

Flaherty & Crumrine Dynamic Preferred & Income Fund Inc
Form N-Q
October 27, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-22762

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

(Exact name of registrant as specified in charter)

301 E. Colorado Boulevard, Suite 720

Pasadena, CA 91101

(Address of principal executive offices) (Zip code)

R. Eric Chadwick

Flaherty & Crumrine Incorporated

301 E. Colorado Boulevard, Suite 720

Pasadena, CA 91101

(Name and address of agent for service)

Registrant's telephone number, including area code: 626-795-7300

Date of fiscal year end: November 30

Date of reporting period: August 31, 2016

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q

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unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments.

The Schedule(s) of Investments is attached herewith.

FLAHERTY & CRUMRINE DYNAMIC PREFERRED AND INCOME FUND

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

The preferred market didn't miss a beat in the third fiscal quarter, continuing where it left off second quarter with additional positive returns. Total return² on net asset value (NAV) was 7.3% for the quarter, bringing the total return for the first nine months of fiscal 2016 to 12.1%. Total return on market price over the same periods was 6.5% and 15.6%, respectively.

Tailwinds described earlier in the year continued unabated during the most recent quarter. Monetary policy globally was very accommodative; supply of new preferred securities was subdued; legacy (those losing regulatory-capital treatment) and higher-coupon preferred securities were redeemed at a healthy pace; and credit quality remained strong. Preferred securities offered yield to investors struggling to find it in other places, which resulted in strong demand and higher prices for the asset class.

There is a direct inverse relationship in fixed-income securities (including preferreds) between price and yield, and higher prices this year have led to much lower coupons for newly-issued preferred securities. Many new issues during the quarter yield in the range of 4.5% - 5.5%, which in many cases is lower than early-2016 levels by almost 1.0%. These lower yields on preferreds were the result of lower overall interest rates (Treasuries and Swap Rates) and tighter spreads. Many issuers have taken advantage of persistently-low rates and positive market sentiment to refinance higher-coupon securities.

Although U.S. interest rates remain very low, the short end of the curve (notably T-bills and LIBOR) has moved higher in recent months as investors begin to factor in additional rate hikes by the Federal Reserve. The Federal Open Market Committee passed on a rate hike at its meeting on September 21, however, so markets continue to wrestle with predicting a future path of increases. Higher levels of 3-month LIBOR have resulted in higher leverage costs for the Fund, and future changes in this reference rate will be highly correlated to Federal Reserve rate changes. Although leverage still adds substantial incremental net income for the Fund, we expect that to decline modestly over time as borrowing costs rise.

We continue to see value in preferred securities, although security selection has become more challenging as yields have moved lower and older, higher-coupon issues have been refinanced. Flows into the preferred market (via mutual funds, exchange-traded funds (ETFs), asset managers, and retail investors) have been very strong for many years. If anything gives us pause, it is more this level of inflow than current valuations. ETFs that invest in preferreds have become very large relative to their target market segment (\$25-par listed securities), and it isn't clear where the outer limits are located. We know ETFs have been a source of volatility in the past (or opportunity, depending on one's viewpoint), and we expect they could be again in the future. Preferreds should benefit from continued strong credit quality, reliably earning coupons many of them tax-advantaged over time. However, at current levels they are potentially more sensitive to changes in market sentiment than they were six months ago.

¹ June 1, 2016 - August 31, 2016

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

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

September 30, 2016

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

PORTFOLIO OVERVIEW

August 31, 2016 (Unaudited)

Fund Statistics

Net Asset Value	\$	25.78
Market Price	\$	25.03
Discount		2.91%
Yield on Market Price		7.67%
Common Stock Shares Outstanding		19,157,469

Moody's Ratings*	% of Net Assets
A	2.0%
BBB	54.8%
BB	29.9%
Below BB	3.6%
Not Rated**	6.8%
Below Investment Grade***	34.0%

* 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 2.9%.

