

Flaherty & Crumrine Dynamic Preferred & Income Fund Inc

Form N-30B-2

April 28, 2016

*FLAHERTY & CRUMRINE DYNAMIC PREFERRED AND INCOME FUND*

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

Increased volatility was a common theme in most markets during the first fiscal quarter<sup>1</sup>, and the preferred securities market was no exception. Total return<sup>2</sup> on net asset value ( NAV ) was -3.3% for the quarter, while total return on market price was 0.6%.

As we mentioned in our last letter, markets entered a new phase with liftoff in December. The Federal Reserve's 0.25% hike in short-term interest rates was its first step in slowly removing unprecedented levels of monetary accommodation. However, other parts of the world, notably Europe and Japan, are still easing monetary policy by increasing quantitative easing (QE) programs and pushing short-term interest rates into negative territory. With concerns over economic growth in China adding to the equation, investors are struggling to figure out how all the pieces fit together going forward. Understandably, markets are factoring in a possibility of policy mistakes along the way, as these are uncharted territories for everyone. The result has been increased volatility in most markets, including commodities (oil, natural gas, and metals), stocks, U.S. Treasuries, corporate bonds, and preferred securities.

Reduced probabilities for future rate increases in the U.S., and negative rates in some regions, triggered an absolute rout in bank common stocks with the average U.S. bank stock returning -20% during the fiscal period. Preferred securities fared much better but cheapened in sympathy (as did more-senior bank securities). Bank earnings should benefit from higher interest rates, but any upside to future earnings that investors had been hoping for (and pricing into stock prices) has been scaled back from earlier projections.

European bank common stocks were among the worst performers, and this had a related impact on the contingent capital securities market (these CoCos are the non-U.S. version of preferreds). Deutsche Bank was in the headlines yet again this time with concerns about its ability to pay coupons on CoCos and preferred securities. The market reacted very negatively, and CoCo prices were dragged down substantially across the board. Once again, U.S. preferreds fared better but still cheapened in sympathy.

There is a lot for investors in all markets to consider, but as it relates to preferreds, we suggest taking a step back to reflect on a longer-term view of favorable fundamentals.

Bank earnings are certainly important to investors, since dividends are paid out of earnings and profits. However, *growth* in earnings, while critical to common stock valuation, is *not* a critical determinant of creditworthiness and preferred-stock valuation. We focus much more on a bank's capital on its ability to absorb losses while still being able to pay preferred dividends than on earnings growth. On this front, the news is positive as the common equity capital at banks in which we invest continues to build, which supports debt and preferred stock that are senior to common equity.

<sup>1</sup> December 1, 2015 - February 29, 2016

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

Low interest rates will have mixed implications for both issuers of and investors in preferred securities, but overall they should benefit prices of preferred securities as a global search for yield continues. We also believe recent concerns around CoCos (which represented 1.7% of the Fund as of period end) will turn out to be noise, as issuers and regulators consider CoCos a necessary market that they are loath to damage by not paying coupons.

Global economic recovery will be slow, and policy mistakes are likely to be made. As we have said before, income (coupons) can make up for quite a bit of principal change over time and preferreds continue to offer higher yields than many other fixed-income securities. While volatility may be with us for some time, and the ride may be bumpy, we believe total returns will be competitive over time for preferred investors.

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

Sincerely,

The Flaherty & Crumrine Portfolio Management Team

March 31, 2016

Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OVERVIEW**

February 29, 2016 (Unaudited)

**Fund Statistics**

Net Asset Value	\$	23.14
Market Price	\$	22.64
Discount		2.16%
Yield on Market Price		8.48%
Common Stock Shares Outstanding		19,156,782

**Moody's Ratings\*****% of Net Assets**

A	2.7%
BBB	56.4%
BB	29.4%
Below BB	3.5%
Not Rated**	6.2%
Below Investment Grade***	35.0%

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

\*\* Does not include net other assets and liabilities of 1.8%.

\*\*\* Below investment grade by all of Moody's, S&amp;P, and Fitch.

**Industry Categories****% of Net Assets****Top 10 Holdings by Issuer****% of Net Assets**

Citigroup	4.8%
Liberty Mutual Group	4.6%
Bank of America Corporation	4.3%
MetLife	4.1%
PNC Financial Services Group	3.7%
Fifth Third Bancorp	3.7%

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Morgan Stanley	3.7%
M&T Bank Corporation	3.4%
JPMorgan Chase	3.3%
Prudential Financial	3.2%

**% of Net Assets\*\*\*\***

Holdings Generating Qualified Dividend Income (QDI) for Individuals	64%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	49%

\*\*\*\* This does not reflect year-end results or actual tax categorization of Fund distributions. These percentages can, and do, change, perhaps significantly, depending on market conditions. Investors should consult their tax advisor regarding their personal situation.  
Net Assets includes assets attributable to the use of leverage.

Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS**

February 29, 2016 (Unaudited)

Shares/\$ Par		Value
<b>Preferred Securities 95.7%</b>		
<b>Banking 52.1%</b>		
7,000	AgStar Financial Services ACA, 6.75%, 144A****	\$ 7,758,625*(1)
103,166	Astoria Financial Corp., 6.50%, Series C	2,688,764*(1)
Bank of America Corporation:		
\$ 9,107,000	6.50%, Series Z	9,300,524*(1)
\$ 7,350,000	8.00%, Series K	7,359,187*(1)
\$ 13,105,000	8.125%, Series M	13,121,381*(1)
60,000	Barclays Bank PLC, 7.10%, Series 3	1,500,000**(2)
\$ 7,800,000	BNP Paribas, 7.375%, 144A****	7,302,750**(1)(2)
41,704	Capital One Financial Corporation, 6.70%, Series D	1,107,762*
Citigroup, Inc.:		
1,170,807	6.875%, Series K	31,172,736*(1)
65,022	7.125%, Series J	1,733,246*
\$ 5,000,000	Citizens Financial Group, Inc., 5.50%, 144A****	4,690,000*(1)
CoBank ACB:		
38,100	6.20%, Series H, 144A****	3,821,906*
3,450	6.25%, Series F, 144A****	355,781*
893,035	Fifth Third Bancorp, 6.625%, Series I	25,312,005*(1)
5,000	First Horizon National Corporation, 6.20%, Series A	127,656*
34,219	First Niagara Financial Group, Inc., 8.625%, Series B	904,665*(1)
25,000	First Republic Bank, 6.20%, Series B	670,313*
Goldman Sachs Group:		
10,000	5.50%, Series J	247,813*
\$ 1,170,000	5.70%, Series L	1,121,738*
48,609	5.95%, Series I	1,224,339*(1)
531,522	6.375%, Series K	14,127,855*(1)
HSBC PLC:		
\$ 4,458,000	HSBC Capital Funding LP, 10.176%, 144A****	6,470,564(1)(2)
44,800	HSBC Holdings PLC, 8.00%, Series 2	1,152,202**(2)
340,800	HSBC USA, Inc., 6.50%, Series H	8,551,967*(1)
ING Groep NV:		
160,000	6.375%	4,016,000**(1)(2)
38,082	7.05%	986,564**(2)
3,201	7.20%	83,426**(1)(2)
JPMorgan Chase & Company:		
\$ 10,700,000	6.00%, Series R	10,619,750*(1)
\$ 8,000,000	6.75%, Series S	8,490,000*(1)
\$ 3,331,000	7.90%, Series I	3,326,836*
\$ 14,022,000	Lloyds Banking Group PLC, 6.657%, 144A****	15,240,161**(1)(2)

Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

February 29, 2016 (Unaudited)

Shares/\$ Par		Value
<b>Preferred Securities (Continued)</b>		
<b>Banking (Continued)</b>		
M&T Bank Corporation:		
\$ 15,425,000	6.450%, Series E	\$ 16,273,375*(1)
\$ 6,789,000	6.875%, Series D, 144A****	6,818,872*(1)
Morgan Stanley:		
674,994	6.875%, Series F	18,238,338*(1)
241,200	7.125%, Series E	6,791,300*(1)
PNC Financial Services Group, Inc.:		
451,824	6.125%, Series P	12,820,506*(1)
\$ 11,748,000	6.75%, Series O	12,582,108*(1)
\$ 8,625,000	RaboBank Nederland, 11.00%, 144A****	10,211,655*(1)(2)
627,170	Regions Financial Corporation, 6.375%, Series B	16,169,258*(1)
Royal Bank of Scotland Group PLC:		
\$ 4,825,000	RBS Capital Trust II, 6.425%	4,993,875**(1)(2)
13,000	6.60%, Series S	315,510**(2)
538,500	7.25%, Series T	13,505,580**(1)(2)
\$ 5,000,000	Societe Generale SA, 8.00%, 144A****	4,587,345**(1)(2)
110,317	State Street Corporation, 5.90%, Series D	2,909,611*(1)
288,008	SunTrust Banks, Inc., 5.875%, Series E	7,407,220*(1)
97,150	US Bancorp, 6.50%, Series F	2,814,319*(1)
50,000	Valley National Bancorp, 6.25%, Series A	1,367,500*
Wells Fargo & Company:		
180,300	5.85%, Series Q	4,614,562*(1)
\$ 9,025,000	7.98%, Series K	9,295,750*(1)
Zions Bancorporation:		
10,000	6.30%, Series G	250,625*
\$ 10,000,000	7.20%, Series J	10,225,000*(1)
		356,778,825
<b>Financial Services 0.8%</b>		
60,000	Charles Schwab Corporation, 6.00%, Series C	1,548,750*
Deutsche Bank:		
89,000	Deutsche Bank Contingent Capital Trust III, 7.60%	2,163,813**(1)(2)
8,103	Deutsche Bank Contingent Capital Trust V, 8.05%	203,335**(1)(2)
HSBC PLC:		
72,515	HSBC Finance Corporation, 6.36%, Series B	1,817,407*
		5,733,305

