughout the period**

**PER  
SHARE  
OPERATING  
PERFORMANCE:**

Net  
asset  
value, \$ 26.29  
beginning  
of  
period

**INVESTMENT  
OPERATIONS:**

Net  
investment .24  
income

Net  
realized  
and  
unrealized(1.31        )  
gain/(loss)  
on  
investments

Total  
from  
investment(0.07        )  
operations

**DISTRIBUTIONS  
TO  
COMMON  
STOCK  
SHAREHOLDERS:**

From (1.35        )  
net  
investment

income

Total  
distributions

to  
Common (1.35 )

Stock  
Shareholders

Net  
asset  
value, \$ 24.87  
end

of  
period

Market  
value,  
end \$ 24.41

of  
period

Common  
Stock  
shares

outstanding 1,549

end  
of  
period

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

Net  
investment 6.47 %\*  
income †

Operating  
expenses  
including 2.41 %\*  
interest  
expense

Operating  
expenses  
excluding 1.05 %\*  
interest  
expense

**SUPPLEMENTAL  
DATA: ††**

8 %\*\*

|  |            |    |
|--|------------|----|
| Portfolio turnover rate  |            |    |
| Total managed assets, end of period (in 000's)   | \$ 728,661 |    |
| Ratio of operating expenses including interest expense to average total managed assets | 1.59       | %* |
| Ratio of operating expenses excluding interest expense to average total managed assets | 0.69       | %* |

(1)These tables summarize the nine months ended August 31, 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<br/>Dividends<br/>Paid</b> | <b>Net Asset<br/>Value</b> | <b>NYSE<br/>Closing Price</b> | <b>Dividend<br/>Reinvestment<br/>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  |
| March 29, 2018    | 0.1480                              | 25.33                      | 24.17                         | 24.09  |
| April 30, 2018    | 0.1480                              | 24.97                      | 23.75                         | 23.73  |
| May 31, 2018      | 0.1480                              | 24.69                      | 22.93                         | 22.99  |
| June 29, 2018     | 0.1480                              | 24.60                      | 23.46                         | 23.58  |
| July 31, 2018     | 0.1480                              | 24.75                      | 24.05                         | 24.14  |
| August 31, 2018   | 0.1480                              | 24.87                      | 24.41                         | 24.38  |

<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 August 31, 2018, the aggregate cost of securities for federal income tax purposes was \$701,773,454, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$34,188,262 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$14,667,563.

**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 August 31, 2018 is as follows:

|                                     | <b>Total<br/>Value at<br/>August 31, 2018</b> | <b>Level 1<br/>Quoted<br/>Price</b> | <b>Level 2<br/>Significant<br/>Observable<br/>Inputs</b> | <b>Level 3<br/>Significant<br/>Unobservable<br/>Inputs</b> |
|-------------------------------------|---|-------------------------------------|--|--|
| Preferred Securities                |   |                                     |  |  |
| Banking                             | \$434,066,771                                 | \$363,863,675                       | \$70,203,096   | \$—  |
| Financial Services                  | 7,066,187                                     | 5,575,787                           | 1,490,400  | —  |
| Insurance                           | 156,926,816                                   | 93,758,367                          | 63,168,449   | —  |
| Utilities                           | 27,021,027                                    | 21,172,368                          | 5,848,659  | —  |
| Energy                              | 55,312,059                                    | 26,352,012                          | 28,960,047   | —  |
| Real Estate Investment Trust (REIT) | 274,070                                       | 274,070                             | —  | —  |
| Miscellaneous Industries            | 15,194,813                                    | 1,540,000                           | 13,654,813   | —  |
| Corporate Debt Securities           |   |                                     |  |  |
| Banking                             | 14,248,570                                    | 14,248,570                          | —  | —  |
| Communication                       | 3,325,424                                     | 3,325,424                           | —  | —  |
| Money Market Fund                   | 7,858,416                                     | 7,858,416                           | —  | —  |
| Total Investments                   | \$721,294,153                                 | \$537,968,689                       | \$183,325,464  | \$—  |

During the reporting period, securities with an aggregate market value of \$14,194,620 were transferred into Level 1 from Level 2. The securities were transferred due to an increase in the quantity and quality of the information related to trading activity or broker quotes for these securities. During the period, securities with an aggregate market value of \$18,235,683 were transferred into Level 2 from Level 1. The securities were transferred due to a decrease in the quantity and quality of the information related to trading activity or broker quotes for these securities. 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.

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

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

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

August 31, 2018

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