FRANKLIN TEMPLETON

ClearBridge

LMP Capital and Income Fund Inc.

SCD | **Commentary | as of December 31, 2025**

Key Takeaways

- **Markets:** U.S. equites finished a strong 2025 with more subdued gains in the fourth quarter, with the S&P 500 Index rising 2.7% from October through December to end the year up 17.9%. Health care stocks led the market due to lower policy uncertainty, improved earnings, and attractive valuations. Despite a 25 bps cut in the federal-funds rate in December, elevated long-term yields and slow growth weighed on the real estate and utilities sectors — with the latter also suffering as the AI trade ebbed.
- **Contributors**: Stock selection in health care and consumer staples, along with information technology and consumer discretionary underweights.
- **Detractors**: Stock selection in information technology, industrials, consumer discretionary and communication services, as well as a real estate overweight and a communication services underweight.
- **Outlook**: Market risks remain elevated as a result of anemic economic activity due to still-high interest rates restricting economic growth, tight financial conditions and economic uncertainty. While 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.

Performance Review

- Stock selection in health care was beneficial. Merck shares were up as the drug maker announced successful mid-stage results for its new lung indication and raised its dividend.
- Swiss biopharmaceutical and diagnostics company Roche reported positive Phase III data in the fourth quarter for giredestrant in breast cancer and fenebrutinib in multiple sclerosis, paving the way for new treatments with peak sales opportunities of $5 billion each. These two products should enable Roche to grow revenues through the loss of exclusivity period for several cancer and MS drugs and secure its place among the pharmaceutical companies that can grow revenue for the next 10+ years.
- In information technology, an underweight to Microsoft was beneficial, as concerns of an AI bubble, where Microsoft has been a strong leader, weighed on shares for the AI, cloud and personal computing giant.
- Oracle shares declined on concerns of low profitability in its fast-growing AI cloud server-rental business, Oracle Cloud Infrastructure, which could be further exacerbated by higher spending on data centers.
- Alphabet delivered a healthy earnings beat with revenue surpassing $100 billion for the first time, lending credence to its full-stack approach to AI, which combines its own advanced large language models with AI-specific chips designed in-house. The fund's underweight position was a relative detractor.
- Eli Lilly performed well during the quarter after its November deal with the Trump Administration accelerated the launch of its oral orforglipron and opened broad coverage for the Medicare population as early as the second quarter of 2026. The fund's underweight detracted from relative results.

Outlook

- Market risks remain elevated as a result of anemic economic activity due to still-high interest rates restricting economic growth, tight financial conditions and economic uncertainty. Uncertainty remains, especially in the pace of future decreases in interest rates. The added incremental barrels of oil to the market, driven by OPEC, continue to cause pressure on oil prices and have resulted in an area of concern for the energy complex. 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. As we expected, the Federal Reserve has cut interest rates, and we do expect a few more rate cuts in 2026, although the timing for additional rate cuts in 2026 is uncertain.
- 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.
- In recognizing the current uncertain investment landscape, we continue to focus on high-quality companies with strong dividend profiles, including high-quality (emerging) dividend aristocrats, which typically provide more stability during turbulent times. We continue to carefully assess the risks and rewards in our exposures and recognize that the investment environment remains volatile.

Top Equity Issuers (% of Total)

Holding	Fund
Apple Inc	2.55
Marvell Technology Inc	2.44
Alphabet Inc	2.29
Broadcom Inc	2.12
NextEra Energy Inc	2.11

Top MLP Issuers (% of Total)

	Fund
Enterprise Products Partners LP	1.89
Energy Transfer Equity LP	1.70
Plains GP Holdings LP	1.28
MPLX LP MLP	1.17
CrossAmerica Partners LP	0.62

Top REIT Issuers (% of Total)

	Fund
Equity LifeStyle Properties Inc	1.44
American Homes 4 Rent Class A	1.09
VICI Properties Inc.	1.05
American Tower Corp	1.04
Prologis Inc.	1.02

Average annual total returns (%) - as of December 31, 2025

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	-2.30	-0.44	-5.69	-5.69	17.31	14.26	11.55	7.43	2/24/2004
NAV Returns	—	—	0.27	1.61	0.86	0.86	15.19	12.44	9.82	7.27	2/24/2004
Benchmark 1	—	—	2.11	8.20	14.23	14.23	16.39	9.21	10.42	8.24	—
Benchmark 2	—	—	1.10	3.15	7.30	7.30	4.66	-0.36	2.01	3.21	—
Benchmark 3	—	—	2.66	11.00	17.88	17.88	23.01	14.42	14.82	10.65	—

*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.*
Gross expenses are the fund's total annual operating expenses as of the fund's annual report available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect voluntary fee waivers, expense caps and/or reimbursements. Voluntary waivers may be modified or discontinued at any time without notice.
The difference between total assets and net assets, if any, is due primarily to the fund's use of borrowings and other liabilities; netassets do not include borrowings. The fund may employ leverage in the form of loans, preferred stock, reverse repurchase agreementsand/or other instruments. When the fund engages in transactions that have a leveraging effect on the fund's portfolio, the value of thefund 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. 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.

Glossary

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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.

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. **Distributions are not guaranteed and are subject to change.**

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

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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.