

LMP CAPITAL & INCOME FUND INC.  
Form N-CSRS  
July 25, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**  
**Investment Company Act file number 811-21467**

**LMP Capital and Income Fund Inc.**  
**(Exact name of registrant as specified in charter)**

**620 Eighth Avenue, 49th Floor, New York, NY 10018**  
**(Address of principal executive offices) (Zip code)**

**Robert I. Frenkel, Esq.**

**Legg Mason & Co., LLC**

**100 First Stamford Place,**

**Stamford, CT 06902**

**(Name and address of agent for service)**

**Registrant's telephone number, including area code: (888) 777-0102**

**Date of fiscal year end: November 30**

**Date of reporting period: May 31, 2016**

ITEM 1. REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

Semi-Annual Report

May 31, 2016

LMP

# CAPITAL AND INCOME FUND INC. (SCD)

INVESTMENT PRODUCTS: NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

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<b>Fund objective</b>	

The Fund's investment objective is total return with an emphasis on income.

The Fund invests in a broad range of equity and fixed-income securities of both U.S. and foreign issuers. The Fund will vary its allocation between equity and fixed-income securities depending on the investment manager's view of economic, market or political conditions, fiscal and monetary policy and security valuation.

## Letter from the chairman

### Dear Shareholder,

We are pleased to provide the semi-annual report of LMP Capital and Income Fund Inc. for the six-month reporting period ended May 31, 2016. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, [www.lmcef.com](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

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Chairman, President and Chief Executive Officer

June 30, 2016

II LMP Capital and Income Fund Inc.

## Investment commentary

### Economic review

The pace of U.S. economic activity moderated during the six months ended May 31, 2016 (the reporting period). Looking back, the U.S. Department of Commerce reported that third quarter 2015 U.S. gross domestic product (GDP) growth was 2.0%. The U.S. Department of Commerce then reported that fourth quarter 2015 GDP growth was 1.4%. Slower growth was attributed to downturns in nonresidential fixed investment and state and local government spending, along with a deceleration in personal consumption expenditures (PCE) and less export activity. The U.S. Department of Commerce's final reading for first quarter 2016 GDP growth released after the reporting period ended was 1.1%. This further slowdown was attributed to a number of factors, including a deceleration in PCE, a larger decrease in nonresidential fixed investment and a downturn in federal government spending.

Job growth in the U.S. was generally solid and was a tailwind for the economy during the reporting period. When the period began, unemployment was 5.0%, as reported by the U.S. Department of Labor. By May 2016, unemployment was 4.7%, its lowest level since December 2007.

## Investment commentary (cont d)

### Market review

#### Q. How did the Federal Reserve Board ( Fed ) respond to the economic environment?

A. After an extended period of maintaining the federal funds rate<sup>iii</sup> at a historically low range between zero and 0.25%, the Fed increased the rate at its meeting on December 16, 2015. This marked the first rate hike since 2006. In particular, the U.S. central bank raised the federal funds rate to a range between 0.25% and 0.50%. In its official statement after the December 2015 meeting, the Fed said, "The stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation." The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. At its meetings that concluded on January 27, 2016, March 16, 2016, April 27, 2016, and June 15, 2016 (after the reporting period ended), the Fed kept rates on hold.

#### Q. What factors impacted the U.S. stock market during the reporting period?

A. The U.S. stock market was volatile over the six months ended May 31, 2016. The market declined during the first three months of the reporting period. This weakness was triggered by a number of factors, including concerns about the fallout from moderating economic growth in China, uncertainties surrounding future Fed actions and several geopolitical issues. However, the market then rallied over the last three months of the reporting period. Investor sentiment improved as U.S. economic data was generally positive, oil prices moved higher and the Fed reduced its expectations for rate hikes in 2016. All told, for the six months ended May 31, 2016, the S&P 500 Index<sup>iv</sup> gained 1.93%.

