

LMP CAPITAL & INCOME FUND INC.
Form N-Q
April 15, 2015

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: 1-(888) 777-0102

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

Date of reporting period: **February 28, 2015**

ITEM 1. SCHEDULE OF INVESTMENTS.

LMP CAPITAL AND INCOME FUND INC.

FORM N-Q

FEBRUARY 28, 2015

LMP CAPITAL AND INCOME FUND INC.**Schedule of investments (unaudited)****February 28, 2015**

	SECURITY	SHARES	VALUE
COMMON STOCKS - 59.2%			
CONSUMER DISCRETIONARY - 2.6%			
Media - 2.6%			
	Regal Entertainment Group, Class A Shares	374,000	\$ 8,841,360 ^(a)
CONSUMER STAPLES - 1.7%			
Household Products - 1.7%			
	Kimberly-Clark Corp.	53,000	5,811,980 ^(a)
ENERGY - 0.6%			
Oil, Gas & Consumable Fuels - 0.6%			
	Enlink Midstream LLC	60,000	2,001,600
FINANCIALS - 17.2%			
Capital Markets - 0.7%			
	Apollo Global Management LLC, Class A Shares	100,000	2,332,000
Real Estate Investment Trusts (REITs) - 16.5%			
	Alexandria Real Estate Equities Inc.	12,100	1,160,511
	American Capital Agency Corp.	168,000	3,601,080 ^(a)
	Annaly Capital Management Inc.	400,000	4,248,000 ^(a)
	BioMed Realty Trust Inc.	49,900	1,109,776
	DCT Industrial Trust Inc.	37,500	1,353,000 ^(a)
	EPR Properties	76,700	4,679,467 ^(a)
	Equity Residential	19,300	1,486,679
	Excel Trust Inc.	170,000	2,329,000 ^(a)
	HCP Inc.	41,000	1,736,760 ^(a)
	Highwoods Properties Inc.	26,000	1,185,860 ^(a)
	Hospitality Properties Trust	119,000	3,666,390 ^(a)
	Inland Real Estate Corp.	185,000	1,979,500 ^(a)
	Kilroy Realty Corp.	24,000	1,775,280 ^(a)
	Liberty Property Trust	49,000	1,823,780 ^(a)
	Ramco-Gershenson Properties Trust	132,000	2,471,040 ^(a)
	Regency Centers Corp.	22,000	1,443,860 ^(a)
	Retail Properties of America Inc., Class A Shares	155,000	2,453,650
	Senior Housing Properties Trust	91,000	2,033,850 ^(a)
	Simon Property Group Inc.	6,600	1,256,376
	Spirit Realty Capital Inc.	272,386	3,336,728 ^(a)
	Starwood Property Trust Inc.	362,900	8,854,760 ^(a)
	STORE Capital Corp.	52,500	1,188,600
	Urstadt Biddle Properties, Class A Shares	85,000	1,931,200 ^(a)
	<i>Total Real Estate Investment Trusts (REITs)</i>		<i>57,105,147</i>
TOTAL FINANCIALS			59,437,147
HEALTH CARE - 6.9%			
Pharmaceuticals - 6.9%			

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AstraZeneca PLC, ADR	15,000	1,033,500
Bristol-Myers Squibb Co.	123,950	7,551,034 ^(a)
GlaxoSmithKline PLC, ADR	76,000	3,603,920 ^(a)
Merck & Co. Inc.	58,000	3,395,320 ^(a)
Pfizer Inc.	126,000	4,324,320 ^(a)
Roche Holding AG	15,000	4,071,957
TOTAL HEALTH CARE		23,980,051

See Notes to Schedule of Investments.

LMP CAPITAL AND INCOME FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2015

SECURITY	SHARES	VALUE
INDUSTRIALS - 8.0%		
Aerospace & Defense - 3.4%		
Lockheed Martin Corp.	57,650	\$ 11,532,883 ^(a)
Industrial Conglomerates - 0.7%		
General Electric Co.	94,000	2,443,060
Trading Companies & Distributors - 3.2%		
TAL International Group Inc.	266,100	11,104,353 ^(a)
Transportation Infrastructure - 0.7%		
Macquarie Infrastructure Co., LLC	32,000	2,515,520 ^(a)
TOTAL INDUSTRIALS		27,595,816
INFORMATION TECHNOLOGY - 7.9%		
IT Services - 0.3%		
Paychex Inc.	20,000	996,700
Semiconductors & Semiconductor Equipment - 2.5%		
Intel Corp.	192,000	6,384,000 ^(a)
Maxim Integrated Products Inc.	67,000	2,304,465
<i>Total Semiconductors & Semiconductor Equipment</i>		<i>8,688,465</i>
Software - 1.4%		
Microsoft Corp.	111,000	4,867,350 ^(a)
Technology Hardware, Storage & Peripherals - 3.7%		
Apple Inc.	10,000	1,284,600
Seagate Technology PLC	187,360	11,451,443 ^(a)
<i>Total Technology Hardware, Storage & Peripherals</i>		<i>12,736,043</i>
TOTAL INFORMATION TECHNOLOGY		27,288,558
MATERIALS - 0.8%		
Paper & Forest Products - 0.8%		
International Paper Co.	50,000	2,820,500 ^(a)
TELECOMMUNICATION SERVICES - 7.0%		
Diversified Telecommunication Services - 5.0%		
AT&T Inc.	189,000	6,531,840 ^(a)
Verizon Communications Inc.	217,666	10,763,584 ^(a)
<i>Total Diversified Telecommunication Services</i>		<i>17,295,424</i>

