

Performance Review

- Despite a fast start to the year — a broad-based rally propelled the S&P 500 Index +2.8% in January — the market struggled for traction in the first quarter of 2025. Post-election animal spirits faded in February and March as investors grappled with on again/off again tariff announcements and consternation over the AI outlook. By the end of the quarter, the S&P declined -4.3%, breaking the index's streak of five consecutive quarterly advances.
- For the quarter, the fund returned -2.71% at NAV, while the benchmark, the 65% S&P 500, 35% Bloomberg US Aggregate, returned -1.80%.

QUARTERLY KEY PERFORMANCE DRIVERS

- Enterprise Products Partners LP, Plains GP Holdings LP and MPLX shares were higher as an energy-friendly administration took the White House and the trend for more power demand from AI-related data centers continued. Shares also rose as the energy sector outperformed amid rising oil and gas prices.
- Broadcom was lower as the unveiling of Chinese AI startup DeepSeek, whose new foundational and reasoning models — reportedly offering similar performance to leading U.S. models at lower compute costs — triggered a broader selloff in the AI ecosystem.
- Blue Owl Capital and Apollo Asset Management 6.75% convertible preferred shares were down as the market rotated from alternative asset managers, which performed well in 2024.

Outlook & Strategy

- 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. The cloud of unpredictability and uncertainty surrounding these topics is causing elevated volatility on an almost daily basis. The war in the Middle East is nearing its final stages and the risk to the overall market appears to be contained. 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 additional cuts in 2025, 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.
- In recognizing the current volatile investment landscape, we have been increasing our positions in defensive names as evidenced by our recent initiations in Walmart and PepsiCo in consumer staples and McKesson in health care. Indeed, we have increased our focus on more defensive sectors like consumer staples and health care. Those sectors are also very good hunting grounds to find high-quality (emerging) dividend aristocrats, which typically offer solid dividend profiles while providing more stability during turbulent times. By the same token, we have diminished our positions in more cyclical sectors such as information technology and alternative asset managers and used the proceeds as a source of funds for these more defensive companies. We continue to carefully assess the risks and rewards in our exposures and recognize that the investment environment has become increasingly volatile.
- We remain opportunistic and tactical in managing through the high level of volatility in the energy market. Oil supply remains adequate for the time being and the risk of escalation of the war in the Middle East involving oil-related infrastructure such as those in Iran appears diminished. 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. For the time being, we are content holding onto our positions. 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 outside 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 Returns¹ (%)

	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	-4.41	-2.71	10.44	9.50	22.29	7.56	7.35
LMP Capital and Income Fund Inc. (Market Price Return) ^a	-5.32	-5.44	10.66	12.42	25.10	8.95	7.72
65% S&P 500, 35% Bloomberg US Aggregate	-3.65	-1.80	7.18	6.20	11.83	8.77	7.77
Bloomberg U.S. Aggregate Index	0.04	2.78	4.88	0.52	-0.40	1.46	3.11
S&P 500 Index	-5.63	-4.27	8.25	9.06	18.59	12.50	9.96

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	5.02
Enterprise Products Partners LP	4.52
ONEOK Inc	3.21
MPLX LP	2.82
Plains GP Holdings LP	2.53
Procter & Gamble Co/The	2.10
PepsiCo Inc	2.08
Union Pacific Corp	1.92
Equity LifeStyle Properties Inc	1.87
JPMorgan Chase & Co	1.80

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.

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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.

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a. 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.