

SALOMON BROTHERS CAPITAL & INCOME FUND INC

Form N-CSR

January 09, 2006

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**

Salomon Brothers Capital and Income Fund Inc.

(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place, 4th Floor

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 725-6666

Date of fiscal year end: **October 31**

Date of reporting period: **October 31, 2005**

ITEM 1. REPORT TO STOCKHOLDERS.

The Annual Report to Stockholders is filed herewith.

EXPERIENCE

Salomon Brothers Capital and Income Fund Inc.

ANNUAL REPORT

OCTOBER 31, 2005

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

Salomon Brothers Capital and Income Fund Inc.

Annual Report □ October 31, 2005

What's Inside

Letter from the Chairman	1
Manager Overview	5
Fund at a Glance	11
Schedule of Investments	12
Statement of Assets and Liabilities	37
Statement of Operations	38
Statements of Changes in Net Assets	39
Statement of Cash Flows	40
Financial Highlights	41
Notes to Financial Statements	42
Report of Independent Registered Public Accounting Firm	50
Board Approval of Management Agreement	51
Additional Information	61
Annual Chief Executive Officer and Chief Financial Officer	
Certification	65
Dividend Reinvestment Plan	66
Important Tax Information	68

Fund Objective

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

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All Citi Marks are owned by Citigroup, and are licensed for use until no later than one year after the date of the licensing agreement.

Letter from the Chairman

R. JAY GERKEN, CFA

Chairman, President and
Chief Executive Officer

Dear Shareholder,

The U.S. economy was surprisingly resilient during the fiscal year of this report. While surging oil prices, rising interest rates, and the impact of Hurricanes Katrina and Rita threatened to derail the economic expansion, growth remained solid throughout the period. After a 3.3% advance in the second quarter of 2005, third quarter gross domestic product (GDP)ⁱ growth grew to 4.3%, marking the tenth consecutive quarter in which GDP growth grew 3.0% or more.

As expected, the Federal Reserve Board (Fed)ⁱⁱ continued to raise interest rates in an attempt to ward-off inflation. After raising rates three times from June 2004 through September 2004, the Fed increased its target for the federal funds rateⁱⁱⁱ in 0.25% increments eight additional times over the reporting period. The Fed again raised rates in early November, after the Fund's reporting period had ended. All told, the twelve rate hikes by the Fed have brought the target for the federal funds rate from 1.00% to 4.00%. This represents the longest sustained Fed tightening cycle since 1976-1979.

During the 12-month period covered by this report, the U.S. stock market generated solid results, with the S&P 500 Index^{iv} returning 8.72%. Generally positive economic news, relatively benign core inflation, and strong corporate profits supported the market during much of the period. Looking at the fiscal year as a whole, mid-cap stocks generated superior returns, with the Russell Midcap^v, Russell 1000^{vi}, and Russell 2000^{vii} Indexes returning 18.09%, 10.47%, and 12.08%, respectively. From a market style perspective, value-oriented stocks significantly outperformed their growth counterparts, with the Russell 3000 Value^{viii} and Russell 3000 Growth^{ix} Indexes returning 11.96% and 8.99%, respectively.

During much of this fiscal year, the fixed income market confounded investors as short-term interest rates rose in concert with the Fed rate tightening, while longer-term rates, surprisingly, declined. However, due to a spike late in the period, the 10-year Treasury yield was 4.56% on October 31, 2005, versus 4.11% when the period began. Nevertheless, this was still lower than its yield of 4.62% when the Fed began its tightening cycle on June 30, 2004. Looking at the one-year period as a whole, the overall bond market, as measured by the Lehman Brothers Aggregate Bond Index, returned 1.13%.

Please read on for a more detailed look at prevailing economic and market conditions during the Fund's fiscal year and to learn how those conditions have affected Fund performance.

Special Shareholder Notice

On December 1, 2005, Citigroup Inc. (Citigroup) completed the sale of substantially all of its asset management business, Citigroup Asset Management (CAM), to Legg Mason, Inc. (Legg Mason). As a result, the Fund's investment manager (the Manager), previously an indirect wholly-owned subsidiary of Citigroup, has become a wholly-owned subsidiary of Legg Mason. Completion of the sale caused the Fund's existing investment management contract to terminate. The Fund's shareholders previously approved a new investment management contract between the Fund and the Manager which became effective on December 1, 2005.