Looking at the U.S. stock market more closely, mid-cap stocks, as measured by the Russell Midcap Index<sup>v</sup>, generated the strongest returns, as they gained 2.21% over the reporting period. In contrast, small-cap stocks generated the weakest results, with the Russell 2000 Index<sup>vi</sup> falling 2.86%, whereas large-cap stocks, as measured by the Russell 1000 Index<sup>vii</sup>, returned 1.64%. From an investment style perspective, growth and value stocks, as measured by the Russell 3000 Growth<sup>viii</sup> and Russell 3000 Value<sup>ix</sup> Indices, returned -0.20% and 2.88%, respectively, during the six months ended May 31, 2016.

Looking at the energy master limited partnership ( MLP ) market, over the six months ended May 31, 2016, the Alerian MLP Index<sup>x</sup> increased 5.22% compared to the 1.93% return of the S&P 500 Index. After underperforming the broader market in the latter half of 2015 and early 2016, the Alerian MLP Index rebounded strongly to close out the period, as oil prices increased after bottoming out in February 2016 at \$26 per barrel. By the end of May 2016, oil reached \$49 per barrel, reflecting an overall market rally, while the Alerian MLP Index itself returned 51.9% from the oil-price trough in February through May 31, 2016. The decline in oil prices over the last two years had caused concern among MLP investors that there would be a reduction in capital expenditures in Exploration and Production companies and that there could be an increase in upstream bankruptcies, putting downward pressure on midstream MLP revenue.



projections. Short-term fluctuations in MLP stocks may be expected in this environment; however, we believe over the long-term, MLP share prices will be driven by company fundamentals and their ability to grow distributions to investors.

**Q. Did Treasury yields trend higher or lower during the six months ended May 31, 2016?**

**A.** Both short-term and long-term Treasury yields declined during the reporting period. When the period began, the yield on the two-year Treasury note was 0.94%. Its low for the period was 0.64% on February 11, 2016, and it peaked at 1.09% on December 29, 2015. The yield on the two-year Treasury note ended the period at 0.87%. The yield on the ten-year Treasury note began the period at 2.21%. Its peak of 2.32% occurred on December 29, 2015, and its low of 1.63% was on February 11, 2016. The yield on the ten-year Treasury note ended the period at 1.84%.

**Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?**

**A.** The spread sectors generally posted positive results during the reporting period. Performance fluctuated with investor sentiment given signs of moderating global growth, shifting expectations for future Fed monetary policy and geopolitical issues. The broad U.S. bond market, as measured by the Barclays U.S. Aggregate Index<sup>xi</sup>, returned 3.12% during the six months ended May 31, 2016.

**Q. How did the high-yield bond market perform over the six months ended May 31, 2016?**

**A.** The U.S. high-yield bond market, as measured by the Barclays U.S. Corporate High Yield 2% Issuer Cap Index<sup>xi</sup>, gained 5.34% for the six months ended May 31, 2016. The high-yield market declined during the first two months of the reporting period. This was triggered by a number of factors, including falling oil prices and poor investor demand. After stabilizing in February 2016, the high-yield market rallied sharply over the last four months of the reporting period. This turnaround occurred as oil prices started to rebound and the Fed reduced its expectations for rate hikes in 2016.

**Q. How did the emerging markets debt asset class perform over the reporting period?**

**A.** The JPMorgan Emerging Markets Bond Index Global (EMBI Global<sup>iii</sup>) gained 5.30% during the six months ended May 31, 2016. The asset class declined over the first two months of the reporting period due to concerns over economic growth in China, falling commodity prices and expectations for future Fed rate hikes. The asset class then rallied sharply over the last four months of the reporting period, as oil prices moved higher, global monetary policy remained accommodative and investor risk appetite improved.

