

LMP CAPITAL & INCOME FUND INC.
Form N-CSR
January 28, 2013

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
(Address of principal executive offices)

10018
(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: November 30, 2012

ITEM 1. REPORT TO STOCKHOLDERS.

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

November 30, 2012

Annual Report

**LMP Capital and Income Fund Inc.
(SCD)**

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

II LMP Capital and Income Fund Inc.

Fund objective

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

What's inside

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Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of LMP Capital and Income Fund Inc. for the twelve-month reporting period ended November 30, 2012. Please read on for a detailed look at prevailing economic and market conditions during the Fund's reporting period and to learn how those conditions have affected Fund performance.

Recent regulations adopted by the Commodity Futures Trading Commission (the CFTC) require operators of registered investment companies, including closed-end funds, to register as commodity pool operators unless the fund limits its investments in commodity interests. Effective December 31, 2012, your Fund's manager has claimed the exclusion from the definition of commodity pool operator. More information about the CFTC rules and their effect on the Fund is included later in this report on page 30.

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. 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,

R. Jay Gerken, CFA

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Chairman, President and Chief Executive Officer

December 28, 2012

Investment commentary

Economic review

While the U.S. economy continued to grow over the twelve months ended November 30, 2012, it did so at an uneven pace. U.S. gross domestic product (GDP)ⁱ growth, as reported by the U.S. Department of Commerce, was 4.1% in the fourth quarter of 2011. Economic growth in the U.S. then decelerated, as first quarter 2012 GDP growth was 2.0%. This was primarily due to less robust private inventory and non-residential fixed investments. The economy slowed further in the second quarter, as GDP growth was a tepid 1.3%. GDP growth then moved to 3.1% in the third quarter. The increase was partially due to increased private inventory and investment, higher federal government spending and a deceleration in imports.

The U.S. job market remained weak. While there was some improvement during the reporting period, unemployment remained elevated. When the reporting period began, unemployment, as reported by the U.S. Department of Labor, was 8.5%. Unemployment then generally declined and was 8.1% in April 2012, the lowest rate since January 2009, but still high by historical standards. The unemployment rate then rose to 8.3% in July, before falling to 7.8% in September and ending the reporting period at 7.7% in November. However, the number of longer-term unemployed remained high, as roughly 40% of the 12 million people without a job have been out of work for more than six months.

Meanwhile, the housing market brightened, as sales have started to improve of late and home prices continued to rebound. According to the National Association of Realtors (NAR), existing-home sales rose 5.9% on a seasonally adjusted basis in November 2012 versus the previous month and they were 14.5% higher than in November 2011. In addition, the NAR reported that the median existing-home price for all housing types was \$180,600 in November 2012, up 10.1% from November 2011. This marked the ninth consecutive month that home prices rose compared to the same period a year earlier. Furthermore, the inventory of homes available for sale fell 3.8% in November, which represents a 4.8 month supply at the current sales pace. This represents the lowest inventory since September 2005.

The manufacturing sector appeared to overcome a soft patch that occurred in the summer of 2012 as it improved toward the end of the reporting period, only to experience another setback in November 2012. Based on the Institute for Supply Management's PMI (PMI)ⁱⁱ, after expanding 34 consecutive months, the PMI fell to 49.7 in June 2012, which represented the first contraction in the manufacturing sector since July 2009 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). Manufacturing continued to contract in July and August before ticking up to 51.5 in September and 51.7 in October. However, the PMI fell back to contraction territory with a reading of 49.5 in November, its lowest level since July 2009.

The Federal Reserve Board (Fed)ⁱⁱⁱ took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rate^{iv} at a historically low range between zero and 0.25%. In September 2011, prior to the beginning

IV LMP Capital and Income Fund Inc.