Information About Your Fund

As you may be aware, several issues in the mutual fund industry have recently come under the scrutiny of federal and state regulators. The Fund's Manager and some of its affiliates have received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The regulators appear to be examining, among other things, the open-end fund's response to market timing and shareholder exchange activity, including compliance with prospectus disclosure related to these subjects. The Fund has been informed that the Manager and its affiliates are responding to those information requests, but are not in a position to predict the outcome of these requests and investigations.

Important information concerning the Fund and its Manager with regard to recent regulatory developments is contained in the Notes to Financial Statements included in this report.

As previously described in proxy statements that were mailed to shareholders of the Fund in connection with the transaction, Legg Mason intends to combine the fixed-income operations of the Manager with those of Legg Mason's wholly-owned subsidiary, Western Asset Management Company, and its affiliates, (Western Asset). This combination will involve Western Asset and the Manager sharing common systems and procedures, employees (including portfolio managers), investment trading platforms, and other resources. At a future date, Legg Mason expects to recommend to the Boards of Directors of the funds that Western Asset be appointed as the adviser or sub-adviser to the funds, subject to applicable regulatory requirements. The combination is also expected to result in changes to portfolio managers or portfolio management teams for a number of funds, subject to Board oversight and appropriate notice to shareholders.

The Fund has been advised by the Manager that, in anticipation of this combination, Legg Mason and Western Asset have come to a mutually beneficial agreement with a select group of portfolio managers and other investment professionals from the Manager of the Fund, including Peter Wilby. The agreement provides them the opportunity to start a new firm based in New York focusing on high yield, emerging market debt, and specialty fixed income strategies. Importantly, the group has committed to remain employed with the Manager through March 31, 2006 to assist in the orderly integration of the fixed-income operations of the Manager, including the management of the Fund, with those of Western Asset. Western Asset has also entered into a consulting agreement with the group, effective as of April 1, 2006, to ensure an effective and orderly transition of portfolio management and Board liaison responsibilities for the Funds to Western Asset.

The Board will be working with the Manager, Western Asset, and the portfolio managers to implement an orderly combination of the Manager's fixed income operations and Western Asset in the best interests of the Fund and its shareholders.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you continue to meet your financial goals.

Sincerely,

R. Jay Gerken, CFA
Chairman and Chief Executive Officer

December 1, 2005

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product is a market value of goods and services produced by labor and property in a given country.
- ii The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.
- iv The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.
- v The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index whose average market capitalization was approximately \$4.7 billion as of 6/24/05.
- vi The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.
- vii The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- viii The Russell 3000 Value Index measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower 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.) ix The Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.
- x The Lehman Brothers Aggregate Bond 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.

Manager Overview

MICHAEL SEDOY (left)
Co-portfolio Manager

MARK MCALLISTER (right)
Co-Portfolio Manager

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

A. There was no shortage of problems for the U.S. economy to overcome during the reporting period. These included record high oil prices, rising short-term interest rates, the devastation inflicted by Hurricanes Katrina and Rita, geopolitical issues, and falling consumer confidence. However, the economy proved to be surprisingly resilient during the fiscal year and the S&P 500 Indexⁱ posted an 8.72% total return for the period.

The Fed continued to raise interest rates over the period in an attempt to ward-off inflation. All told, the Fed's 12 rate hikes have brought the target for the federal funds rate from 1.00% to 4.00%. This represents the longest sustained Fed tightening cycle since 1976-1979.

The top-performing sector within the S&P 500 Index was energy, gaining 33.71%. Other leading sectors included utilities (23.86%) and consumer staples (10.18%) . All sectors had positive returns during the period with the exception of consumer discretionary (-1.06%) and telecommunications (-0.46%). Among large-cap equities, value stocks continued to outperform growth stocks as measured by the performance of the S&P 500 Barra Value Indexⁱⁱ, which returned 10.17% and the S&P 500 Barra Growth Indexⁱⁱⁱ, which returned 7.25%. Small-cap stocks continued to outperform large-cap stocks as represented by the small-cap Russell 2000 Index^{iv}, which increased 12.08% and the large-cap Russell 1000 Index, which increased 10.47%.