**Performance review**

For the six months ended May 31, 2016, LMP Capital and Income Fund Inc. returned 3.31% based on its net asset value (NAV<sup>iv</sup>) and 4.81% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmarks, the Barclays U.S. Aggregate Index and the S&P 500 Index, returned 3.12% and 1.93%, respectively. The Lipper Income and Preferred Stock Closed-End Funds Category Average<sup>xv</sup> returned 3.88% over the same time frame. Please note that Lipper

## Investment commentary (cont d)

performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.62 per share. As of May 31, 2016, the Fund estimates that 29.6% of the distributions were sourced from net investment income and 70.4% constituted a return of capital.\* The performance table shows the Fund's six-month total return based on its NAV and market price as of May 31, 2016. **Past performance is no guarantee of future results.**

### Performance Snapshot as of May 31, 2016 (unaudited)

	6-Month Total Return**
Price Per Share	
\$15.15 (NAV)	3.31%
\$12.75 (Market Price)	4.81%

**All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

**\*\* Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

**Total return assumes the reinvestment of all distributions, including returns of capital, if any, at NAV.**

**Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.**

### Looking for additional information?

The Fund is traded under the symbol `SCD` and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol `XSCDX` on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as [www.lmcef.com](http://www.lmcef.com) (click on the name of the Fund).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in LMP Capital and Income Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

June 30, 2016

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\*These estimates are not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year-end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder's investment. For more information about a distribution's composition, please refer to the Fund's distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, [www.lmcef.com](http://www.lmcef.com) (click on the name of the Fund).

VI LMP Capital and Income Fund Inc.

*RISKS: Stock and bond prices are subject to fluctuation. As interest rates rise, bond prices fall, reducing the value of the fixed-income securities held by the Fund. Investing in foreign securities is subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions. These risks are magnified in emerging or developing markets. The Fund may invest in lower-rated high yield bonds or junk bonds, which are subject to greater liquidity and credit risk (risk of default) than higher-rated obligations. The repositioning of the Fund's portfolio may increase a shareholder's risk of loss associated with an investment in the Fund's shares. The Fund's investments in MLPs subjects it to the risks of investing in MLPs and the energy sector, including the 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. Funds that invest in securities related to the real estate industry are subject to the risks of real estate markets, including fluctuating property values, changes in interest rates and other mortgage-related risks. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Leverage may magnify gains and increase losses in the Fund's portfolio.*

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

## Investment commentary (cont d)

- <sup>i</sup> Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.
  
- <sup>ii</sup> The Federal Reserve Board ( Fed ) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
  
- <sup>iii</sup> The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Fed) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
  
- <sup>iv</sup> The S&P 500 Index is an unmanaged index of 500 stocks and is generally representative of the performance of larger companies in the U.S.
  
- <sup>v</sup> The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.
  
- <sup>vi</sup> The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
  
- <sup>vii</sup> The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market.
  
- <sup>viii</sup> The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. (A price-to-book ratio is the price of a stock compared to the difference between a company's assets and liabilities.)
  
- <sup>ix</sup> The Russell 3000 Value Index measures the performance of the broad value segment of the U.S. equity value universe. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.
  
- <sup>x</sup> The Alerian MLP Index is a composite of the fifty most prominent energy master limited partnerships ( MLPs ) and is calculated using a float-adjusted, capitalization-weighted methodology.
  
- <sup>xi</sup> The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

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The Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

<sup>xiii</sup> The JPMorgan Emerging Markets Bond Index Global ( EMBI Global ) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.

<sup>xiv</sup> Net asset value ( NAV ) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any), from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.

<sup>xv</sup> Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended May 31, 2016, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 28 funds in the Fund's Lipper category.

VIII LMP Capital and Income Fund Inc.

## Fund at a glance (unaudited)

**Investment breakdown (%)** as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of May 31, 2016 and November 30, 2015. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