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

Industry Categories **% of Net Assets**

Top 10 Holdings by Issuer	% of Net Assets
Citigroup	4.8%
Bank of America Corporation	4.6%
Liberty Mutual Group	4.5%
MetLife	4.2%
Morgan Stanley	3.8%
Fifth Third Bancorp	3.6%
M&T Bank Corporation	3.3%

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PNC Financial Services Group	3.3%
JPMorgan Chase	3.2%
AXA SA	2.6%

% of Net Assets****

Holdings Generating Qualified Dividend Income (QDI) for Individuals	63%
Holdings Generating Income Eligible for the Corporate Dividends Received Deduction (DRD)	48%

****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

August 31, 2016 (Unaudited)

Shares/\$ Par		Value
Preferred Securities 94.7%		
Banking 52.9%		
7,000	AgStar Financial Services ACA, 6.75%, 144A****	\$ 7,434,875*
103,166	Astoria Financial Corp., 6.50%, Series C	2,776,455*
\$ 1,738,000	Australia & New Zealand Banking Group Ltd., 6.75%, 144A****	1,956,974**(2)
\$ 1,000,000	Banco Bilbao Vizcaya Argentaria SA, 9.00%, 144A****	1,048,750**(2)
Bank of America Corporation:		
40,000	6.00%, Series EE	1,080,000*
\$ 1,800,000	6.30%, Series DD	1,971,000*
\$ 9,107,000	6.50%, Series Z	9,938,924*(1)
\$ 7,350,000	8.00%, Series K	7,570,500*(1)
\$ 13,105,000	8.125%, Series M	13,512,539*(1)
60,000	Barclays Bank PLC, 7.10%, Series 3	1,547,400**(2)
BNP Paribas:		
\$ 7,800,000	7.375%, 144A****	7,946,250**(1)(2)
\$ 2,000,000	7.625%, 144A****	2,108,000**(2)
76,704	Capital One Financial Corporation, 6.70%, Series D	2,203,131*(1)
Citigroup, Inc.:		
1,170,807	6.875%, Series K	34,670,522*(1)
24,371	7.125%, Series J	740,452*
\$ 5,000,000	Citizens Financial Group, Inc., 5.50%	4,962,500*(1)
CoBank ACB:		
38,100	6.20%, Series H, 144A****	3,998,119*
3,450	6.25%, Series F, 144A****	368,395*
\$ 550,000	6.25%, Series I, 144A****	596,799*
813,953	Fifth Third Bancorp, 6.625%, Series I	26,455,507*(1)
5,000	First Horizon National Corporation, 6.20%, Series A	130,912*
23,083	First Republic Bank, 6.20%, Series B	606,910*
Goldman Sachs Group:		
10,000	5.50%, Series J	271,425*
\$ 1,170,000	5.70%, Series L	1,196,618*
54,609	6.30%, Series N	1,515,946*
531,522	6.375%, Series K	15,531,073*(1)
HSBC PLC:		
\$ 4,458,000	HSBC Capital Funding LP, 10.176%, 144A****	6,760,557*(1)(2)
\$ 3,988,000	HSBC Holdings PLC, 6.875%	4,182,415**(1)(2)
332,000	Huntington Bancshares, Inc., 6.25%, Series D	9,260,310*(1)
133,400	ING Groep NV, 6.375%	3,428,380**(1)(2)

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2016 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Banking (Continued)		
JPMorgan Chase & Company:		
\$ 10,700,000	6.00%, Series R	\$ 11,306,690 ^{*(1)}
\$ 8,000,000	6.75%, Series S	9,031,680 ^{*(1)}
\$ 3,331,000	7.90%, Series I	3,460,076 ^{*(1)}
34,219	KeyCorp, 8.625%, Series C	896,538*
\$ 14,022,000	Lloyds Banking Group PLC, 6.657%, 144A****	15,634,530 ^{***(1)(2)}
M&T Bank Corporation:		
\$ 15,425,000	6.450%, Series E	17,237,438 ^{*(1)}
\$ 6,789,000	6.875%, Series D, 144A****	6,848,404 ^{*(1)}
Morgan Stanley:		
674,994	6.875%, Series F	20,216,070 ^{*(1)}
241,200	7.125%, Series E	7,381,323 ^{*(1)}
PNC Financial Services Group, Inc.:		
354,580	6.125%, Series P	10,741,115 ^{*(1)}
\$ 11,748,000	6.75%, Series O	13,275,240 ^{*(1)}
\$ 8,625,000	RaboBank Nederland, 11.00%, 144A****	10,560,234 ^{*(1)(2)}
627,170	Regions Financial Corporation, 6.375%, Series B	18,521,898 ^{*(1)}
Royal Bank of Scotland Group PLC:		
\$ 4,825,000	RBS Capital Trust II, 6.425%	5,126,563 ^{***(1)(2)}
538,500	7.25%, Series T	13,672,515 ^{***(1)(2)}
\$ 5,000,000	Societe Generale SA, 8.00%, 144A****	5,106,250 ^{***(1)(2)}
\$ 5,835,000	Standard Chartered PLC, 7.50%, 144A****	5,843,753 ^{***(2)}
26,174	State Street Corporation, 5.90%, Series D	748,118 ^{*(1)}
288,008	SunTrust Banks, Inc., 5.875%, Series E	7,506,208 ^{*(1)}
97,150	US Bancorp, 6.50%, Series F	3,036,180 ^{*(1)}
50,000	Valley National Bancorp, 6.25%, Series A	1,477,500*
Wells Fargo & Company:		
180,300	5.85%, Series Q	5,068,684 ^{*(1)}
\$ 9,025,000	7.98%, Series K	9,555,219 ^{*(1)}
Zions Bancorporation:		
10,000	6.30%, Series G	320,225*
\$ 10,000,000	7.20%, Series J	10,675,000 ^{*(1)}
		389,019,089
Financial Services 0.4%		
\$ 1,440,000	AerCap Global Aviation Trust, 6.50% 06/15/45, 144A****	1,486,800 ⁽²⁾
Charles Schwab Corporation:		
4,300	5.95%, Series D	118,218*
55,700	6.00%, Series C	1,533,003 ^{*(1)}
		3,138,021