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**PORTFOLIO OF INVESTMENTS (Continued)**

February 29, 2016 (Unaudited)

Shares/\$ Par		Value
<b>Preferred Securities (Continued)</b>		
<b>Insurance 27.8%</b>		
390,981	Allstate Corp., 6.625%, Series E	\$ 10,764,215*(1)
	American International Group:	
\$ 280,000	AIG Life Holdings, Inc., 7.57%, 144A****	336,700
\$ 497,000	AIG Life Holdings, Inc., 8.125%, 144A****	647,343
\$ 350,000	American International Group, Inc., 8.175% 05/15/58	437,500
\$ 1,010,000	Aon Corporation, 8.205% 01/01/27	1,229,675
317,980	Arch Capital Group, Ltd., 6.75%, Series C	8,555,665**(1)(2)
4,500	Aspen Insurance Holdings Ltd., 7.401%	110,110**(2)
	AXA SA:	
\$ 6,550,000	6.379%, 144A****	6,821,497**(1)(2)
\$ 8,500,000	8.60% 12/15/30	11,071,250(1)(2)
646,952	Axis Capital Holdings Ltd., 6.875%, Series C	17,063,359**(1)(2)
6,000	Delphi Financial Group, 7.376% 05/15/37	149,625
	Endurance Specialty Holdings:	
47,000	6.35%, Series C	1,234,690**(2)
181,000	7.50%, Series B	4,598,540**(2)
\$ 988,000	Everest Re Holdings, 6.60% 05/15/37	852,150(1)
137,500	Hartford Financial Services Group, Inc., 7.875%	4,391,406
	Liberty Mutual Group:	
\$ 17,950,000	7.80% 03/15/37, 144A****	19,677,688(1)
\$ 8,195,000	10.75% 06/15/58, 144A****	11,903,238(1)
	MetLife:	
\$ 3,759,000	MetLife, Inc., 10.75% 08/01/39	5,563,320(1)
\$ 17,200,000	MetLife Capital Trust X, 9.25% 04/08/38, 144A****	22,403,000(1)
	PartnerRe Ltd.:	
77,450	5.875%, Series F	2,013,700**(2)
37,556	6.50%, Series D	1,036,313**(2)
252,464	7.25%, Series E	7,274,119**(1)(2)
	Prudential Financial, Inc.:	
\$ 5,574,000	5.625% 06/15/43	5,514,080(1)
\$ 6,375,000	5.875% 09/15/42	6,478,721(1)
\$ 9,070,000	8.875% 06/15/38	9,939,813(1)
	QBE Insurance:	
\$ 10,900,000	QBE Capital Funding III Ltd., 7.25% 05/24/41, 144A****	11,908,250(1)(2)
	Unum Group:	
\$ 1,750,000	Provident Financing Trust I, 7.405% 03/15/38	2,019,341

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**PORTFOLIO OF INVESTMENTS (Continued)**

February 29, 2016 (Unaudited)