Investment commentary (cont d)

of the reporting period, the Fed announced its intention to purchase \$400 billion of longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as "Operation Twist"). In January 2012, the Fed extended the period it expects to keep rates on hold until at least through late 2014. Operation Twist was then extended in June 2012 until the end of the year. In September the Fed announced a third round of quantitative easing, which involves purchasing \$40 billion each month of agency mortgage-backed securities (MBS) on an open-end basis. In addition, the Fed said that Operation Twist would continue and that it will keep the federal funds rate on hold until at least mid-2015. Finally, at its meeting in December, after the reporting period ended, the Fed announced that it would continue purchasing \$40 billion per month of agency MBS, as well as initially purchasing \$45 billion a month of longer-term Treasuries. The Fed also said that it would keep the federal funds rate on hold ...as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2.0% longer-run goal, and longer-term inflation expectations continue to be well anchored.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

December 28, 2012

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results.

i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ii The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

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iii The Federal Reserve Board (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.

iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

Fund overview

Q. What is the Fund's investment strategy?

A. 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, including up to 25% of its total assets in energy master limited partnerships (MLPs). 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. Depending on the investment manager's view of these factors, which may vary from time to time, the investment manager may allocate substantially all of the investments in the portfolio to equity securities or fixed-income securities.

The Fund's investment manager applies a rigorous, bottom-up research process to identify companies with strong fundamentals, skilled and committed management teams and a clear market advantage. Through patient management, the Fund seeks to capture earnings growth from companies offering new or innovative technologies, products and services.

Peter Vanderlee, CFA of ClearBridge Investments, LLC (prior to December 5, 2012, known as ClearBridge Advisors, LLC) (ClearBridge), one of the Fund's subadvisers, oversees the Fund's allocation between equity and fixed-income securities, as well as the Fund's equity investments in general, with a focus on dividend-paying securities. The ClearBridge portfolio management team also includes Mark McAllister, CFA, Tim Daubenspeck and Tatiana Thibodeau, who are focused on their respective areas of expertise: Mr. McAllister on real estate investment trusts (REITs); Mr. Daubenspeck on telecommunications, and Ms. Thibodeau on utilities. They manage the equity side of the Fund with a bottom-up approach focused on the risk and reward of each investment opportunity. A portfolio management team at Western Asset Management Company (Western Asset) manages the fixed-income portion of the Fund. The fixed-income team includes portfolio managers Stephen A. Walsh, Keith J. Gardner, Mark Lindbloom, Michael C. Buchanan and Ryan Brist. Their focus is on portfolio structure, including sector allocation, duration weighting and term-structure decisions.

Q. What were the overall market conditions during the Fund's reporting period?

A. The reporting period began amid significant market volatility and weakness, stemming largely from uncertainty over the state of the European sovereign debt crisis and the failure of the U.S. Congressional super committee to produce a deficit reduction plan. However, the start of the new calendar year saw stocks rise significantly, with both the Dow Jones Industrial Average (DJIA) and the S&P 500 Index making strong advances in the first calendar quarter of 2012. The key catalysts for the rise were the European Central Bank's (ECB) introduction of the Long-Term Refinancing Operations (LTRO) in December 2011, which alleviated much of the concern about a potential European bank liquidity crisis and financial contagion, and modest improvement seen in U.S. economic data.

As the period progressed, both the domestic economic recovery and the bull market for equities managed to continue despite weaker corporate

Fund overview (continued)

earnings guidance and slowing economic growth in both the U.S. and China. Increasingly, stock market performance was correlated with central bank activity, as additional policy easing actions taken by the ECB and the Federal Reserve Board (the Fed) sparked solid stock market gains. Over the summer and fall, uncertainty over the outcome of the U.S. Presidential election and fears of the fiscal cliff remained in the forefront, but were not enough to stop the market's rise to multi-year highs in September and October. The market dipped following President Obama's re-election in early November, but rapidly recovered to end the period with significant gains. The spread sectors (non-Treasuries) experienced periods of volatility during the reporting period, but ultimately posted positive results. Demand for the spread sectors was generally robust during the first three months of the reporting period. This was due to several factors, including signs that the U.S. economy was gathering momentum and some progress in the European sovereign debt crisis. However, fears that the economy may be experiencing a soft patch and contagion fears from Europe led to periods of heightened risk aversion during portions of March, April and May 2012. The spread sectors then largely rallied from June through November as investor sentiment improved.