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Wireless Telecommunication Services - 2.0%

Vodafone Group PLC, Sponsored ADR	200,481	6,928,623
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TOTAL TELECOMMUNICATION SERVICES

24,224,047

UTILITIES - 6.5%

Electric Utilities - 4.3%

Great Plains Energy Inc.	114,000	3,033,540 ^(a)
NRG Yield Inc., Class A Shares	56,960	2,922,618 ^(a)
PPL Corp.	261,000	8,900,100 ^(a)

Total Electric Utilities

14,856,258

Independent Power and Renewable Electricity Producers - 0.6%

Abengoa Yield PLC	36,900	1,209,951
TerraForm Power Inc., Class A	27,000	937,710*

Total Independent Power and Renewable Electricity Producers

2,147,661

See Notes to Schedule of Investments.

LMP CAPITAL AND INCOME FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2015

SECURITY	SHARES	VALUE
Multi-Utilities - 1.6%		
National Grid PLC	397,000	\$ 5,434,049
TOTAL UTILITIES		22,437,968
TOTAL COMMON STOCKS		
(Cost - \$154,576,196)		204,439,027
	RATE	
CONVERTIBLE PREFERRED STOCKS - 20.5%		
FINANCIALS - 6.3%		
Real Estate Investment Trusts (REITs) - 6.3%		
American Tower Corp.	5.250%	32,000 3,377,600
American Tower Corp.	5.500%	13,550 1,371,937
Health Care REIT Inc.	6.500%	117,800 8,050,452 ^(a)
Weyerhaeuser Co.	6.375%	151,000 8,809,340
TOTAL FINANCIALS		21,609,329
HEALTH CARE - 1.5%		
Actavis PLC	5.500%	5,150 5,283,900
INDUSTRIALS - 5.5%		
Industrial Conglomerates - 4.8%		
United Technologies Corp.	7.500%	260,000 16,562,000
Machinery - 0.7%		
Stanley Black & Decker Inc.	6.250%	22,000 2,537,480
TOTAL INDUSTRIALS		19,099,480
UTILITIES - 7.2%		
Electric Utilities - 4.9%		
Exelon Corp.	6.500%	134,000 6,646,400
NextEra Energy Inc.	5.799%	110,000 6,274,400
NextEra Energy Inc.	5.889%	63,000 4,103,190
<i>Total Electric Utilities</i>		17,023,990
Multi-Utilities - 2.3%		
Dominion Resources Inc.	6.125%	139,000 8,007,790
TOTAL UTILITIES		25,031,780
TOTAL CONVERTIBLE PREFERRED STOCKS		
(Cost - \$64,515,708)		71,024,489

INVESTMENTS IN UNDERLYING FUNDS - 9.3%

FINANCIALS - 9.3%

Capital Markets - 9.3%

Ares Capital Corp.	682,000	11,798,600 ^{(a)(b)}
FS Investment Corp.	524,600	5,246,000 ^(b)
Golub Capital BDC Inc.	340,100	6,040,176 ^{(a)(b)}
TCP Capital Corp.	331,000	5,494,600 ^(b)
TriplePoint Venture Growth BDC Corp.	240,000	3,568,800 ^{(a)(b)}

TOTAL INVESTMENTS IN UNDERLYING FUNDS

(Cost - \$32,955,932) 32,148,176

SHARES/UNITS

MASTER LIMITED PARTNERSHIPS - 31.9%

Diversified Energy Infrastructure - 11.8%

Energy Transfer Equity LP	154,000	9,835,980 ^(a)
Energy Transfer Partners LP	67,000	3,985,160 ^(a)
Enterprise Products Partners LP	424,320	14,146,829 ^(a)
Genesis Energy LP	95,000	4,370,000 ^(a)
Plains GP Holdings LP, Class A Shares	254,000	7,274,560 ^(a)
Regency Energy Partners LP	45,000	1,097,550

Total Diversified Energy Infrastructure 40,710,079

See Notes to Schedule of Investments.

