

# LMP Capital and Income Fund Inc.

Commentary | as of June 30, 2025

## Key Takeaways

- **Markets:** U.S. equities rebounded strongly from tariff and geopolitical scares to deliver healthy gains in the second quarter. The S&P 500 returned 10.9% in the quarter, swinging from a near bear market to an all-time high. For the quarter, growth stocks beat value stocks with tariff uncertainty and geopolitical tensions capping gains for economically sensitive financials and materials stocks and drove negative returns for the energy sector.
- **Contributors:** Holdings in Oracle, Marvell Technology, an underweight to Apple. Stock selection in the financials sector, underweight to health care.
- **Detractors:** Holdings in Oneok, Enterprise Products Partners L.P., an underweight to Microsoft. Stock selection in the real estate sector, overweight to energy, underweight to information technology (IT).
- **Outlook:** Market risks remain elevated due to anemic economic activity and heightened political uncertainty regarding tariffs, taxes and fiscal spending priorities. OPEC's recent decisions to increase production adds further concern for the energy complex.

## Performance Review

- Hurt by a significant overweight to energy, the worst performing sector in the S&P 500, and an underweight to IT, the best performing sector, the Fund underperformed in the second quarter.
- An underweight to the underperforming Apple, which was lower due to continued concerns over tariffs as well as worries about its lagging in AI capabilities, contributed positively.
- Marvell Technology shares were up as the semiconductor and networking equipment maker announced two contracts with hyperscalers for its new specialized processing units.
- Oracle beat estimates in its latest earnings report and raised its guidance, citing sizable acceleration in its cloud infrastructure revenues and growth expected to exceed that of hyperscaler peers.
- Microsoft was up after it delivered better-than-expected revenues driven by acceleration in Azure cloud business; the company is enjoying meaningful overlapping AI efficiency gains which seem to be eclipsing the pace of gains of prior compute transitions. An underweight detracted.
- ONEOK's and Enterprise Products Partners LP's underperformance was due to market uncertainty following OPEC's decision to accelerate production increases, which put downward pressure on oil prices.

## Outlook

- Market risks remain elevated as a result of anemic economic activity due to still-high interest rates, tight financial conditions and heightened political uncertainty, particularly in the areas of tariffs, taxes and fiscal spending priorities. OPEC's recent decisions to add incremental barrels of oil to the market have caused weakness in oil prices and introducing another 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. We believe the Federal Reserve will implement rate cuts in short order for the remainder of 2025, which we view as a positive for the economy more broadly and risk assets such as stocks in particular.
- We continue to be constructive on owning the next generation of dividend aristocrats, those companies that have not yet reached 25 years of consecutive annual dividend increases but are well on their way. We have thoroughly analyzed these emerging dividend aristocrats and have identified them in many sectors in the market such as IT, health care, industrials, real estate, financials and utilities. We believe this cohort is well-positioned to show resiliency in the current market environment while offering the potential for dividend growth and capital appreciation over time.

## Asset Allocation (% of Total)

Asset Class	Fund
Common Stocks	65.74
Convertible Preferred Stocks	11.65
Equity REITs	8.86
Energy MLPs	8.73
Bond	4.59
Cash	0.43

## Top Equity Issuers (% of Total)

Holding	Fund
Marvell Technology Inc	3.33
NextEra Energy Inc	2.33
PPL Corp	2.15
Enterprise Products Partners LP	2.11
JPMorgan Chase & Co	2.03

## Top MLP Issuers (% of Total)

	Fund
Enterprise Products Partners LP	2.11
Energy Transfer Equity LP	1.96
Plains GP Holdings LP	1.27
Sunoco LP	1.23
MPLX LP MLP	0.91

## Top REIT Issuers (% of Total)

	Fund
Equity LifeStyle Properties Inc	1.78
VICI Properties Inc.	1.60
American Homes 4 Rent Class A	1.46
American Tower Corp	1.39
Equity Residential	0.81

Average annual total returns (%) - as of June 30, 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	0.18	-5.28	-5.28	9.56	18.26	19.12	9.92	7.63	2/24/2004
NAV Returns	—	—	2.03	-0.73	-0.73	9.63	15.93	17.01	8.33	7.37	2/24/2004
Benchmark 1	—	—	7.51	5.57	5.57	12.07	13.61	10.49	9.60	8.04	—
Benchmark 2	—	—	1.21	4.02	4.02	6.08	2.55	-0.73	1.76	3.13	—
Benchmark 3	—	—	10.94	6.20	6.20	15.16	19.71	16.64	13.65	10.37	—

\*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](http://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. These and other risks are discussed in the fund's prospectus.

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. 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.

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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](http://www.franklintempleton.com). Please read it carefully.