In the fixed income markets, during the one-year period, emerging markets returned 10.54%, as represented by the JPMorgan Emerging Markets Bond Index Global (EMBI Global)^v. Although there were periods of weakness in March and July 2005, the emerging markets debt asset class generated solid results. Improving country fundamentals and strong market technicals outweighed the downward pressure exerted by Fed tightening. In addition, continued strength in commodity prices, including metals, agriculture, and oil supported many emerging market countries. The high yield market returned 3.55%, as represented by the Citigroup High Yield Market Index^{vi}. After a strong start, high-yield bonds fell sharply in March and April 2005 as investors became concerned over downgrades for General Motors and Ford Motor Company bonds. However, the high yield market reversed course and rallied as the uncertainty surrounding the downgrades lifted and investors searched for incremental yield. Investment grade bonds returned 1.13%, as represented by the Lehman Brothers Aggregate Bond Index^{vii}. In general, the investment grade

bond asset class experienced lackluster performance and broad-based weakness with higher rates and wider spreads across the curve.

Due to the Fund's allocations across investment grade, high yield and emerging markets debt, please find three separate market overviews, for the period of this report included below.

Investment Grade Market Review

During the 12 months ended October 31, 2005, markets were primarily driven by Federal Reserve Board (the Fed's)^{viii} activity, employment and inflation data and rising energy costs, exacerbated near period-end by the devastating impact of Hurricane Katrina on the U.S. Gulf Coast. The Fed's eight "measured" 25-basis-point hikes during the period brought the federal funds rate^x to 3.75% from 1.75% by the reporting period's end. The Fed raised rates an additional quarter point to 4.00% on November 1st, after the close of the reporting period. These measured, consecutive rate hikes exerted upward pressure on short-term bond yields, driving 2-year yields up about 183 basis points during the 12 months. However, in what Fed Chairman Alan Greenspan termed a "conundrum," yields on the long bond stayed low during the period, even declining slightly (four basis points) over the 12 months despite relinquishing all gains to end 53 basis points higher by period-end. This sharp rise in short yields and relative stagnation in longer yields resulted in the extensive yield curve flattening seen during the period.

As the market fully expected each 25-basis-point hike in the federal funds rate during the period "thanks to the Fed's well-advertised intentions to raise rates at a measured pace" investors spent much of the period dissecting language from the Fed for clues on its assessment of the U.S. economy and the pace of rate hikes. The Fed reiterated throughout the year that it would increase rates "at a pace that is likely to be measured" and, starting in June 2004, added that, "the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability." In its most recent statement (from the September 20th meeting), the Fed noted that core inflation remained low near the end of the period and long-term inflation expectations remained "contained" (even if the language was downgraded from the "well contained" language used at prior meetings).

Slowing global growth, rising inflation and surging oil prices undoubtedly restrained economic activity during the period, with Gross Domestic Product (GDP)^{xi} declining year-over-year to 3.8% growth in first quarter 2005 (from first quarter 2004's 4.5% pace) and to 3.4% growth in second quarter 2005 (from second quarter 2004's 3.5%). However, economic growth remained remarkably resilient into the third quarter, particularly after fears of a sharp slowdown in the wake of Hurricanes Katrina and Rita, gaining 3.8% on an annualized basis versus 3.9% last year and consensus expectations of 3.6% growth. Although growth remained strong throughout the reporting period, fears of potential slowing, combined with increasing inflation, drove markets. Oil prices, which breached \$70 per barrel before reporting period's end, continue to cast a pall on growth and consumer spending expectations.