Short-term Treasury yields were unchanged, whereas long-term Treasury yields declined during the reporting period. When the period began, two-year Treasury yields were 0.25%. They moved as low as 0.21% on January 17, 2012 and as high as 0.41% on March 20, 2012. Ten-year Treasury yields were 2.08% at the beginning of the period and peaked at 2.39% on March 19, 2012. On July 25, 2012, ten-year Treasuries closed at an all-time low of 1.43%. Yields then edged higher due to some positive developments in Europe and hopes for additional Fed actions to stimulate the economy. When the reporting period ended on November 30, 2012, two-year Treasury yields were 0.25% and ten-year Treasury yields were 1.69%. All told, the Barclays U.S. Aggregate Index^{vi} returned 5.51% for the twelve months ended November 30, 2012.

Q. How did we respond to these changing market conditions?

A. On the equity side of the Fund, we seek out companies with sound or improving balance sheets that demonstrate leadership in their industry. We also focus on companies that generate ample free cash flow and which exhibit a strong dividend profile. Against a backdrop where, during the reporting period, investment grade bonds did not offer what we consider to be an attractive yield, as exemplified by the historically low yield on the ten-year Treasury, we felt equities could provide a better avenue to capture income and growth potential. As such, we heavily tilted the portfolio to equity securities, in particular those that provide a high and sustainable current income stream. The case for equities over bonds was further underscored by observing that many stocks offered dividends that exceeded the yields on their bonds and notes, a situation that is a rare occurrence since the 1950s.

Throughout the reporting period, the fixed-income portion of the Fund continued to represent approximately 1% of its total assets. To a great extent, this allocation was held in non-agency mortgage-backed securities (MBS). On two occasions during the reporting

period in January/February 2012 and in August/September 2012 we pared our exposure to non-agency MBS given their strong performance and in order to reduce the fixed-income portion of the portfolio's overall risk exposure. We believe that the Fund's positioning offers our shareholders an attractive current yield combined with the potential for distribution growth and capital appreciation over time.

The Fund has a managed distribution policy and pays a quarterly distribution of \$0.28 per share. As of the close of the period, we remain comfortable with our ability to sustain the Fund's distribution rate.

The Fund has a sizable exposure to energy MLPs. We believe that the U.S. is undergoing a renaissance in energy production as a result of a resurgence in drilling activity enabled by technological advancements in horizontal drilling and hydraulic fracturing. It is our belief that the energy MLPs are very well positioned to capitalize on this growth opportunity by providing the necessary infrastructure to move, process and store these hydrocarbons.

Regarding the Fund's exposure to the Utilities sector, our holdings largely had regulated returns, low earnings volatility and a relatively attractive dividend yield. Within the Utilities sector, we have been focusing on what we feel are quality names that offer an attractive dividend yield and where we feel the dividend is sustainable and could grow over time. The Fund's meaningful Telecommunication Services (Telecom) weighting is due to the sector's attractive dividend yield profile, as well as our belief that the sector's yields are very sustainable.

Performance review

For the twelve months ended November 30, 2012, LMP Capital and Income Fund Inc. returned 17.02% based on its net asset value (NAV)^{vii} and 23.69% 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 5.51% and 16.13%, respectively. The Lipper Income and Preferred Stock Closed-End Funds Category Average^{viii} returned 21.72% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling \$1.12 per share. The performance table shows the Fund's twelve-month total return based on its NAV and market price as of November 30, 2012. **Past performance is no guarantee of future results.**

Performance Snapshot as of November 30, 2012

Price Per Share
\$14.43 (NAV)

**12-Month
Total Return***
17.02%

\$13.90 (Market Price)

23.69%

All figures represent past performance and are not a guarantee of future results.

* **Total returns are based on changes in NAV or market price, respectively.**

Total return assumes the reinvestment of all distributions at NAV.

Total return assumes the reinvestment of all distributions in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Fund overview (cont d)

Q. What were the leading contributors to performance?

A. With respect to the equity portion of the portfolio, on an absolute basis the Fund had positive returns in all nine economic sectors in which it was invested during the reporting period (among ten sectors in total), with the greatest contributions to returns coming from the Financials, Energy and Industrials sectors.

Relative to the S&P 500 Index, significant contributions to performance included the Fund's stock selection in the Energy, Industrials, Information Technology (IT), Utilities and Consumer Staples sectors. As for sector allocation, the Fund's overweights to the Financials and Telecom sectors and its underweights to the IT and Materials sectors also contributed to relative performance.