Shares/\$ Par		Value
<b>Preferred Securities (Continued)</b>		
<b>Insurance (Continued)</b>		
W.R. Berkley Corporation:		
233,946	5.625%	\$ 5,929,081 <sup>(1)</sup>
1,530	5.90%	38,173
XL Group PLC:		
\$ 14,850,000	XL Capital Ltd., 6.50%, Series E	10,432,125 <sup>(1)(2)</sup>
		190,394,687
<b>Utilities 2.6%</b>		
Commonwealth Edison:		
\$ 2,000,000	COMED Financing III, 6.35% 03/15/33	2,098,354
121,452	Integrus Energy Group, Inc., 6.00%	3,104,617 <sup>(1)</sup>
PPL Corp:		
\$ 8,500,000	PPL Capital Funding, Inc., 6.70% 03/30/67, Series A	6,380,670 <sup>(1)</sup>
\$ 5,500,000	Puget Sound Energy, Inc., 6.974% 06/01/67, Series A	4,001,250 <sup>(1)</sup>
\$ 2,000,000	Southern California Edison Co., 6.25%, Series E	2,181,000*
		17,765,891
<b>Energy 5.7%</b>		
\$ 9,780,000	DCP Midstream LLC, 5.85% 05/21/43, 144A****	5,232,300 <sup>(1)</sup>
\$ 15,133,000	Enbridge Energy Partners LP, 8.05% 10/01/37	10,328,272 <sup>(1)</sup>
Enterprise Products Operating L.P.:		
\$ 3,675,000	7.034% 01/15/68, Series B	3,600,765 <sup>(1)</sup>
\$ 3,750,000	8.375% 08/01/66, Series A	2,821,875
367,950	Kinder Morgan, Inc., 9.75%, Series A	16,693,892*
		38,677,104
<b>Real Estate Investment Trust (REIT) 4.4%</b>		
425,148	Alexandria Real Estate, 6.45%, Series E	11,092,111 <sup>(1)</sup>
88,280	Equity CommonWealth, 7.25%, Series E	2,226,316
National Retail Properties, Inc.:		
45,300	5.70%, Series E	1,157,981
127,879	6.625%, Series D	3,316,862



Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

February 29, 2016 (Unaudited)

Shares/\$ Par		Value
<b>Preferred Securities (Continued)</b>		
<b>Real Estate Investment Trust (REIT) (Continued)</b>		
PS Business Parks, Inc.:		
22,908	5.70%, Series V	\$ 589,881
20,867	5.75%, Series U	525,222
287,476	6.00%, Series T	7,307,640 <sup>(1)</sup>
113,810	6.45%, Series S	2,948,396 <sup>(1)</sup>
47,489	Regency Centers Corporation, 6.625%, Series 6	1,246,586
		30,410,995
<b>Miscellaneous Industries 2.3%</b>		
BHP Billiton Limited:		
\$ 1,400,000	BHP Billiton Finance U.S.A., Ltd., 6.75% 10/19/75, 144A****	1,354,500 <sup>(2)</sup>
\$ 3,086,000	General Electric Company, 5.00%, Series D	3,136,148* <sup>(1)</sup>
\$ 10,800,000	Land O Lakes, Inc., 8.00%, 144A****	11,164,500* <sup>(1)</sup>
		15,655,148
<b>Total Preferred Securities</b> (Cost \$663,520,088)		655,415,955
<b>Corporate Debt Securities 2.4%</b>		
<b>Banking 1.9%</b>		
422,286	Texas Capital Bancshares Inc., 6.50% 09/21/42, Sub Notes	10,227,260 <sup>(1)</sup>
100,000	Zions Bancorporation, 6.95% 09/15/28, Sub Notes	2,787,500
		13,014,760
<b>Communication 0.4%</b>		
107,483	Qwest Corporation, 7.375% 06/01/51	2,717,310
		2,717,310
<b>Miscellaneous Industries 0.1%</b>		
25,000	eBay, Inc., 6.00% 02/01/56	621,250
		621,250
<b>Total Corporate Debt Securities</b> (Cost \$16,299,932)		16,353,320



Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**PORTFOLIO OF INVESTMENTS (Continued)**

February 29, 2016 (Unaudited)

Shares/\$ Par		Value
<b>Common Stock 0.2%</b>		
	<b>Energy 0.2%</b>	
63,080	Kinder Morgan, Inc.	\$ 1,141,117*
		1,141,117
	<b>Total Common Stock</b> (Cost \$952,508)	1,141,117
	<b>Money Market Fund 0.6%</b>	
	BlackRock Liquidity Funds:	
4,505,550	T-Fund, Institutional Class	4,505,550
	<b>Total Money Market Fund</b> (Cost \$4,505,550)	4,505,550
	<b>Total Investments</b> (Cost \$685,278,078***)	98.9% 677,415,942
	<b>Other Assets And Liabilities</b> (Net)	1.1% 7,248,932
	<b>Total Managed Assets</b>	100.0% \$ 684,664,874
	<b>Loan Principal Balance</b>	(241,300,000)
	<b>Total Net Assets Available To Common Stock</b>	\$ 443,364,874

\* 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 29, 2016, these securities amounted to \$158,706,675 or 23.2% 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 \$413,898,608 at February 29, 2016.

(2) Foreign Issuer.

The percentage shown for each investment category is the total value of that category as a percentage of total managed assets.