This was particularly true in the latter half of the reporting period, as investors assessed the potential impact of Hurricanes Katrina and Rita on U.S. economic growth, inflation and the pace of interest rates and growth indicators turned increasingly mixed. For example, the U.S. labor market began to pick up in early 2004 and continued to improve through most of the Fund's fiscal year, although the pace of improvement remained uneven from month to month. Unemployment fell through the majority of the reporting period,

declining from 5.5% in October 2004 to 4.9% in August 2005. However, employment skyrocketed, even if not as much as expected, in the wake of Hurricane Katrina, and the unemployment rate rose to 5.0% in October. Industrial production and retail sales also remained positive through most of the reporting period, even considering the volatility in the auto sector as General Motors and Ford were successively downgraded by three major statistical credit rating agencies to below investment grade. Again, however, as with employment, industrial production and retail sales data turned negative near the reporting period's end as the effects of Hurricane Katrina roiled through the economy, reductions in auto production hit the market and the highly successful automotive dealer incentive packages offered through the summer came to an end.

While inflationary pressures from sustained high commodity prices began to creep into the economy, particularly near the end of the reporting period, continued strong growth and limited wage pressures are keeping long-term inflation expectations [contained]. Core inflation rates, in particular, remained subdued throughout the period despite growing inflationary pressure. Specifically, Core Consumer Price Index (CPI) inflation rose only 0.1% year-over-year to 2.1% in October 2005, and core Producer Price Index (PPI) inflation edged up only 0.1% year-over-year to 1.9% in September 2005. However, both consumer and producer headline inflation rose dramatically by period end as continually high and rising energy prices and competitive pricing pressures began to be passed through to the consumer. Headline CPI inflation rose approximately 1.1% to 4.3% in October 2005 versus October 2004, and headline PPI inflation increased 1.5% to 5.9% over the same period. Pricing pressures were also seen in the core PCE deflator, the Fed's preferred measure of inflation, which rose 0.5% versus September 2004 to 2.0% year-over-year in the latest September reading.

Emerging Markets Debt Review

Emerging markets debt returned 10.54% during the 12 months ended October 31, 2005, as represented by the EMBI Global. Strong country fundamentals and market technicals offset the downward pressure exerted by eight [measured] increases in the federal funds rate throughout the 12 months and credit contagion from the auto sector during volatility of Spring 2005. Continued progress on political and economic reform in many emerging countries, continued commodity price strength and the generally positive macro environment supported broad credit quality improvements across emerging markets during the 12 months.

Sovereign debt markets achieved positive momentum at the start of the period after recovering from depressed levels earlier in 2004 and rallied through the remainder of the year. Positive returns were supported by strong underlying country fundamentals, commodity prices strength (particularly in metals, agriculture and oil) and relatively low U.S. Treasury market volatility. Emerging market debt continued to trend positive during the first two months of 2005 despite concerns over the path of U.S. interest rates, risks of higher inflation and new bond issuance weighing on the market. However, indications of potentially more aggressive tightening (50-basis-point increments) from the Fed and increasingly prominent inflation worries led the market down in March, broadly in line with the U.S. Treasury market. Emerging debt markets remained under pressure in early April as spillover from volatile credit markets, with the highly visible troubles in the auto sector, worsened technicals.

Markets turned again by mid-April and followed a generally upward trajectory through the remainder of the reporting period as U.S. Treasury market volatility declined, the U.S. equity market recovered and country fundamentals remained broadly supportive. Although sovereign market volatility trended upward near the end of the reporting period, emerging markets proved relatively resilient, boosted by strong investor demand for greater risk assets despite the early July terrorist bombings in London, continued political noise in key emerging countries and increasing volatility in U.S. Treasuries.

Spreads tightened 157 basis points during the 12-month period ended October 31, 2005, closing at 242 basis points over U.S. Treasuries. Of note, sovereign spreads tightened 67 basis points alone during the month of June 2005 due primarily to index rebalancing with the conclusion of the Argentine bond exchange. Over the period, 12-month return volatility stood at 4.92%^{xii}, substantially below long-term, historical levels of approximately 16%.

Performance Review

For the 12 months ended October 31, 2005, the Salomon Brothers Capital and Income Fund Inc. returned 6.85%, based on its New York Stock Exchange (NYSE) market price and 12.34% based on its net asset value (NAV)^{xiii} per share. In comparison, the Fund's unmanaged benchmark, the S&P 500 Index, returned 8.72% and its Lipper Income and Preferred Stock Closed-End Funds Category Average^{xiv} increased 6.76% over the same time frame. Please note that Lipper performance returns are based on each Fund's NAV.

