

LMP Capital and Income Fund Inc.

SCD

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** Most major equity indexes declined in the first quarter as concerns over rising AI capex at hyperscalers, inklings of AI disruption in software, stress in private credit and a shock to energy prices from the war in the Middle East outweighed a nascent rally for cyclical stocks. The S&P 500 Index fell 4.3%, with a rotation in leadership dragging the information technology (IT) sector down 9.2% while the energy sector rallied 38.2%.
- **Contributors:** An overweight to energy and underweights to IT and consumer discretionary helped relative results, as did stock selection in the health care and industrials sectors.
- **Detractors:** Stock selection in energy, financials, consumer staples and IT detracted.
- **Outlook:** Market risks remain elevated as a result of anemic economic activity due to still-high interest rates restricting economic growth coupled with tight financial conditions. Significant uncertainty remains, including the trajectory of future decreases in interest rates, which we expect to occur later this year, although our level of conviction on rate decreases has diminished. While geopolitical developments remain a source of volatility, we are careful not to overreact to short-term events whose outcomes and duration are inherently uncertain, and we remain disciplined with security selection grounded in bottom-up fundamental factors with a medium- to long-term focus.

Performance Review

- The Fund outperformed the S&P 500 Index in the quarter, driven primarily by an overweight to energy.
- Williams, Plains GP Holdings LP, Kinder Morgan, Enterprise Products Partners LP, ONEOK and Energy Transfer LP outperformed as the war in the Middle East lifted oil prices and midstream energy was rewarded for its defensive cash flows in a more volatile market.
- Negative sentiment for software weighed on Microsoft, which also traded down on worries over higher than expected AI capex and delays in monetizing its AI backlog. Our underweight to the stock was beneficial.
- Marvell Technology shares were higher as the semiconductor maker delivered strong earnings and announced a \$2 billion investment by Nvidia in a broad strategic partnership.
- Ares Management common shares, Apollo Asset Management 6.75% convertible preferred shares, KKR 6.25% convertible preferred shares and Blue Owl Capital declined amid investor concerns surrounding the outlook for private equity realizations, potential credit quality deterioration in software-related loan portfolios, and rising redemption activity within retail-oriented private credit products.
- In energy, not owning ExxonMobil or Chevron was a relative detractor.
- McCormick was lower as expectations grew that it would move to acquire Unilever's foods business, a transaction viewed as large, complex and occurring at an inopportune time for McCormick's struggling core business.

Outlook

- Market risks remain elevated as a result of anemic economic activity due to still-high interest rates restricting economic growth coupled with tight financial conditions. Significant uncertainty remains, including the trajectory of future decreases in interest rates, which we expect to occur later this year, although our level of conviction on rate decreases has diminished. Though oil demand is mostly stable, oil supply continues to exhibit significant volatility driven by geopolitical factors, especially with regards to ongoing conflict in the Middle East, with the Strait of Hormuz, responsible for about 20% of daily oil shipments, all but closed. The potential for incremental supplies out of Venezuela seems unlikely in the short term and provides little relief to the ongoing pressure on oil supply. The U.S. housing market remains weak, in large part due to still-high mortgage rates and weak 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 are also seeing early signs of a broadening in market leadership away from a narrow group of mega cap technology companies toward sectors with more durable earnings streams, attractive valuations and tangible asset backing. At the same time, questions around the sustainability and return profile of significant AI-related capital expenditures have introduced greater selectivity within the technology sector. While geopolitical developments remain a source of volatility, we are careful not to overreact to short-term events whose outcomes and duration are inherently uncertain, and we remain disciplined with security selection grounded in bottom-up fundamental factors with a medium- to long-term focus.
- We are further emphasizing high-quality companies that own and operate real assets, which have a low risk of disintermediation from AI. We own such companies in areas like energy midstream, REITs, utilities and select industrials and consumer staples. Importantly, these hard-asset, low-obsolence (HALO) businesses are not purely defensive; many are directly levered to structural growth themes including AI infrastructure buildout, energy security and demographic demand. Many of these companies also benefit from embedded inflation protection through contractual or regulated pricing mechanisms. We increasingly view AI as a long-term disruptive force but one requiring substantial investment in hard assets such as power generation, data centers and supporting infrastructure.

Top Equity Issuers (% of Total)

Holding	Fund
Williams Cos Inc/The	2.84
Union Pacific Corp	2.56
Apple Inc	2.49
QXO 4.75 CONVERTIBLE PFD SERIE	2.12
Alphabet Inc	2.03

Top MLP Issuers (% of Total)

	Fund
Energy Transfer Equity LP	1.92
Enterprise Products Partners LP	1.69
Plains GP Holdings LP	1.46
MPLX LP MLP	1.21
Delek Logistics Partners LP	0.70

Top REIT Issuers (% of Total)

	Fund
Equity LifeStyle Properties Inc	1.60
Digital Realty Trust, Inc.	1.54
American Tower Corp	1.49
Equity Residential	1.36
Public Storage (PSA)	1.09

Average annual total returns (%) - as of March 31, 2026

Product	Ticker	Listed Exchange	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Inception Date
Market Price Return	SCD	NYSE - XNYS	3.17	0.80	3.17	2.90	17.16	12.56	11.61	7.50	2/24/2004
NAV Returns	—	—	0.86	1.14	0.86	4.57	13.51	11.08	9.80	7.23	2/24/2004
Benchmark 1	—	—	-2.83	-0.78	-2.83	13.03	13.10	7.99	9.88	8.00	—
Benchmark 2	—	—	-0.05	1.05	-0.05	4.35	3.63	0.31	1.70	3.17	—
Benchmark 3	—	—	-4.33	-1.79	-4.33	17.80	18.32	12.06	14.16	10.30	—

*Cumulative total returns

Benchmark(s)

Benchmark 1=65% S&P 500, 35% Bloomberg US Aggregate

Benchmark 2=Bloomberg U.S. Aggregate Index

Benchmark 3=S&P 500 Index

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. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expense or sales charges. 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.

Distribution Rate is calculated by annualizing the most recent distribution amount paid, divided by the closing market price or NAV as of the date indicated. The Distribution Rate calculation includes income, may include return of capital and excludes special distributions. The Distribution Rate is subject to change and is not guaranteed nor a quotation of fund performance.

The difference between total assets and net assets, if any, is due primarily to the fund's use of borrowings and other liabilities; net assets do not include borrowings. The fund may employ leverage in the form of loans, preferred stock, reverse repurchase agreements and/or other instruments. When the fund engages in transactions that have a leveraging effect on the fund's portfolio, the value of the fund will be more volatile and all other risks will tend to be compounded.

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.

Glossary

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

Important 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.

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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. 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. The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization.

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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.