In terms of individual Fund holdings, leading contributors to performance for the period included positions in Medley Capital Corp. in the Financials sector, Seagate Technology Inc. in the IT sector, TAL International Group Inc. in the Industrials sector, as well as AT&T Inc. and Verizon Communications Inc., both in the Telecom sector.

In the fixed-income portion of the Fund, relative to the Barclays U.S. Aggregate Index, the Fund's non-agency MBS exposure contributed to results. While the sector experienced some periods of volatility, overall they generated strong results over the twelve months ended November 30, 2012. Supporting the non-agency MBS sector was generally strong demand from investors looking to generate incremental yield in the low interest rate environment. In addition, fundamentals improved given the strengthening housing market.

Q. What were the leading detractors from performance?

A. With respect to the equity portion of the portfolio, relative to the benchmark, both the Fund's overall sector allocation and overall stock selection detracted from performance for the period. In particular, stock selection in the Telecom, Financials and Health Care sectors detracted from relative performance for the period. In terms of allocation, sector overweights to the Utilities and Energy sectors and underweights to the Consumer Discretionary and Health Care sectors also hurt relative performance for the period.

In terms of individual Fund holdings, leading detractors from performance for the period included positions in France Telecom ADS and Windstream Corp., both in the Telecom sector, Buckeye Partners LP, Apache Corp. Preferred Convertible Series D, and DCP Midstream Partners LP, all in the Energy sector.

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In the fixed-income portion of the portfolio, there were no detractors from relative performance.

Q. Were there any significant changes to the Fund during the reporting period?

A. Among the largest additions to the Fund's portfolio during the period were new positions in Energy Transfer Equity LP, Linn Energy LLC, and Enterprise Products Partners LP, all in the Energy sector, as well as Nextera Energy Inc. Unit 09/01/2015 and Great Plains Energy Inc., both in the Utilities sector.

Some of the largest existing holdings that were sold over the course of the period were positions in Total SA ADS in the Energy sector, Nextera Energy Inc. Unit 08/31/2013 and Great Plains Energy Inc. Unit 06/15/2042 in the

Utilities sector, France Telecom ADS in the Telecom sector and New York Community Bancorp Inc. in the Financials sector.

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.

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,

Tim Daubenspeck

Portfolio Manager
ClearBridge Investments, LLC

Mark McAllister

Portfolio Manager
ClearBridge Investments, LLC

Tatiana Thibodeau

Portfolio Manager
ClearBridge Investments, LLC

Peter Vanderlee, CFA

Portfolio Manager
ClearBridge Investments, LLC

Western Asset Management Company

(Fixed-Income Portion)

December 20, 2012

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. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. 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 energy-related 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*

Fund overview (cont d)

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.

Portfolio holdings and breakdowns are as of November 30, 2012 and are subject to change and may not be representative of the portfolio managers' current or future investments. The Fund's top ten holdings (as a percentage of net assets) as of November 30, 2012 were: Energy Transfer Equity LP (5.8%), NextEra Energy Inc., 5.889% (5.1%), PPL Corp., 9.500% (4.5%), Linn Energy LLC (4.4%), Enterprise Products Partners LP (4.2%), Vodafone Group PLC, ADR (4.2%), CenturyLink Inc. (3.9%), Annaly Capital Management Inc. (3.5%), MetLife Inc., Junior Subordinated Debentures, 6.400% due 12/15/36 (3.3%) and Great Plains Energy Inc. (3.2%). Please refer to pages 8 through 13 for a list and percentage breakdown of the Fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund's top five sector holdings (as a percentage of net assets) as of November 30, 2012 were: Financials (38.4%), Energy (33.7%), Utilities (17.7%), Telecommunication Services (14.2%) and Industrials (7.8%). The Fund's portfolio composition is subject to change at any time.

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.

i Real estate investment trusts (REITs) invest in real estate or loans secured by real estate and issue shares in such investments, which can be illiquid.

ii Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

iii The Dow Jones Industrial Average (DJIA) is a widely followed measurement of the stock market. The average is comprised of thirty stocks that represent leading companies in major industries. These stocks, widely held by both individual and institutional investors, are considered to be all blue-chip companies.

