

Performance Review

- The market roared in the third quarter, with the S&P 500 Index rising 5.9%. It looks like the Federal Reserve (Fed)¹ stuck the soft landing and felt confident enough about inflation to cut rates by 0.5%. The index has now gained in seven of the past eight quarters, including advances in 10 of the past 11 months. The S&P 500's advance of 22% year to date is the strongest three-quarter start to a calendar year since 1997 and the ninth best of all time. With a trailing 12-month return of 36% — the 95th percentile of one-year rolling returns since 1987 — it's hard to describe this run as anything but superlative. Real estate and utilities — sectors that traditionally benefit from lower interest rates — led the index in the quarter, rising 17% and 19%, respectively. The industrials sector also performed well, climbing 12%, driven by shares of construction and building products companies on hopes lower mortgage and financing rates would spur demand for renovations and new homes. Energy shares were the worst-performing, meanwhile, on the heels of a 16% decline in the price of crude oil, which, at \$68.17 per barrel, is the lowest it has been to end a quarter since March 2021. Information technology (IT) shares were a rare laggard as semiconductor stocks paused on a relative basis while software stocks struggled for footing as investors grow impatient about seeing these companies monetize their investments in generative AI.
- For the quarter, the fund returned 8.31% at NAV, while the benchmark, the 65% S&P 500, 35% Bloomberg US Aggregate, returned 5.65%.

QUARTERLY KEY PERFORMANCE DRIVERS

- Apple (AAPL), in the IT sector, designs, manufactures, and markets personal computers, smartphones and a variety of related software, services and devices. Shares were higher as investors saw potential for a strong iPhone upgrade cycle given substantial demand during COVID due for refresh, with generative AI potentially catalyzing an even stronger cycle and a mix shift to premium models.
- Qualcomm (QCOM), in the IT sector, is a global leader in the development and commercialization of foundational technologies for the wireless industry. Shares were down in sympathy with the IT sector and amid some conservative commentary the company gave about the smartphone market.
- Microsoft (MSFT), in the IT sector, develops software including the Windows family of products, the Microsoft Office system and the Azure cloud platform. Shares pulled back as IT and AI-beneficiary stocks rotated out of favor.

Outlook & Strategy

- Market risks remain elevated as a result of the continued slowdown in economic activity due to high interest rates, tight financial conditions and political uncertainty due to the upcoming U.S. elections. The escalating war in the Middle East adds an additional layer of risk to the overall market, although the U.S. equity market has largely brushed aside the contagion risk of a broader conflict. 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, we did get a rate cut in September and we continue to further anticipate rate cuts starting later this year.
- 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.
- We remain opportunistic and tactical in managing through the high level of volatility in the energy market. Oil supply is adequate for the time being but could be at risk if the war in the Middle East were to spread to oil-producing countries, notable Iran. 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 weakness in the REIT sector earlier this year, largely a result of high interest rates, we recently became more positive on its prospects and added to our exposure. 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.

1. The **Federal Reserve** ("Fed") is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.

- 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 Returns² (%)

	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	1.91	8.31	36.52	13.77	11.94	7.92	7.58
LMP Capital and Income Fund Inc. (Market Price Return) ^a	7.55	16.00	54.26	18.34	14.49	9.84	8.22
65% S&P 500, 35% Bloomberg US Aggregate	1.86	5.65	27.24	7.29	10.56	9.46	8.04
Bloomberg U.S. Aggregate Index	1.34	5.20	11.57	-1.39	0.33	1.84	3.21
S&P 500 Index	2.14	5.89	36.35	11.91	15.98	13.38	10.31

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	4.44
	Enterprise Products Partners LP	3.71
	Broadcom Inc	3.24
	Apple Inc	3.03
	Microsoft Corp	2.85
	ONEOK Inc	2.84
	NextEra Energy Inc	2.81
	Apollo Global Management Inc	2.61
	Blackstone Inc	2.40
	Blue Owl Capital Inc	2.29

Investment Team

Peter Vanderlee, CFA
 Years with Firm 30
 Years Experience 25

Patrick J McElroy, CFA
 Years with Firm 17
 Years Experience 31

Tatiana Eades
 Years with Firm 19
 Years Experience 25

2. 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.

Distributions are not guaranteed and 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.

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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Source: FactSet. Important data provider notices and terms available at www.franklintempletondatasources.com.

a. 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.

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