ClearBridge

LMP Capital and Income Fund Inc.

SCD

Multi Cap
December 31, 2024

Product Commentary

Performance Review

- Despite inklings of a market broadening in the fourth quarter sparked by Donald Trump's election victory and further interest rate cuts from the Federal Reserve, the post-election rally proved short-lived and momentum-led with relatively narrow leadership. Rate cuts came amid strong economic data that began to support the case for a slower easing cycle from the Federal Reserve than had been expected. This, along with potentially reflationary policy from the Trump administration, such as tariffs, as well as slight upticks in inflation, put some upward pressure on interest rates, causing some weakness in economically sensitive and rate-sensitive sectors. In the broad market, mega cap tech leadership helped the consumer discretionary, communication services and IT continue their 2024 dominance in the fourth quarter, along with financials. Tariff and inflation concerns, meanwhile weighed on cyclical, rate-sensitive and defensive sectors, with materials, health care, real estate and utilities the bottom performers.
- For the quarter, the fund returned 1.96% at NAV, while the benchmark, the 65% S&P 500, 35% Bloomberg US Aggregate, returned 0.49%.

QUARTERLY KEY PERFORMANCE DRIVERS

- In energy, Energy Transfer LP shares rose as the Trump win in the U.S. presidential election and the Republican sweep raised expectations of greater oil and gas production, raising volumes for pipelines.
- Meanwhile, Broadcom continued to perform well following earnings that maintained optimism around revenues from continued hyperscaler spend.
- American Tower shares declined following the U.S. election, as the market perceived it as a relative loser in the wake of Trump's victory. Trump's policies are also viewed as potentially inflationary, leading to a spike in bond yields, which is particularly impactful for towers given their sensitivity to interest rates.
- Homebuilder Lennar shares were down due to renewed concerns inflation would keep interest and mortgage rates elevated, weighing on the housing market.

Outlook & Strategy

- Market risks remain elevated as a result of anemic economic activity due to still-high interest rates, tight financial conditions and political uncertainty, which remains high due to the unpredictability of policy decisions in areas such as tariffs, taxes and spending priorities. The war in the Middle East adds an additional layer of risk to the overall market, although the U.S. equity market has largely brushed aside the contagion risk of a broader conflict. The U.S. housing market remains weak, in large part due to still-high mortgage rates and weakening economic fundamentals. Corporate earnings are solid but remain under pressure from a slowing economy and high interest rates, which puts upward pressure on interest expense. We believe the Federal Reserve will pause its rate decreases for the time being but we continue to anticipate a couple of additional cuts over the next 12 months, which we view as a positive for the economy more broadly and risk assets such as stocks in particular.
- As always, we carefully weigh short-term risks against the longer-term backdrop, and our assessment is that the environment remains challenging for risk assets such as common stocks in the short term. In the long term, we continue to be comfortable owning high-quality companies that exhibit leadership positions in their sectors, have sound balance sheets, generate strong free cash flow and offer attractive dividend yields and dividend growth potential. In particular, we seek out and analyze those companies that can represent the next generation of dividend aristocrats and have identified a number of our existing holdings that could reach that status over time.
- We remain opportunistic and tactical in managing through the high level of volatility in the energy market. Oil supply is adequate for the time being but could be at risk if the war in the Middle East were to target oil-related infrastructure such as that in Iran, or should geopolitical tensions involve increased oil/natural gas sanctions on Russia. We continue to emphasize balance sheet strength, asset footprint diversity and quality, and we carefully assess our holdings with an eye toward managing successfully through the short-term disruption and thriving in the long term. We continue to believe that in the long term, midstream companies and MLPs continue to represent an attractive investment opportunity as the U.S. continues to cement its status as an energy superpower and exhibit sustained hydrocarbon production increases, which can bode well for high-quality energy MLPs as volumes to be processed are poised to increase over time.
- With relative weakness in the REIT sector over the past year, largely a result of high interest rates, we continue to assess whether our exposure warrants a change. As always, we emphasize those REITs with strong balance sheets, ample cash flows, leadership positions in their sectors and attractive valuations. In particular, we continue to hold infrastructure REITs such as data center REITs and telecommunication REITs where growth opportunities remain robust due to the buildout of artificial intelligence and cloud computing. We believe these next-generation REITs are well-positioned to capitalize on this large opportunity ahead.
- We continue to believe alternative asset managers are an attractive long-term opportunity as many institutional investors seek uncorrelated returns, which these alternative asset managers can provide. Further, they operate in a loosely regulated environment, unlike their large bank counterparties, providing a competitive and sustainable advantage. We particularly like the sector leaders and we expect the growth of assets under management for them to continue to increase.
- We remain bullish about the growth prospects for our technology holdings, especially those holdings that have the prospect for outsize growth opportunities in the artificial intelligence and cloud computing ecosystem. This includes hyperscalers, select software companies, semiconductor investments and some energy and utility companies. In our view, the portfolio is well-positioned to capitalize on these trends, which we believe to be large and long term in nature.