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2016 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Insurance 25.9%		
373,578	Allstate Corp., 6.625%, Series E	\$ 10,524,626 ^{*(1)}
	American International Group:	
\$ 280,000	AIG Life Holdings, Inc., 7.57%, 144A****	350,700
\$ 497,000	AIG Life Holdings, Inc., 8.125%, 144A****	657,282
\$ 350,000	American International Group, Inc., 8.175% 05/15/58	459,375
\$ 1,010,000	Aon Corporation, 8.205% 01/01/27	1,343,300
317,980	Arch Capital Group, Ltd., 6.75%, Series C	8,424,085 ^{** (1)(2)}
	AXA SA:	
\$ 6,550,000	6.379%, 144A****	7,172,250 ^{** (1)(2)}
\$ 8,500,000	8.60% 12/15/30	11,976,075 ⁽¹⁾⁽²⁾
646,952	Axis Capital Holdings Ltd., 6.875%, Series C	16,925,882 ^{** (1)(2)}
\$ 5,000,000	Catlin Insurance Company Ltd., 7.249%, 144A****	3,862,500 ⁽¹⁾⁽²⁾
6,000	Delphi Financial Group, 7.376% 05/15/37	133,875
47,000	Endurance Specialty Holdings, 6.35%, Series C	1,309,890 ^{** (2)}
\$ 988,000	Everest Re Holdings, 6.60% 05/15/37	805,220 ⁽¹⁾
137,500	Hartford Financial Services Group, Inc., 7.875%	4,339,844 ⁽¹⁾
	Liberty Mutual Group:	
\$ 17,950,000	7.80% 03/15/37, 144A****	20,866,875 ⁽¹⁾
\$ 8,195,000	10.75% 06/15/58, 144A****	12,394,938 ⁽¹⁾
	MetLife:	
\$ 3,759,000	MetLife, Inc., 10.75% 08/01/39	6,061,388 ⁽¹⁾
\$ 17,200,000	MetLife Capital Trust X, 9.25% 04/08/38, 144A****	24,631,776 ⁽¹⁾
	PartnerRe Ltd.:	
77,450	5.875%, Series I	2,137,620 ^{** (1)(2)}
37,556	6.50%, Series G	1,093,255 ^{** (1)(2)}
252,464	7.25%, Series H	7,940,624 ^{** (1)(2)}
	Prudential Financial, Inc.:	
\$ 5,574,000	5.625% 06/15/43	5,985,083 ⁽¹⁾
\$ 5,848,000	5.875% 09/15/42	6,483,970 ⁽¹⁾
	QBE Insurance:	
\$ 10,900,000	QBE Capital Funding III Ltd., 7.25% 05/24/41, 144A****	12,412,375 ⁽¹⁾⁽²⁾
	Unum Group:	
\$ 1,750,000	Provident Financing Trust I, 7.405% 03/15/38	1,964,975
	W.R. Berkley Corporation:	
229,926	5.625% 04/30/53	5,978,651 ⁽¹⁾
100,020	5.75% 06/01/56	2,625,775 ⁽¹⁾
1,530	5.90% 03/01/56	40,759
	XL Group PLC:	
\$ 14,850,000	XL Capital Ltd., 6.50%, Series E	11,152,350 ⁽¹⁾⁽²⁾
		190,055,318

