

LMP CAPITAL & INCOME FUND INC.
Form N-Q
April 23, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

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: **February 28, 2018**

ITEM 1. SCHEDULE OF INVESTMENTS.

LMP CAPITAL AND INCOME FUND INC.

FORM N-Q

FEBRUARY 28, 2018

LMP CAPITAL AND INCOME FUND INC.

Schedule of investments (unaudited)

February 28, 2018

SECURITY	SHARES	VALUE
COMMON STOCKS - 78.2%		
CONSUMER STAPLES - 5.4%		
Beverages - 0.7%		
PepsiCo Inc.	16,500	\$ 1,810,545
Household Products - 4.7%		
Colgate-Palmolive Co.	50,000	3,448,500 ^(a)
Kimberly-Clark Corp.	24,000	2,662,080
Procter & Gamble Co.	30,500	2,394,860 ^(a)
Reckitt Benckiser Group PLC	50,000	3,964,159 ^(b)
<i>Total Household Products</i>		<i>12,469,599</i>
TOTAL CONSUMER STAPLES		14,280,144
FINANCIALS - 15.8%		
Banks - 3.3%		
Bank of America Corp.	148,000	4,750,800 ^(a)
Citigroup Inc.	52,000	3,925,480 ^(a)
<i>Total Banks</i>		<i>8,676,280</i>
Capital Markets - 1.1%		
CME Group Inc.	18,000	2,990,880
Insurance - 2.4%		
AFLAC Inc.	26,000	2,310,880 ^(a)
MetLife Inc.	88,500	4,087,815 ^(a)
<i>Total Insurance</i>		<i>6,398,695</i>
Mortgage Real Estate Investment (REITs) - 9.0%		
AGNC Investment Corp.	319,000	5,722,860 ^(a)
Annaly Capital Management Inc.	527,000	5,285,810 ^(a)
Starwood Property Trust Inc.	341,000	6,905,250 ^(a)
TPG RE Finance Trust Inc.	307,500	5,697,975 ^(a)
<i>Total Mortgage Real Estate Investment (REITs)</i>		<i>23,611,895</i>
TOTAL FINANCIALS		41,677,750
HEALTH CARE - 7.9%		
Pharmaceuticals - 7.9%		
AstraZeneca PLC, ADR	62,000	2,057,780 ^(a)
Bristol-Myers Squibb Co.	38,000	2,515,600 ^(a)
GlaxoSmithKline PLC, ADR	41,000	1,488,710 ^(a)
Johnson & Johnson	23,000	2,987,240 ^(a)
Merck & Co. Inc.	128,000	6,940,160 ^(a)
Pfizer Inc.	131,000	4,756,610 ^(a)

TOTAL HEALTH CARE		20,746,100
INDUSTRIALS - 6.6%		
Aerospace & Defense - 4.6%		
Lockheed Martin Corp.	34,300	12,088,692 ^(a)
Electrical Equipment - 1.0%		
Emerson Electric Co.	36,500	2,593,690 ^(a)
Machinery - 1.0%		
Stanley Black & Decker Inc.	16,500	2,626,635 ^(a)
TOTAL INDUSTRIALS		17,309,017
INFORMATION TECHNOLOGY - 17.2%		
Communications Equipment - 0.9%		
Cisco Systems Inc.	55,400	2,480,812 ^(a)
IT Services - 3.0%		
International Business Machines Corp.	40,000	6,233,200 ^(a)
Paychex Inc.	24,750	1,611,967 ^(a)
<i>Total IT Services</i>		7,845,167

See Notes to Schedule of Investments.

LMP CAPITAL AND INCOME FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2018

SECURITY	SHARES	VALUE
Semiconductors & Semiconductor Equipment - 6.2%		
Intel Corp.	20,500	\$ 1,010,445
Maxim Integrated Products Inc.	79,000	4,814,260 ^(a)
Microchip Technology Inc.	26,000	2,312,180 ^(a)
QUALCOMM Inc.	91,500	5,947,500 ^(a)
Texas Instruments Inc.	21,000	2,275,350 ^(a)
<i>Total Semiconductors & Semiconductor Equipment</i>		<i>16,359,735</i>
Software - 6.1%		
Microsoft Corp.	112,700	10,567,879 ^(a)
Oracle Corp.	106,000	5,371,020 ^(a)
<i>Total Software</i>		<i>15,938,899</i>
Technology Hardware, Storage & Peripherals - 1.0%		
Apple Inc.	15,400	2,743,048
TOTAL INFORMATION TECHNOLOGY		45,367,661
MATERIALS - 5.6%		
Chemicals - 3.2%		
DowDuPont Inc.	120,000	8,436,000 ^(a)
Containers & Packaging - 1.8%		
International Paper Co.	78,000	4,648,020 ^(a)
Metals & Mining - 0.6%		
Compass Minerals International Inc.	28,000	1,688,400 ^(a)
TOTAL MATERIALS		14,772,420
REAL ESTATE - 11.3%		
Equity Real Estate Investment Trusts (REITs) - 11.3%		
Alexandria Real Estate Equities Inc.	18,900	2,292,759 ^(a)
American Tower Corp.	27,974	3,897,618
AvalonBay Communities Inc.	5,600	873,712
EPR Properties	44,000	2,535,720 ^(a)
Equity Residential	30,000	1,686,900
Park Hotels & Resorts Inc.	137,400	3,571,026 ^(a)
Ramco-Gershenson Properties Trust	132,000	1,554,960 ^(a)
Retail Properties of America Inc., Class A Shares	155,000	1,853,800 ^(a)
Senior Housing Properties Trust	41,900	634,366 ^(a)
Simon Property Group Inc.	18,610	2,856,821 ^(a)
STORE Capital Corp.	47,500	1,132,400
Urstadt Biddle Properties Inc., Class A Shares	85,000	1,489,200 ^(a)
Weyerhaeuser Co.	150,000	5,254,500 ^(a)
TOTAL REAL ESTATE		29,633,782