## Schedule of investments (unaudited)

May 31, 2016

### LMP Capital and Income Fund Inc.

	Shares	Value
Security		
<b>Common Stocks 64.3%</b>		
<b>Consumer Discretionary 3.5%</b>		
<i>Media 3.5%</i>		
National CineMedia Inc.	203,615	\$ 2,972,779 <sup>(a)</sup>
Regal Entertainment Group, Class A Shares	316,000	6,645,480 <sup>(a)</sup>
<b>Total Consumer Discretionary</b>		<b>9,618,259</b>
<b>Consumer Staples 3.9%</b>		
<i>Household Products 3.9%</i>		
Kimberly-Clark Corp.	58,500	7,431,840
Procter & Gamble Co.	38,000	3,079,520
<b>Total Consumer Staples</b>		<b>10,511,360</b>
<b>Financials 20.0%</b>		
<i>Real Estate Investment Trusts (REITs) 20.0%</i>		
Alexandria Real Estate Equities Inc.	21,000	2,034,900
American Capital Agency Corp.	136,000	2,569,040 <sup>(a)</sup>
Annaly Capital Management Inc.	339,000	3,586,620 <sup>(a)</sup>
AvalonBay Communities Inc.	5,600	1,007,328
Camden Property Trust	12,000	1,022,520 <sup>(a)</sup>
DCT Industrial Trust Inc.	37,500	1,617,375 <sup>(a)</sup>
DuPont Fabros Technology Inc.	23,800	1,006,978
EPR Properties	76,700	5,467,176 <sup>(a)</sup>
Equity Residential	32,500	2,249,325
Highwoods Properties Inc.	26,000	1,265,160 <sup>(a)</sup>
Hospitality Properties Trust	140,500	3,596,800 <sup>(a)</sup>
Kilroy Realty Corp.	24,000	1,515,600 <sup>(a)</sup>
Liberty Property Trust	49,000	1,828,680 <sup>(a)</sup>
Ramco-Gershenson Properties Trust	132,000	2,377,320 <sup>(a)</sup>
Regency Centers Corp.	22,000	1,685,200 <sup>(a)</sup>
Retail Properties of America Inc., Class A Shares	155,000	2,456,750 <sup>(a)</sup>
Senior Housing Properties Trust	61,000	1,139,480 <sup>(a)</sup>
Simon Property Group Inc.	18,610	3,678,080 <sup>(a)</sup>
Spirit Realty Capital Inc.	272,386	3,118,820 <sup>(a)</sup>
Starwood Property Trust Inc.	396,000	8,165,520 <sup>(a)</sup>
STORE Capital Corp.	52,500	1,340,325
Urstadt Biddle Properties Inc., Class A Shares	85,000	1,798,600 <sup>(a)</sup>
<b>Total Financials</b>		<b>54,527,597</b>
<b>Health Care 10.6%</b>		
<i>Pharmaceuticals 10.6%</i>		
AstraZeneca PLC, ADR	30,000	891,000

See Notes to Financial Statements.



**LMP Capital and Income Fund Inc.**

	Shares	Value
Security		
<i>Pharmaceuticals continued</i>		
Bristol-Myers Squibb Co.	110,000	\$ 7,887,000 (a)
GlaxoSmithKline PLC, ADR	67,000	2,838,790 (a)
Johnson & Johnson	38,000	4,282,220 (a)
Merck & Co. Inc.	123,000	6,919,980 (a)
Pfizer Inc.	176,000	6,107,200 (a)
<b>Total Health Care</b>		<b>28,926,190</b>
<b>Industrials 6.6%</b>		
<i>Aerospace &amp; Defense 4.7%</i>		
Lockheed Martin Corp.	54,000	12,756,420 (a)
<i>Electrical Equipment 0.3%</i>		
Emerson Electric Co.	18,000	936,360
<i>Industrial Conglomerates 1.3%</i>		
General Electric Co.	115,000	3,476,450 (a)
<i>Transportation Infrastructure 0.3%</i>		
Macquarie Infrastructure Corp.	12,100	866,481
<b>Total Industrials</b>		<b>18,035,711</b>
<b>Information Technology 7.8%</b>		
<i>Communications Equipment 0.6%</i>		
Cisco Systems Inc.	60,000	1,743,000
<i>IT Services 0.6%</i>		
Paychex Inc.	29,000	1,572,380
<i>Semiconductors &amp; Semiconductor Equipment 3.4%</i>		
Intel Corp.	152,500	4,817,475 (a)
Maxim Integrated Products Inc.	67,000	2,543,320 (a)
Microchip Technology Inc.	34,000	1,757,120
<i>Total Semiconductors &amp; Semiconductor Equipment</i>		<i>9,117,915</i>
<i>Software 2.6%</i>		
Microsoft Corp.	133,000	7,049,000 (a)
<i>Technology Hardware, Storage &amp; Peripherals 0.6%</i>		
Apple Inc.	17,250	1,722,585
<b>Total Information Technology</b>		<b>21,204,880</b>
<b>Materials 0.9%</b>		
<i>Containers &amp; Packaging 0.9%</i>		
International Paper Co.	61,000	2,571,760
<b>Telecommunication Services 7.4%</b>		
<i>Diversified Telecommunication Services 5.8%</i>		
AT&T Inc.	206,000	8,064,900 (a)
Verizon Communications Inc.	153,000	7,787,700 (a)
<i>Total Diversified Telecommunication Services</i>		<i>15,852,600</i>