During the 12-month period of this report, the Fund made distributions to shareholders totaling \$1.20 per share, (which may have included a return of capital). The performance table shows the Fund's 12-month total return based on its NAV and market price as of October 31, 2005. **Past performance is no guarantee of future results.**

Q. What were the most significant factors affecting Fund performance?

Fund Performance as of October 31, 2005 (unaudited)

Price Per Share	12 Month Total Return
\$19.69 (NAV)	12.34%
\$17.19 (Market Price)	6.85%

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 returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares.

What were the leading contributors to performance?

A. The performance of the equity portion of the Fund was driven by both asset allocation and security selection. Energy, financials and health care were the strongest contributing sectors to Fund performance with **Nexen, Total S.A., Altria Group, SpectraSite Inc.,** and **Marathon Oil** making the largest positive contributions.

We have kept our leverage levels constant over the last 12 months at \$220 million, which is approximately 25% of gross assets or 33% of net assets. While the cost of our credit facility rose during the year along with short-term interest rates, we are still comfortable with our leverage ratio.

For the fixed-income portion, during the annual period, the Fund benefited from its yield curve positioning, underweight to shorter maturities in favor of the longer portion of the curve. The flattening yield curve positively impacted Fund returns. The Fund's exposure to higher yielding assets also supported returns during the period on favorable market fundamentals and technicals in non-investment grade markets.

What were the leading detractors from performance?

A. The weakest performing sectors of the equity portion of the Fund were materials, utilities and industrials. Securities that detracted the most from performance included **OSI Pharmaceuticals Inc., Pfizer Inc., Lexmark International, Navistar International Corp.,** and **Zimmer Holdings.** Within the fixed income portion of the Fund, emerging markets debt was the only investment class to outperform the S&P 500 Index.

For the fixed-income portion, the portfolio's shorter duration posture versus the benchmark early in the reporting period detracted from performance, as the longer end (10+ years) of the yield curve held up better than we expected. However, the portfolio recouped some of its early losses in the second half of the period due to its shorter duration position as rates continued to climb across all parts of the yield curve. The Fund's allocation to investment grade corporates detracted from performance during the annual period due to market volatility predicated on idiosyncratic risk (i.e. negative auto sector headlines, M&A and LBO activity and shareholder-friendly corporate actions).

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

A. Last year, the Board of Directors authorized the Fund to repurchase up to 1 million shares of common stock at such times and in such amounts as management believes will enhance shareholder value, subject to review by the Fund's Board of Directors. For the period, the Fund repurchased 581,400 shares. The NAV discount was 12.7% as of October 31, 2005. We believe this NAV discount is not justified by the Fund's structure or performance over the period.

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 symbol XSCDX. *Barron's* and *The Wall Street Journal's* Monday editions carry closed-end fund tables that will 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.citigroupam.com.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 or 1-800-SALOMON (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current NAV, market price, and other information.

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

Sincerely,

Mark J. McAllister
Co-Portfolio Manager

December 1, 2005

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.

Portfolio holdings and breakdowns are as of October 31, 2005 and are subject to change and may not be representative of the Fund's current or future investments. The Fund's top ten holdings (as a percentage of net assets) as of this date were: Federal Republic of Brazil (3.0%), Targeted Return Index Securities (TRAINS) (2.5%), Federal Home Loan Mortgage Corp. (FHLMC) (2.3%), Total SA (1.7%), Russian Federation (1.7%), United Mexican States (1.5%), El Paso Corp. (1.4%), Host Marriott Finance Trust (1.4%), United Mexican States (1.4%) and General Electric Co. (1.4%). Please refer to pages 12 through 36 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. Portfolio holdings are subject to change at any time and may not be representative of the Fund's current or future investments. The Fund's top five sector holdings (as a percentage of net assets) as of October 31, 2005 were: Financials (24.4%), Consumer Discretionary (13.0%), Energy (12.1%), Health Care (11.0%) and Information Technology (9.1%). The Fund's portfolio composition is subject to change at any time.

