

FLAHERTY & CRUMRINE DYNAMIC PREFERRED AND INCOME FUND

Dear Shareholder,

Welcome to the Flaherty & Crumrine Dynamic Preferred and Income Fund (“DFP”). Following a successful initial public offering in May, we are off to a good start building a quality portfolio of preferred securities.

It may seem unusual to be receiving a shareholder report dated only a few days after the IPO closing, but allow us to explain and provide a roadmap for communications you can expect to receive as a shareholder of DFP. The Fund’s fiscal year ends on November 30 each year, so the semi-annual period is May 31. Even though the Fund is just getting started, we are required by law to produce a shareholder report for the short period that ended on May 31, 2013. Looking forward, you can expect shareholder reports for each fiscal quarter, with annual and semi-annual reports providing additional topics of discussion related to the portfolio and market conditions.

Most fixed-income (and equity) markets have softened in June, and the preferred securities market is no exception. Prices (and corresponding yields) of securities we purchased have been more attractive than we anticipated in May. No one wants to see net asset value (“NAV”) go down, but recent market weakness has presented an opportunity for the Fund to get invested at lower prices than expected, which should enhance longer-term total-return potential for the Fund.

While not quite feeling like a “kid in a candy store”, it is nice to have money to invest during market weakness. We very much believe preferred securities offer long-term value at current prices. There may be some volatility over coming quarters, as markets work their way through anticipated policy changes by the Federal Reserve, but credit quality and economic fundamentals of preferred security issuers remain positive.

The Fund’s investment portfolio is taking shape much as we anticipated and at better prices than expected. As of June 28, we have invested all proceeds from the initial offering. Given market weakness in June, we have been more selective than usual in our purchases—providing liquidity to sellers of preferred securities at prices we think are attractive. Due to this measured pace of investing, we are just now reaching a point of adding leverage to the Fund. Leverage will be added to the Fund in increments, consistent with the rate at which we are adding investments to the portfolio and subject to the limit of 33 1/3% of managed assets at the time of borrowing. We update leverage information each week on the website at www.preferredincome.com, including dollar amount and percentage of total net assets.

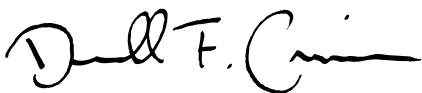
On June 24th, the Fund declared initial monthly dividends to shareholders of \$0.156 per share, beginning on July 31, 2013. At this monthly dividend rate, the annualized yield on initial offering price of \$25.00 is 7.49%. This is one way to quantify the market weakness we have described, and it illustrates the longer-term benefit lower prices can provide to shareholders in the form of higher monthly income.

Our long-term approach to managing your Fund is straightforward. Our investment process begins with our own internal credit research on each issuer we consider for the portfolio. We monitor new issue activity and record specific terms of each security in our own database. We keep that information at our fingertips for use in daily portfolio analysis and trading. We integrate credit and macroeconomic research with market knowledge to make investment decisions, always looking to balance credit, liquidity, call and interest-rate risks with return potential. When investing in preferred securities, we believe investors should be focused on avoiding strikeouts rather than hitting home runs—as such, we much prefer consistent singles and doubles that are also producing attractive levels of income.

We have been managing preferred securities portfolios and closed-end Funds for a long time. We have published many short write-ups explaining our investment approach and offering thoughts on investing in preferred securities and closed-end Funds. Topics often include (but are not limited to) dividend policy, use of leverage, premiums and discounts on closed-end Funds, and the impact of interest rates on preferred securities. We have updated some of this research for shareholders of DFP and posted it on the Fund's website at www.preferredincome.com. In addition to these discussion topics, the website will be an ongoing source of timely and important information on your Fund, so we encourage all shareholders to visit it often. Shareholders may also contact Destra Capital Investments LLC, the Fund's shareholder servicing agent, at (877) 855-3434 for additional information about the Fund.

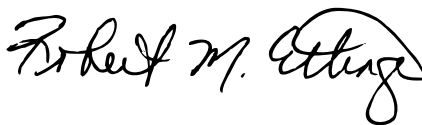
Once again, welcome to DFP.

Sincerely,



Donald F. Crumrine
Chairman

June 28, 2013



Robert M. Ettinger
President