See Notes to Financial Statements.

## Schedule of investments (unaudited) (cont d)

May 31, 2016

### LMP Capital and Income Fund Inc.

	Shares	Value
Security		
<i>Wireless Telecommunication Services 1.6%</i>		
Vodafone Group PLC, ADR	125,000	\$ 4,248,750 (a)
<b>Total Telecommunication Services</b>		<b>20,101,350</b>
<i>Utilities 3.6%</i>		
<i>Electric Utilities 3.0%</i>		
Great Plains Energy Inc.	114,000	3,326,520 (a)
PPL Corp.	128,000	4,933,120 (a)
<i>Total Electric Utilities</i>		<i>8,259,640</i>
<i>Multi-Utilities 0.6%</i>		
CenterPoint Energy Inc.	69,000	1,554,570
<b>Total Utilities</b>		<b>9,814,210</b>
<b>Total Common Stocks (Cost \$134,289,131)</b>		<b>175,311,317</b>
	Rate	
<b>Convertible Preferred Stocks 14.2%</b>		
<i>Energy 2.2%</i>		
<i>Oil, Gas &amp; Consumable Fuels 2.2%</i>		
Anadarko Petroleum Corp.	7.500%	157,000
<b>Financials 6.5%</b>		<b>6,123,000</b>
<i>Real Estate Investment Trusts (REITs) 6.5%</i>		
American Tower Corp.	5.250%	32,000
American Tower Corp.	5.500%	13,550
Welltower Inc.	6.500%	82,800
Weyerhaeuser Co.	6.375%	151,000
<b>Total Financials</b>		<b>17,691,808</b>
<i>Health Care 2.9%</i>		
<i>Pharmaceuticals 2.9%</i>		
Allergan PLC	5.500%	9,250
<b>Industrials 0.5%</b>		<b>7,813,105</b>
<i>Machinery 0.5%</i>		
Stanley Black & Decker Inc.	6.250%	11,000
<b>Utilities 2.1%</b>		<b>1,300,200</b>
<i>Electric Utilities 2.1%</i>		
Exelon Corp.	6.500%	121,000
<b>Total Convertible Preferred Stocks (Cost \$39,493,422)</b>		<b>5,713,620 (a)</b>
<b>Investments in Underlying Funds 8.0%</b>		<b>38,641,733</b>
<i>Financials 8.0%</i>		
<i>Capital Markets 8.0%</i>		
Ares Capital Corp.	342,000	5,075,280 (a)(b)
FS Investment Corp.	350,000	3,097,500 (b)

See Notes to Financial Statements.

**LMP Capital and Income Fund Inc.**

	Shares	Value
Security		
<i>Capital Markets continued</i>		
Golub Capital BDC Inc.	300,000	\$ 5,205,000 <sup>(a)(b)</sup>
TCP Capital Corp.	331,000	4,839,220 <sup>(a)(b)</sup>
TriplePoint Venture Growth BDC Corp.	327,000	3,525,060 <sup>(a)(b)</sup>
<b>Total Investments in Underlying Funds (Cost \$25,269,004)</b>		<b>21,742,060</b>