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iv 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.

v The Federal Reserve Board (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.

vi 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.

vii Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total investments) 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.

viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended November 30, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 21 funds in the Fund's Lipper category.

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 November 30, 2012 and November 30, 2011 and does not include derivatives, such as written options, futures contracts, options on futures and swap contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

Represents less than 0.1%.

8 LMP Capital and Income Fund Inc. 2012 Annual Report

Schedule of investments

November 30, 2012

LMP Capital and Income Fund Inc.

	Shares	Value
Security		
Common Stocks 66.1%		
Consumer Staples 3.1%		
<i>Food Products 1.4%</i>		
H.J. Heinz Co.	60,000	\$ 3,507,600 ^(a)
<i>Household Products 1.7%</i>		
Kimberly-Clark Corp.	53,000	4,543,160 ^(a)
Total Consumer Staples		8,050,760
Energy 2.5%		
<i>Energy Equipment & Services 2.5%</i>		
Diamond Offshore Drilling Inc.	93,020	6,418,380 ^(a)
Financials 26.9%		
<i>Capital Markets 3.1%</i>		
Medley Capital Corp.	584,200	7,962,646 ^(a)
<i>Insurance 0.7%</i>		
MetLife Inc.	57,169	1,897,439 ^(a)
Real Estate Investment Trusts (REITs) 23.1%		
American Capital Agency Corp.	242,000	7,635,100 ^(a)
Annaly Capital Management Inc.	622,000	9,155,840 ^(a)
DCT Industrial Trust Inc.	150,000	937,500
EPR Properties	41,000	1,859,350 ^(a)
Excel Trust Inc.	131,000	1,558,900 ^(a)
Hatteras Financial Corp.	246,000	6,558,360 ^(a)
HCP Inc.	41,000	1,847,050 ^(a)
Health Care REIT Inc.	27,000	1,590,030 ^(a)
Highwoods Properties Inc.	26,000	838,240 ^(a)
Hospitality Properties Trust	119,000	2,701,300 ^(a)
Inland Real Estate Corp.	185,000	1,474,450 ^(a)
Kilroy Realty Corp.	24,000	1,082,400 ^(a)
Liberty Property Trust	49,000	1,706,670 ^(a)
Mack-Cali Realty Corp.	58,000	1,466,240 ^(a)
OMEGA Healthcare Investors Inc.	90,000	2,062,800 ^(a)
Primaris Retail Real Estate Investment Trust	46,000	1,062,304 ^(a)
Ramco-Gershenson Properties Trust	132,000	1,766,160 ^(a)
Regency Centers Corp.	22,000	1,030,700 ^(a)
Senior Housing Properties Trust	50,000	1,117,500 ^(a)
Spirit Realty Capital Inc.	115,000	1,866,450 ^{*(a)}
Starwood Property Trust Inc.	190,000	4,343,400 ^(a)
Urstadt Biddle Properties, Class A Shares	85,000	1,597,150 ^(a)
Westfield Group	439,000	4,773,821 ^(a)
Total Real Estate Investment Trusts (REITs)		60,031,715
Total Financials		69,891,800

See Notes to Financial Statements.

LMP Capital and Income Fund Inc.

	Shares	Value
Security		
Health Care 4.6%		
<i>Pharmaceuticals 4.6%</i>		
Bristol-Myers Squibb Co.	72,000	\$ 2,349,360(a)
GlaxoSmithKline PLC, ADR	165,000	7,096,650(a)
Pfizer Inc.	102,000	2,552,040
Total Health Care		11,998,050
Industrials 6.5%		
<i>Aerospace & Defense 2.1%</i>		
Lockheed Martin Corp.	60,000	5,598,000(a)
<i>Machinery 1.4%</i>		
Eaton Corp.	69,000	3,599,040(a)
<i>Trading Companies & Distributors 3.0%</i>		
TAL International Group Inc.	226,000	7,695,300(a)
Total Industrials		16,892,340
Information Technology 1.9%		
<i>Computers & Peripherals 1.9%</i>		
Seagate Technology PLC	195,000	4,894,500
Materials 0.7%		
<i>Paper & Forest Products 0.7%</i>		
International Paper Co.	50,000	1,857,000
Telecommunication Services 14.2%		
<i>Diversified Telecommunication Services 10.0%</i>		
AT&T Inc.	185,000	6,314,050(a)
CenturyLink Inc.	262,000	10,176,080(a)
Verizon Communications Inc.	146,000	6,441,520(a)
Windstream Corp.	377,970	3,167,389(a)
Total Diversified Telecommunication Services		26,099,039
<i>Wireless Telecommunication Services 4.2%</i>		
Vodafone Group PLC, ADR	420,000	10,836,000(a)
Total Telecommunication Services		36,935,039
Utilities 5.7%		
<i>Electric Utilities 3.2%</i>		
Great Plains Energy Inc.	410,000	8,302,500(a)
<i>Multi-Utilities 2.5%</i>		
Integrus Energy Group Inc.	47,000	2,498,990(a)
National Grid PLC	340,000	3,840,355(a)
Total Multi-Utilities		6,339,345
Total Utilities		14,641,845
Total Common Stocks (Cost \$160,135,333)		171,579,714