Product Details

Inception Date	02/24/2004
Benchmark	65% S&P 500, 35% Bloomberg US Aggregate, Bloomberg U.S. Aggregate Index, S&P 500 Index

Ticker	SCD
CUSIP	50208A102

Product Description

Provides a broad-based portfolio that can invest in a range of equity and fixed-income securities of both U.S. and foreign issuers, including MLPs, stocks, REITs and fixed income. Seeks total return, emphasizing income. Invests using a rigorous, research process to identify companies with strong fundamentals, skilled and committed management teams and a clear market advantage.

Performance Data

Average Annual Total Returns[1] (%)

	1 Mth	3 Mths	1 Year	3 Year	5 Year	10 Year	Since Inception (02/24/2004)
LMP Capital and Income Fund Inc. (NAV Returns)[a]	-4.76	1.96	22.81	10.75	10.82	7.83	7.59
LMP Capital and Income Fund Inc. (Market Price Return)[a]	-2.90	-0.29	33.73	13.72	11.79	9.73	8.10
65% S&P 500, 35% Bloomberg US Aggregate	-2.12	0.49	16.26	5.03	9.41	9.10	7.96
Bloomberg U.S. Aggregate Index	-1.64	-3.06	1.25	-2.41	-0.33	1.35	3.02
S&P 500 Index	-2.38	2.41	25.02	8.94	14.53	13.10	10.31

Performance shown represents past performance and is no guarantee of future results. *Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when sold, may be worth more or less than the original cost. Returns based on Market Price or NAV, and assume the reinvestment of all distributions at the Dividend Reinvestment Plan Price or NAV, respectively. All returns include the deduction of management fees, operating expenses and all other fund expenses, and do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares. When applicable, performance would have been lower if fees had not been waived in various periods. The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the fund's portfolio. Index data is provided for comparison purposes only. The fund is not managed against an index. Returns for periods of less than one year are not annualized. Please visit franklintempleton.com for the most recent month-end performance.*

The total annual operating expenses are as of the fund's annual report available at the time of publication. Actual expenses may be higher and may impact portfolio returns. **NAV** is total assets less total liabilities divided by the number of shares outstanding. **Market Price**, determined by supply and demand, is the price an investor purchases or sells the fund. The Market Price may differ from a fund's NAV. **Premium** / **Discount** reflects the difference between the NAV and the Market Price of the fund, and represents the amount that the fund is trading above or below its NAV, expressed as a percentage of the NAV.

The **S&P 500 Index** includes 500 leading U.S. publicly traded companies. The **Bloomberg U.S. Aggregate Bond Index** is comprised of investment-grade, U.S. dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity. Source: © S&P Dow Jones Indices LLC. All rights reserved. Bloomberg Indices.

The **Bloomberg US Aggregate Index** is comprised of investment-grade, U.S. dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity. Source: Bloomberg Indices.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Portfolio Diversification

Top Equity Issuers
% of Total

Top Holdings	%
Energy Transfer LP	5.12
Broadcom Inc	4.17
Enterprise Products Partners LP	4.02
Apollo Global Management Inc	3.73
Apple Inc	3.16
ONEOK Inc	3.14
Microsoft Corp	2.77
Blue Owl Capital Inc	2.69
Blackstone Inc	2.65
MPLX LP	2.44

Investment Team

Peter Vanderlee, CFA
Years with Firm 31
Years Experience 26

Patrick J McElroy, CFA
Years with Firm 17
Years Experience 32

1. Periods shorter than one year are shown as cumulative total returns.

What Are The Risks?

All investments involve risks, including possible loss of principal. Equity securities are subject to price fluctuation and possible loss of principal. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets. Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. Investments in energy-related **master limited partnerships and midstream entities** are subject to risks of declines in energy and commodity prices, decreases in energy demand, adverse weather conditions, natural or other disasters, changes in government regulation, and changes in tax laws. To the extent the portfolio invests in a **concentration of certain securities, regions or industries,** it is subject to increased volatility. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Leverage** increases the volatility of investment returns and subjects investments to magnified losses and a decline in value. **Distributions** are not guaranteed and are subject to change. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the fund's performance and result in greater fluctuation in the value of the fund's shares. These and other risks are discussed in the fund's prospectus.

Important Legal Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

Distributions are not guaranteed and are subject to change. The Closed-End Funds are not sold or distributed by Franklin Distributors, LLC, or any affiliate of Franklin Resources, Inc. Unlike open-end funds, shares are not continually offered. Like other public companies, closed-end funds have a one-time initial public offering, and once their shares are first issued, are generally bought and sold through non-affiliated broker/dealers and trade on nationally recognized stock exchanges. Share prices will fluctuate with market conditions and, at the time of sale, may be worth more or less than your original investment. Shares of exchange-traded closed-end funds may trade at a discount or premium to their original offering price, and often trade at a discount to their net asset value. Investment return, market price and net asset value will fluctuate with changes in market conditions. The Funds are subject to investment risks, including the possible loss of principal invested.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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Source: FactSet. Important data provider notices and terms available at www.franklintempletondatasources.com.

a. The total annual operating expenses are as of the fund's annual report available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

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