	Shares/Units	
<b>Master Limited Partnerships 32.3%</b>		
<i>Diversified Energy Infrastructure 11.9%</i>		
Energy Transfer Partners LP	366,000	13,271,160 <sup>(a)</sup>
Enterprise Products Partners LP	448,000	12,436,480 <sup>(a)</sup>
Genesis Energy LP	106,000	3,993,020
Plains GP Holdings LP, Class A Shares	285,000	2,676,150 <sup>(a)</sup>
<i>Total Diversified Energy Infrastructure</i>		<i>32,376,810</i>
<i>Financials 1.6%</i>		
Blackstone Group LP	168,000	4,399,920 <sup>(a)</sup>
<i>Global Infrastructure 0.8%</i>		
Brookfield Infrastructure Partners LP	49,000	2,095,240
<i>Liquids Transportation &amp; Storage 8.6%</i>		
Buckeye Partners LP	90,000	6,472,800 <sup>(a)</sup>
Enbridge Energy Partners LP	432,000	9,391,680
Magellan Midstream Partners LP	40,000	2,802,000
PBF Logistics LP	135,000	2,941,650 <sup>(a)</sup>
Tesoro Logistics LP	14,513	713,314
World Point Terminals LP	73,000	1,115,440
<i>Total Liquids Transportation &amp; Storage</i>		<i>23,436,884</i>
<i>Natural Gas Transportation &amp; Storage 1.3%</i>		
Hoegh LNG Partners LP	197,420	3,531,844 <sup>(a)</sup>
<i>Offshore 1.0%</i>		
Dynagas LNG Partners LP	193,000	2,757,970 <sup>(a)</sup>
<i>Oil, Gas &amp; Consumable Fuels 0.2%</i>		
Green Plains Partners LP	31,670	456,048
<i>Oil/Refined Products 4.3%</i>		
CrossAmerica Partners LP	90,000	2,070,000 <sup>(a)</sup>
MPLX LP	159,000	5,072,100 <sup>(a)</sup>
Sunoco LP	82,000	2,719,940 <sup>(a)</sup>
VTTI Energy Partners LP	97,000	1,969,100
<i>Total Oil/Refined Products</i>		<i>11,831,140</i>
<i>Petrochemicals 0.1%</i>		
Westlake Chemical Partners LP	17,700	406,923

See Notes to Financial Statements.

## Schedule of investments (unaudited) (cont d)

May 31, 2016

### LMP Capital and Income Fund Inc.

	Shares/Units	Value
Security		
<i>Refining 0.3%</i>		
Western Refining Logistics LP	32,960	\$ 778,185
<i>Shipping 2.2%</i>		
Golar LNG Partners LP	180,000	3,061,800 <sup>(a)</sup>
KNOT Offshore Partners LP	158,000	2,926,160
<i>Total Shipping</i>		5,987,960
<b>Total Master Limited Partnerships (Cost \$86,563,544)</b>		<b>88,058,924</b>
	Rate	Shares
<b>Preferred Stocks 1.6%</b>		
<b>Utilities 1.6%</b>		
<i>Electric Utilities 1.6%</i>		
NextEra Energy Inc. (Cost \$4,052,556)	6.371%	72,000
<b>Total Investments 120.4% (Cost \$289,667,657#)</b>		<b>4,351,680</b>
Liabilities in Excess of Other Assets (20.4)%		(55,647,176)
<b>Total Net Assets 100.0%</b>		<b>\$ 272,458,538</b>

(a) All or a portion of this security is pledged as collateral pursuant to the loan agreement (See Note 5).

(b) Security is a business development company (See Note 1).

# Aggregate cost for federal income tax purposes is substantially the same.

#### Abbreviation used in this schedule:

ADR American Depositary Receipts

See Notes to Financial Statements.