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TELECOMMUNICATION SERVICES - 6.2%		
Diversified Telecommunication Services - 4.8%		
AT&T Inc.	170,000	6,171,000 ^(a)
Verizon Communications Inc.	136,000	6,492,640 ^(a)
<i>Total Diversified Telecommunication Services</i>		<i>12,663,640</i>
Wireless Telecommunication Services - 1.4%		
Vodafone Group PLC, ADR	125,000	3,538,750 ^(a)
TOTAL TELECOMMUNICATION SERVICES		16,202,390
UTILITIES - 2.2%		
Electric Utilities - 1.6%		
Exelon Corp.	114,000	4,222,560 ^(a)
Multi-Utilities - 0.6%		
CenterPoint Energy Inc.	53,500	1,447,175 ^(a)
TOTAL UTILITIES		5,669,735
TOTAL COMMON STOCKS		
(Cost - \$165,674,277)		205,658,999

See Notes to Schedule of Investments.

LMP CAPITAL AND INCOME FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2018

	SECURITY	RATE	SHARES	VALUE
CONVERTIBLE PREFERRED STOCKS - 5.9%				
ENERGY - 1.7%				
Oil, Gas & Consumable Fuels - 1.7%				
Anadarko Petroleum Corp.		7.500%	141,000	\$ 4,582,500 ^(a)
HEALTH CARE - 1.4%				
Pharmaceuticals - 1.4%				
Allergan PLC		5.500%	6,800	3,695,800
INDUSTRIALS - 0.4%				
Machinery - 0.4%				
Stanley Black & Decker Inc.		5.375%	7,830	922,765
REAL ESTATE - 0.7%				
Equity Real Estate Investment Trusts (REITs) - 0.7%				
Crown Castle International Corp.		6.875%	1,700	1,902,657
UTILITIES - 1.7%				
Electric Utilities - 1.7%				
NextEra Energy Inc.		6.371%	67,000	4,537,910
TOTAL CONVERTIBLE PREFERRED STOCKS				
(Cost - \$19,068,352)				15,641,632
INVESTMENTS IN UNDERLYING FUNDS - 6.4%				
FINANCIALS - 6.4%				
Capital Markets - 6.4%				
Ares Capital Corp.			405,000	6,394,950 ^{(a)(c)}
Golub Capital BDC Inc.			132,000	2,365,440 ^{(a)(c)}
TCP Capital Corp.			297,990	4,249,337 ^{(a)(c)}
TriplePoint Venture Growth BDC Corp.			325,241	3,740,272 ^{(a)(c)}
TOTAL INVESTMENTS IN UNDERLYING FUNDS				
(Cost - \$18,641,381)				16,749,999
			SHARES/UNITS	
MASTER LIMITED PARTNERSHIPS - 35.1%				
Diversified Energy Infrastructure - 6.6%				
Energy Transfer Partners LP			376,000	6,846,960 ^(a)
Enterprise Products Partners LP			182,000	4,626,440 ^(a)
Genesis Energy LP			300,000	5,988,000 ^(a)
<i>Total Diversified Energy Infrastructure</i>				<i>17,461,400</i>
Financials - 3.8%				
Blackstone Group LP			297,000	10,098,000 ^(a)

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Global Infrastructure - 2.9%

Brookfield Infrastructure Partners LP	60,000	2,420,400
Brookfield Renewable Partners LP	166,000	5,127,993

Total Global Infrastructure *7,548,393*

Liquids Transportation & Storage - 4.8%

Buckeye Partners LP	60,000	2,688,000 ^(a)
Enbridge Energy Partners LP	337,000	4,215,870 ^(a)
Magellan Midstream Partners LP	34,000	2,123,640 ^(a)
PBF Logistics LP	186,000	3,636,300 ^(a)

Total Liquids Transportation & Storage *12,663,810*

Natural Gas Transportation & Storage - 3.8%

Hoegh LNG Partners LP	304,000	5,289,600 ^(a)
Williams Partners LP	130,000	4,711,200 ^(a)

Total Natural Gas Transportation & Storage *10,000,800*

See Notes to Schedule of Investments.

