FRANKLIN TEMPLETON | ClearBridge

LMP Capital and Income Fund Inc.

SCD **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** U.S. stocks continued to rise in the third quarter, with returns shaped by two major macro forces: the oil supply shock stemming from tensions in the Middle East driving oil prices higher and, partly a result of this, higher inflation expectations and bond yields.
- **Contributors**: Stock selection in industrials and an energy overweight aided relative results. Top individual contributions came from not owning Tesla, Applied Materials, KLA, Lam Research and Caterpillar.
- **Detractors**: Stock selection in energy and IT, an underweight to IT and an overweight to industrials and real estate detracted. Top individual detractors included DTE Energy, Honeywell Aerospace, not owning Nvidia and underweights to Microsoft and Apple.
- **Outlook**: We continue to see 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.

Performance Review

- The portfolio's lack of exposure to Tesla contributed as slowing fundamentals, questions about the durability of electric-vehicle demand and a slower-than-anticipated robotaxi rollout weighed on the shares.
- Avoiding Applied Materials, KLA and Lam Research was beneficial as semiconductor equipment stocks reversed some of their strong second-quarter gains amid elevated valuations, uncertainty about the returns and durability of AI capital spending and China-related risks.
- Not owning Caterpillar also helped as profit taking and concerns about higher financing and operating costs pressured economically sensitive industrial companies.
- Conversely, the lack of exposure to Nvidia and underweights to Microsoft and Apple detracted. Nvidia's strong results and outlook reinforced its leadership in AI infrastructure, while accelerating Azure growth and Copilot adoption supported Microsoft and strong iPhone demand and product upgrades strengthened expectations for Apple's replacement cycle.
- Among portfolio holdings, DTE Energy was pressured by rising Treasury yields and a rotation away from dividend-paying utilities, while Honeywell Aerospace declined after its first results as an independent company fell short of expectations and supply-chain constraints prompted management to reduce its full-year outlook.

Outlook

- Market risks remain elevated due to rising interest rates restricting economic growth. Significant uncertainty remains, including uncertainty about the magnitude and timing of rising interest rates. As we expected, the Federal Reserve increased short-term rates in September. Oil supply constraints in the Strait of Hormuz, responsible for about 20% of daily oil shipments, appear to be improving, easing the fallout of the supply crunch. The U.S. housing market remains weak, in large part due to high and increasing mortgage rates and weak housing fundamentals. Corporate earnings are strong, providing support for equity prices.
- We continue to see 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 and have caused the stocks of the hyperscalers to be relative underperformers.
- As always, we carefully weigh short-term risks against the longer-term backdrop. 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.

Top Equity Issuers (% of Total)

Holding	Fund
Apple Inc	3.79
Microsoft Corp	3.12
QXO 4.75 CONVERTIBLE PFD SERIE	3.08
Energy Transfer LP	3.04
Williams Cos Inc/The	2.53

Top MLP Issuers (% of Total)

	Fund
Energy Transfer Equity LP	3.04
Delek Logistics Partners LP	1.71
Plains GP Holdings LP	1.48
Enterprise Products Partners LP	1.31
MPLX LP MLP	1.14

Top REIT Issuers (% of Total)

	Fund
American Tower Corp	1.51
Digital Realty Trust, Inc.	1.43
Equity Residential	1.33
Equity LifeStyle Properties Inc	1.15
Public Storage (PSA)	1.08

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns (%) - as of September 30, 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	-3.58	3.43	6.71	4.26	15.68	10.71	10.40	7.48	2/24/2004
NAV Returns	—	—	-2.64	6.59	7.51	7.80	14.71	10.24	9.33	7.36	2/24/2004
Benchmark 1	—	—	0.24	10.31	7.18	9.45	16.11	8.73	10.41	8.29	—
Benchmark 2	—	—	-3.51	-2.87	-2.91	-1.84	4.06	-0.64	1.14	2.97	—
Benchmark 3	—	—	2.30	17.85	12.75	15.74	22.89	13.79	15.33	10.86	—

*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 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.

Glossary

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

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.

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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.

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