## Statement of assets and liabilities (unaudited)

May 31, 2016

<b>Assets:</b>	
Investments, at value (Cost \$289,667,657)	\$ 328,105,714
Cash	25,735,920
Dividends receivable	1,082,224
Receivable for securities sold	355,693
Prepaid expenses	16,956
<b>Total Assets</b>	<b>355,296,507</b>
<b>Liabilities:</b>	
Loan payable (Note 5)	75,000,000
Payable for securities purchased	7,419,276
Investment management fee payable	247,219
Interest payable	24,972
Directors' fees payable	4,881
Accrued expenses	141,621
<b>Total Liabilities</b>	<b>82,837,969</b>
<b>Total Net Assets</b>	<b>\$ 272,458,538</b>
<b>Net Assets:</b>	
Par value (\$0.001 par value; 17,983,331 shares issued and outstanding; 100,000,000 shares authorized)	\$ 17,983
Paid-in capital in excess of par value	373,231,008
Overdistributed net investment income	(3,095,664)
Accumulated net realized loss on investments	(136,132,364)
Net unrealized appreciation on investments and foreign currencies	38,437,575
<b>Total Net Assets</b>	<b>\$ 272,458,538</b>
<b>Shares Outstanding</b>	<b>17,983,331</b>
<b>Net Asset Value</b>	<b>\$15.15</b>

See Notes to Financial Statements.

## Statement of operations (unaudited)

For the Six Months Ended May 31, 2016

<b>Investment Income:</b>	
Dividends and distributions	\$ 9,211,577
Return of capital (Note 1(g))	(3,449,075)
<b>Net Dividends and Distributions</b>	<b>5,762,502</b>
Less: Foreign taxes withheld	(2,330)
<b>Total Investment Income</b>	<b>5,760,172</b>
<b>Expenses:</b>	
Investment management fee (Note 2)	1,404,289
Interest expense (Note 5)	407,991
Audit and tax fees	46,698
Transfer agent fees	43,631
Directors' fees	31,264
Legal fees	24,406
Fund accounting fees	15,063
Shareholder reports	13,376
Stock exchange listing fees	10,639
Franchise tax	6,500
Insurance	2,727
Custody fees	438
Miscellaneous expenses	5,598
<b>Total Expenses</b>	<b>2,012,620</b>
<b>Net Investment Income</b>	<b>3,747,552</b>
<b>Realized and Unrealized Gain (Loss) on Investments (Notes 1 and 3):</b>	
Net Realized Gain (Loss) From:	
Investment transactions	(18,818,381)
REIT distributions	288,933
<b>Net Realized Loss</b>	<b>(18,529,448)</b>
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	23,008,313
Foreign currencies	818
<b>Change in Net Unrealized Appreciation (Depreciation)</b>	<b>23,009,131</b>
<b>Net Gain on Investments and Foreign Currency Transactions</b>	<b>4,479,683</b>
<b>Increase in Net Assets From Operations</b>	<b>\$ 8,227,235</b>

See Notes to Financial Statements.

## Statements of changes in net assets

For the Six Months Ended May 31, 2016 (unaudited)  
and the Year Ended November 30, 2015

	2016	2015
<b>Operations:</b>		
Net investment income	\$ 3,747,552	\$ 10,355,059
Net realized gain (loss)	(18,529,448)	19,314,119
Change in net unrealized appreciation (depreciation)	23,009,131	(82,399,600)
<i>Increase (Decrease) in Net Assets From Operations</i>	<i>8,227,235</i>	<i>(52,730,422)</i>
<b>Distributions to Shareholders From (Note 1):</b>		
Net investment income	(11,149,665)	(20,141,330)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(11,149,665)</i>	<i>(20,141,330)</i>
<i>Decrease in Net Assets</i>	<i>(2,922,430)</i>	<i>(72,871,752)</i>
<b>Net Assets:</b>		
Beginning of period	275,380,968	348,252,720
<b>End of period*</b>	<b>\$ 272,458,538</b>	<b>\$ 275,380,968</b>
*Includes (overdistributed) undistributed net investment income, respectively, of:	\$(3,095,664)	\$4,306,449

See Notes to Financial Statements.