LMP CAPITAL AND INCOME FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2018

SECURITY	SHARES/UNITS	VALUE
Offshore - 1.6%		
Dynagas LNG Partners LP	409,000	\$ 4,155,440 ^(a)
Oil/Refined Products - 4.8%		
Andeavor Logistics LP	100,000	4,648,000 ^(a)
CrossAmerica Partners LP	82,000	1,927,820 ^(a)
MPLX LP	44,000	1,519,320
Sunoco LP	154,000	4,453,680 ^(a)
<i>Total Oil/Refined Products</i>		<i>12,548,820</i>
Petrochemicals - 1.0%		
Westlake Chemical Partners LP	115,000	2,593,250 ^(a)
Propane - 1.1%		
Suburban Propane Partners LP	122,000	2,818,200 ^(a)
Shipping - 4.7%		
Golar LNG Partners LP	423,000	7,821,270 ^(a)
KNOT Offshore Partners LP	224,000	4,457,600 ^(a)
<i>Total Shipping</i>		<i>12,278,870</i>
TOTAL MASTER LIMITED PARTNERSHIPS (Cost - \$90,129,769)		92,166,983
TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost - \$293,513,779)		330,217,613
	RATE	SHARES
SHORT-TERM INVESTMENTS - 8.3%		
State Street Institutional Treasury Money Market Fund, Premier Class (Cost - \$21,902,003)	1.331%	21,902,003
TOTAL INVESTMENTS - 133.9%		
(Cost - \$315,415,782)		352,119,616
Liabilities in Excess of Other Assets - (33.9)%		(89,148,801)
TOTAL NET ASSETS - 100.0%		\$ 262,970,815

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

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(b) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).

(c) Security is a business development company.

Abbreviation used in this schedule:

ADR American Depositary Receipts

This Schedule of Investments is unaudited and is intended to provide information about the Fund's investments as of the date of the schedule. Other information regarding the Fund is available in the Fund's most recent annual or semi-annual shareholder report.

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and significant accounting policies

LMP Capital and Income Fund Inc. (the Fund) was incorporated in Maryland on November 12, 2003 and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Board of Directors authorized 100 million shares of \$0.001 par value common stock. 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.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

(a) Investment valuation. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Prior to December 1, 2017, short-term fixed income securities that would mature in 60 days or less were valued at amortized cost, unless it was determined that using this method would not reflect an investment's fair value. Investments in open-end funds are valued at the closing net asset value per share of each fund on the day of valuation. When the Fund holds securities or other assets that are denominated in a foreign currency, the Fund will normally use the currency exchange rates as of 4:00 p.m. (Eastern Time). If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North Atlantic Fund Valuation Committee (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Directors quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

Notes to Schedule of Investments (unaudited) (continued)

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)
The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets carried at fair value:

DESCRIPTION	ASSETS			TOTAL
	QUOTED PRICES (LEVEL 1)	OTHER SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
Long-Term Investments :				
Common Stocks:				
Consumer Staples	\$ 10,315,985	\$ 3,964,159		\$ 14,280,144
Other Common Stocks	191,378,855			191,378,855
Convertible Preferred Stocks	15,641,632			15,641,632
Investments in Underlying Funds	16,749,999			16,749,999
Master Limited Partnerships	92,166,983			92,166,983
Total Long-Term Investments	326,253,454	3,964,159		330,217,613
Short-Term Investments	21,902,003			21,902,003
Total Investments	\$ 348,155,457	\$ 3,964,159		\$ 352,119,616

See Schedule of Investments for additional detailed categorizations.

For the period ended February 28, 2018, as a result of the fair value pricing procedures for international equities utilized by the Fund, certain securities have transferred in and out of Level 1 and Level 2 measurements during the period. The Fund's policy is to recognize transfers between levels as of the end of the reporting period. At February 28, 2018, securities valued at \$3,964,159 were classified as Level 2 within the fair value hierarchy because fair value procedures were applied when the change in value of a domestic equity security index suggested that the closing prices on foreign exchanges may no longer have represented the value of those securities at the time of closing of the NYSE.

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LMP Capital and Income Fund Inc.

By /s/ JANE TRUST
 Jane Trust
 Chief Executive Officer

Date: April 23, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ JANE TRUST
 Jane Trust
 Chief Executive Officer

Date: April 23, 2018

By /s/ RICHARD F. SENNETT
 Richard F. Sennett
 Principal Financial Officer

Date: April 23, 2018