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2016 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Utilities 5.6%		
Commonwealth Edison:		
\$ 2,000,000	COMED Financing III, 6.35% 03/15/33	\$ 2,132,786
381,000	Dominion Resources, Inc., 5.25% 07/30/76, Series A	9,815,512
100,000	DTE Energy Company, 5.375% 06/01/76, Series B	2,621,250 ⁽¹⁾
\$ 6,830,000	Emera, Inc, 6.75% 06/15/76, Series 2016A	7,398,550 ⁽¹⁾⁽²⁾
121,452	Integrus Energy Group, Inc., 6.00%	3,340,234 ⁽¹⁾
PPL Corp:		
\$ 8,500,000	PPL Capital Funding, Inc., 6.70% 03/30/67, Series A	7,380,618 ⁽¹⁾
\$ 5,500,000	Puget Sound Energy, Inc., 6.974% 06/01/67, Series A	4,719,715 ⁽¹⁾
50,000	SCE Trust V, 5.45%, Series K	1,483,125* ⁽¹⁾
\$ 2,000,000	Southern California Edison Co., 6.25%, Series E	2,249,160*
		41,140,950
Energy 5.2%		
\$ 9,780,000	DCP Midstream LLC, 5.85% 05/21/43, 144A****	7,530,600 ⁽¹⁾
\$ 19,804,000	Enbridge Energy Partners LP, 8.05% 10/01/37	16,907,665 ⁽¹⁾
Enterprise Products Operating L.P.:		
\$ 3,675,000	7.034% 01/15/68, Series B	3,909,667 ⁽¹⁾
\$ 3,750,000	8.375% 08/01/66, Series A	3,520,312 ⁽¹⁾
94,595	Kinder Morgan, Inc., 9.75%, Series A	4,746,777*
\$ 1,500,000	Transcanada Pipelines, Ltd., 5.875% 08/15/76, Series 2016A	1,602,188 ⁽²⁾
		38,217,209
Real Estate Investment Trust (REIT) 2.8%		
425,148	Alexandria Real Estate, 6.45%, Series E	10,968,818 ⁽¹⁾
National Retail Properties, Inc.:		
45,300	5.70%, Series E	1,208,717 ⁽¹⁾
48,284	6.625%, Series D	1,250,676 ⁽¹⁾
PS Business Parks, Inc.:		
22,908	5.70%, Series V	603,912
20,867	5.75%, Series U	540,247
120,658	6.00%, Series T	3,179,338 ⁽¹⁾
70,524	6.45%, Series S	1,829,569 ⁽¹⁾
47,489	Regency Centers Corporation, 6.625%, Series 6	1,235,308
		20,816,585

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2016 (Unaudited)

Shares/\$ Par		Value
Preferred Securities (Continued)		
Miscellaneous Industries 1.9%		
BHP Billiton Limited:		
\$ 1,400,000	BHP Billiton Finance U.S.A., Ltd., 6.75% 10/19/75, 144A****	\$ 1,601,250 ⁽²⁾
\$ 11,700,000	Land O Lakes, Inc., 8.00%, 144A****	12,445,875 ^{*(1)}
		14,047,125
Total Preferred Securities (Cost \$658,493,143)		696,434,297
Corporate Debt Securities 2.3%		
Banking 1.9%		
422,286	Texas Capital Bancshares Inc., 6.50% 09/21/42, Sub Notes	11,018,497 ⁽¹⁾
89,000	Zions Bancorporation, 6.95% 09/15/28, Sub Notes	2,744,092
		13,762,589
Communication 0.3%		
Qwest Corporation:		
84,000	6.50% 09/01/56	2,180,002
16,000	6.625% 09/15/55	424,360
		2,604,362
Miscellaneous Industries 0.1%		
25,000	eBay, Inc., 6.00% 02/01/56	686,062
		686,062
Total Corporate Debt Securities (Cost \$15,772,363)		17,053,013
Common Stock 1.7%		
Energy 1.7%		
555,315	Kinder Morgan, Inc.	12,133,633*
		12,133,633
Total Common Stock (Cost \$9,576,730)		12,133,633

Flaherty & Crumrine Dynamic Preferred and Income Fund Incorporated

PORTFOLIO OF INVESTMENTS (Continued)

August 31, 2016 (Unaudited)

Shares/\$ Par		Value
Money Market Fund	0.2%	