LMP CAPITAL AND INCOME FUND INC.

Schedule of investments (unaudited) (cont d)

February 28, 2015

SECURITY	SHARES/UNITS	VALUE
Energy - 0.7%		
PBF Logistics LP	98,820	\$ 2,415,161
Financials - 6.5%		
Ares Management LP	72,260	1,466,878
Blackstone Group LP	196,000	7,342,160 ^(a)
Och-Ziff Capital Management Group LLC	1,119,000	13,786,080 ^(a)
<i>Total Financials</i>		22,595,118
Gathering/Processing - 4.1%		
Crestwood Midstream Partners LP	53,500	801,430 ^(a)
DCP Midstream Partners LP	110,000	4,378,000 ^(a)
Enable Midstream Partners LP	90,000	1,620,000
MarkWest Energy Partners LP	29,000	1,883,550 ^(a)
QEP Midstream Partners LP	47,000	766,100
Summit Midstream Partners LP	101,640	3,666,155 ^(a)
Targa Resources Partners LP	25,000	1,095,500
<i>Total Gathering/Processing</i>		14,210,735
General Partner - 0.0%		
Crestwood Equity Partners LP	19,360	122,742
Global Infrastructure - 0.7%		
Brookfield Infrastructure Partners LP	55,000	2,499,750 ^(a)
Liquids Transportation & Storage - 0.6%		
Buckeye Partners LP	12,000	932,880
World Point Terminals LP	47,000	939,060
<i>Total Liquids Transportation & Storage</i>		1,871,940
Natural Gas Transportation & Storage - 2.9%		
Columbia Pipeline Partners LP	16,700	462,423*
Hoegh LNG Partners LP	220,000	4,939,000
TC Pipelines LP	30,000	1,979,400
Williams Partners LP	53,736	2,748,059
<i>Total Natural Gas Transportation & Storage</i>		10,128,882
Offshore - 0.6%		
Dynagas LNG Partners LP	110,000	2,197,800 ^(a)
Oil & Gas Drilling - 0.2%		
Transocean Partners LLC	39,000	533,910
Oil/Refined Products - 2.6%		
CrossAmerica Partners LP	25,000	856,500

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JP Energy Partners LP	128,000	1,859,840
Sunoco LP	120,000	6,189,600 ^(a)
<i>Total Oil/Refined Products</i>		<i>8,905,940</i>

See Notes to Schedule of Investments.

LMP CAPITAL AND INCOME FUND INC.**Schedule of investments (unaudited) (cont d)****February 28, 2015**

	SECURITY	SHARES/UNITS	VALUE
Petrochemicals - 0.1%			
	Westlake Chemical Partners LP	17,700	\$ 472,413
Refining - 0.3%			
	Western Refining Logistics LP	32,960	983,197
Shipping - 0.8%			
	Golar LNG Partners LP	98,000	2,558,780 ^(a)
TOTAL MASTER LIMITED PARTNERSHIPS			
	(Cost - \$81,331,149)		110,206,447
TOTAL INVESTMENTS - 120.9%			
	(Cost - \$333,378,985#)		417,818,139
	Liabilities in Excess of Other Assets - (20.9)%		(72,331,804)
TOTAL NET ASSETS - 100.0%			
			\$ 345,486,335

* Non-income producing security.

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

(b) Security is a business development company.

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

Abbreviations used in this schedule:

ADR American Depositary Receipts

REIT Real Estate Investment Trust

This Schedule of Investments is unaudited and is intended to provide information about the Fund's portfolio holdings 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 pursues its investment objective by investing 80% of its assets in a broad range of equity and fixed income securities of both U.S. and foreign issuers.

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. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. 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 (formerly, Legg Mason North American 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	\$ 204,439,027			\$ 204,439,027
Convertible preferred stocks	71,024,489			71,024,489
Investments in underlying funds	32,148,176			32,148,176
Master limited partnerships	110,206,447			110,206,447
Total investments	\$ 417,818,139			\$ 417,818,139

See Schedule of Investments for additional detailed categorizations.

2. Investments

At February 28, 2015, the aggregate gross unrealized appreciation and depreciation of investments for federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 92,360,678
Gross unrealized depreciation	(7,921,524)
Net unrealized appreciation	\$ 84,439,154

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/ **KENNETH D. FULLER**
 Kenneth D. Fuller
 Chief Executive Officer

Date: April 15, 2015

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/ **KENNETH D. FULLER**
 Kenneth D. Fuller
 Chief Executive Officer

Date: April 15, 2015

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

Date: April 15, 2015