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, 2015 through February 29, 2016 (Unaudited)**

	Value
<b>OPERATIONS:</b>	
Net investment income	\$ 8,799,762
Net realized gain/(loss) on investments sold during the period	(228,944)
Change in net unrealized appreciation/(depreciation) of investments	(23,922,045)
<b>Net decrease in net assets resulting from operations</b>	<b>(15,351,227)</b>
<b>DISTRIBUTIONS:</b>	
Dividends paid from net investment income to Common Stock Shareholders <sup>(2)</sup>	(9,195,256)
<b>Total Distributions to Common Stock Shareholders</b>	<b>(9,195,256)</b>
<b>NET DECREASE IN NET ASSETS AVAILABLE TO COMMON STOCK FOR THE PERIOD</b>	<b>\$ (24,546,483)</b>
<b>NET ASSETS AVAILABLE TO COMMON STOCK:</b>	
Beginning of period	\$ 467,911,357
Net decrease in net assets during the period	(24,546,483)
End of period	\$ 443,364,874

(1) These tables summarize the three months ended February 29, 2016 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, 2015.

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

Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**FINANCIAL HIGHLIGHTS<sup>(1)</sup>****For the period from December 1, 2015 through February 29, 2016 (Unaudited)****For a Common Stock share outstanding throughout the period****PER SHARE OPERATING PERFORMANCE:**

Net asset value, beginning of period	\$ 24.43
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**INVESTMENT OPERATIONS:**

Net investment income	0.46
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Net realized and unrealized gain/(loss) on investments	(1.27)
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Total from investment operations	(0.81)
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**DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:**

From net investment income	(0.48)
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Total distributions to Common Stock Shareholders	(0.48)
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Net asset value, end of period	\$ 23.14
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Market value, end of period	\$ 22.64
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Common Stock shares outstanding, end of period	19,156,782
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**RATIOS TO AVERAGE NET ASSETS AVAILABLE TO COMMON STOCK SHAREHOLDERS:**

Net investment income	7.80%*
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Operating expenses including interest expense	1.82%*
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Operating expenses excluding interest expense	1.16%*
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**SUPPLEMENTAL DATA:**

Portfolio turnover rate	2%**
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Total managed assets, end of period (in 000 s)	\$ 684,665
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Ratio of operating expenses including interest expense to total managed assets	1.19%*
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Ratio of operating expenses excluding interest expense to total managed assets	0.76%*
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(1) These tables summarize the three months ended February 29, 2016 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, 2015.

\* 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)**

	<b>Total Dividends Paid</b>	<b>Net Asset Value</b>	<b>NYSE Closing Price</b>	<b>Dividend Reinvestment Price<sup>(1)</sup></b>
December 31, 2015	\$ 0.1600	\$ 24.20	\$ 22.90	\$ 22.87
January 29, 2016	0.1600	23.73	23.19	22.85
February 29, 2016	0.1600	23.14	22.64	22.68

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

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

**NOTES TO FINANCIAL STATEMENTS (Unaudited)**

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

At February 29, 2016, the aggregate cost of securities for federal income tax purposes was \$691,398,086, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$20,510,936 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$34,493,080.

**2. Additional Accounting Standards**

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

- Level 1 quoted prices in active markets for identical securities
- Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

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

Flaherty &amp; Crumrine Dynamic Preferred and Income Fund Incorporated

**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**

A summary of the inputs used to value the Fund's investments as of February 29, 2016 is as follows:

	Total Value at February 29, 2016	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>Preferred Securities</b>				
Banking	\$ 356,778,825	\$ 301,432,547	\$ 55,346,278	\$
Financial Services	5,733,305	5,733,305		
Insurance	190,394,687	113,838,117	76,556,570	
Utilities	17,765,891	9,485,287	8,280,604	
Energy	38,677,104	23,116,532	15,560,572	
Real Estate Investment Trust (REIT)	30,410,995	30,410,995		
Miscellaneous Industries	15,655,148	4,490,648	11,164,500	
<b>Corporate Debt Securities</b>				
Banking	13,014,760	13,014,760		
Communication	2,717,310	2,717,310		
Miscellaneous Industries	621,250	621,250		
<b>Common Stock</b>				
Energy	1,141,117	1,141,117		
Money Market Fund	4,505,550	4,505,550		
<b>Total Investments</b>	<b>\$ 677,415,942</b>	<b>\$ 510,507,418</b>	<b>\$ 166,908,524</b>	<b>\$</b>

During the reporting period, there were no transfers into Level 1 from Level 2 or into Level 2 from Level 1.

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

David Gale

Morgan Gust

Karen H. Hogan

Robert F. Wulf, CFA

**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 Ko

Assistant Treasurer

Laurie C. Lodolo