## Statement of cash flows (unaudited)

For the Six Months Ended May 31, 2016

<b>Increase (Decrease) in Cash:</b>	
<b>Cash Provided (Used) by Operating Activities:</b>	
Net increase in net assets resulting from operations	\$ 8,227,235
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:	
Purchases of portfolio securities	(46,072,272)
Sales of portfolio securities	57,356,268
Return of capital	3,449,075
Investment transaction adjustments, net	1,360,839
Decrease in receivable for securities sold	855,754
Increase in dividends receivable	(8,124)
Increase in prepaid expenses	(7,884)
Increase in payable for securities purchased	4,096,171
Increase in investment management fee payable	6,258
Decrease in Directors' fees payable	(3,636)
Increase in interest payable	6,400
Decrease in accrued expenses	(36,013)
Net realized loss on investments	18,818,381
Change in net unrealized appreciation (depreciation) of investments	(23,008,313)
<b>Net Cash Provided by Operating Activities*</b>	<b>25,040,139</b>
<b>Cash Flows from Financing Activities:</b>	
Distributions paid on common stock	(11,149,665)
<b>Net Cash Used in Financing Activities</b>	<b>(11,149,665)</b>
<b>Net Increase in Cash</b>	<b>13,890,474</b>
Cash at Beginning of Period	11,845,446
Cash at End of Period	\$ 25,735,920

\* Included in operating expenses is cash of \$401,591 paid for interest on borrowings.

See Notes to Financial Statements.



## Financial highlights

For a share of capital stock outstanding throughout each year ended November 30, unless otherwise noted:

	2016 <sup>1,2</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>1</sup>	2012 <sup>1</sup>	2011 <sup>3</sup>	2010 <sup>4</sup>
Net asset value, beginning of period	\$15.31	\$19.37	\$17.53	\$14.43	\$13.36	\$13.70	\$12.44
<b>Income (loss) from operations:</b>							
Net investment income	0.21	0.58	1.12	0.72	0.75	0.86	0.54
Net realized and unrealized gain (loss)	0.25	(3.52)	1.84	3.50	1.41	(0.73)	1.26
<b>Total income (loss) from operations</b>	<b>0.46</b>	<b>(2.94)</b>	<b>2.96</b>	<b>4.22</b>	<b>2.16</b>	<b>0.13</b>	<b>1.80</b>
<b>Less distributions from:</b>							
Net investment income	(0.62) <sup>5</sup>	(1.12)	(1.12)	(0.61)	(1.12)	(0.58)	(0.54)
Return of capital				(0.51)			
<b>Total distributions</b>	<b>(0.62)</b>	<b>(1.12)</b>	<b>(1.12)</b>	<b>(1.12)</b>	<b>(1.12)</b>	<b>(0.58)</b>	<b>(0.54)</b>
<b>Increase in net asset value due to shares repurchased in tender offer</b>					<b>0.03</b>	<b>0.11</b>	
Net asset value, end of period	\$15.15	\$15.31	\$19.37	\$17.53	\$14.43	\$13.36	\$13.70
Market price, end of period	\$12.75	\$12.80	\$17.27	\$15.91	\$13.90	\$12.23	\$12.45
<b>Total return, based on NAV<sup>6,7</sup></b>	<b>3.31%</b>	<b>(15.80)%</b>	<b>17.43%</b>	<b>30.37%</b>	<b>17.02%<sup>8</sup></b>	<b>1.84%<sup>8</sup></b>	<b>14.83%</b>
<b>Total return, based on Market Price<sup>9</sup></b>	<b>4.81%</b>	<b>(20.38)%</b>	<b>16.04%</b>	<b>23.50%</b>	<b>23.69%</b>	<b>2.80%</b>	<b>26.18%</b>
Net assets, end of period (000s)	\$272,459	\$275,381	\$348,253	\$315,244	\$259,491	\$266,273	\$410,458
<b>Ratios to average net assets:</b>							
Gross expenses	1.58% <sup>10</sup>	1.35%	1.44%	1.41%	1.61%	1.53% <sup>10</sup>	1.49%
Net expenses	1.58 <sup>10</sup>	1.35	1.44	1.41	1.61	1.53 <sup>10</sup>	1.49
Net investment income	2.93 <sup>10</sup>	3.27	6.07	4.41	5.28	5.94 <sup>10</sup>	4.29
<b>Portfolio turnover rate</b>	<b>14%</b>	<b>30%</b>	<b>27%</b>	<b>38%</b>	<b>51%</b>	<b>79%<sup>11</sup></b>	<b>49%</b>