See Notes to Financial Statements.

10 LMP Capital and Income Fund Inc. 2012 Annual Report

Schedule of investments (cont d)

November 30, 2012

LMP Capital and Income Fund Inc.

	Rate	Shares	Value
Security			
Convertible Preferred Stocks 14.7%			
Financials 3.8%			
Insurance 1.4%			
MetLife Inc.	5.000%	81,000	\$ 3,611,790(a)
Real Estate Investment Trusts (REITs) 2.4%			
Health Care REIT Inc.	6.500%	110,000	6,182,000(a)
Total Financials			9,793,790
Industrials 1.3%			
Industrial Conglomerates 1.3%			
United Technologies Corp.	7.500%	64,000	3,502,080
Utilities 9.6%			
Electric Utilities 9.6%			
NextEra Energy Inc.	5.889%	263,000	13,115,810
PPL Corp.	9.500%	219,000	11,804,100(a)
Total Utilities			24,919,910
Total Convertible Preferred Stocks (Cost \$37,664,405)			38,215,780
Master Limited Partnerships 32.7%			
Diversified Energy Infrastructure 11.7%			
Energy Transfer Equity LP		332,000	15,096,040(a)
Enterprise Products Partners LP		212,160	10,996,253(a)
Genesis Energy LP		73,000	2,618,510(a)
Williams Partners LP		30,000	1,527,300
Total Diversified Energy Infrastructure			30,238,103
Exploration & Production 4.4%			
Linn Energy LLC		289,000	11,453,070(a)
Financials 1.5%			
Och-Ziff Capital Management Group LLC		418,000	3,979,360(a)
Gathering/Processing 8.6%			
Access Midstream Partners LP		60,000	2,099,400
Copano Energy LLC		70,000	2,207,100
DCP Midstream Partners LP		135,021	5,654,679(a)
EQT Midstream Partners LP		150,500	4,623,360
MarkWest Energy Partners LP		45,000	2,325,600(a)
Summit Midstream Partners LP		130,000	2,568,800*
Western Gas Partners LP		55,000	2,692,800(a)
Total Gathering/Processing			22,171,739
Liquids Transportation & Storage 5.8%			
Enbridge Energy Partners LP		105,000	3,047,100
Magellan Midstream Partners LP		30,000	1,334,400
Plains All American Pipeline LP		52,000	2,422,160
Sunoco Logistics Partners LP		47,000	2,388,540

See Notes to Financial Statements.

LMP Capital and Income Fund Inc.

	Shares	Value
Security		
Liquids Transportation & Storage continued		
Susser Petroleum Partners LP	165,000	\$ 4,120,050
Tesoro Logistics LP	38,000	1,751,800
Total Liquids Transportation & Storage		15,064,050
Shipping 0.7%		
Golar LNG Partners LP	61,000	1,823,900 ^(a)
Total Master Limited Partnerships (Cost \$75,874,960)		84,730,222
	Rate	
Preferred Stocks 1.1%		
Financials 1.1%		
Real Estate Investment Trusts (REITs) 1.1%		
Ashford Hospitality Trust, Series E	9.000%	33,661 908,847 ^(a)
Glimcher Realty Trust, Series H	7.500%	34,000