RISKS: Like any investment where there is risk of loss, you may not be able to sell the shares of the Fund for the same amount that you purchased them. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact in Fund performance. Leverage may magnify gains and increase losses in the Fund's portfolio.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.
- ii The S&P 500 Barra Value Index is a market-capitalization weighted index of stocks in the S&P 500 having lower price-to-book ratios relative to the S&P 500 as a whole. (A price-to-book ratio is the price of a stock compared to the difference between a company's assets and liabilities.)
- iii The S&P 500 Barra Growth Index is a market-capitalization weighted index of stocks in the S&P 500 having higher price-to-book ratios relative to the S&P 500 as a whole. (A price-to-book ratio is the price of a stock compared to the difference between a company's assets and liabilities.)
- iv The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- v 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. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.
- vi The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities.

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- vii The Lehman Brothers Aggregate Bond 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.
- viii The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- ix A basis point is one one-hundredth (1/100 or 0.01) of one percent.
- x The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.
- xi Gross domestic product is a market value of goods and services produced by labor and property in a given country.
- xii Source: JP Morgan Chase
- xiii NAV is calculated by subtracting total liabilities from the closing value of all securities (plus all other assets) held by the Fund 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 at the Fund's market price as determined by supply of and demand for the Fund's shares.
- xiv Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 12-month period ended October 31, 2005, including the reinvestment of distributions, including returns of capital, if any, calculated among the 36 funds in the Fund's Lipper category, and excluding sales charges.

Fund at a Glance (unaudited)

Investment Breakdown

As a Percent of Total Investments (Excluding Securities Purchased From Securities Lending Collateral)

Schedule of Investments (October 31, 2005)**SALOMON BROTHERS CAPITAL AND INCOME FUND INC.**

Face Amount	Security#	Value
CORPORATE BONDS & NOTES □ 15.7%		
Aerospace & Defense □ 0.0%		
\$ 150,000	Goodrich Corp., Notes, 7.500% due 4/15/08	\$ 157,580
125,000	Lockheed Martin Corp., Notes, 7.700% due 6/15/08	133,076
112,000	Raytheon Co., Notes, 6.750% due 8/15/07	115,294
Total Aerospace & Defense		405,950
Auto Components □ 0.0%		
213,000	Dura Operating Corp., Senior Unsecured Notes, Series B, 8.625% due 4/15/12 (a)	181,582
125,000	Johnson Controls Inc., Senior Unsecured Notes, 5.000% due 11/15/06	124,971
Total Auto Components		306,553
Automobiles □ 0.3%		
150,000	DaimlerChrysler North America Holding Corp., Notes, 6.400% due 5/15/06	151,267
	Ford Motor Co.:	
250,000	Debentures, 6.625% due 10/1/28	172,500
1,675,000	Notes, 7.450% due 7/16/31 (a)	1,239,500
	General Motors Corp., Senior Debentures:	
150,000	8.250% due 7/15/23 (a)	111,375
1,200,000	8.375% due 7/15/33 (a)	895,500
Total Automobiles		2,570,142
Beverages □ 0.1%		
100,000	Bottling Group LLC, Senior Notes, 2.450% due 10/16/06	97,759
500,000	Constellation Brands Inc., Senior Subordinated Notes, Series B, 8.125% due 1/15/12 (a)	523,125
Total Beverages		620,884
Building Products □ 0.0%		
100,000	Masco Corp., Notes, 6.750% due 3/15/06	100,762
Capital Markets □ 0.1%		
325,000	BCP Crystal U.S. Holdings Corp., Senior Subordinated Notes, 9.625% due 6/15/14	359,125
150,000	Morgan Stanley, Notes, 5.800% due 4/1/07	151,879
Total Capital Markets		511,004
Chemicals □ 1.2%		

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500,000	Borden U.S. Finance Corp./Nova Scotia Finance ULC, Second Priority Senior Secured Notes, 9.000% due 7/15/14 (b)	494,375
1,000,000	Compass Minerals Group Inc., Senior Subordinated Notes, 10.000% due 8/15/11	1,082,500
1,000,000	Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11 (a)	1,095,000
650,000	Hercules Inc., Senior Subordinated Notes, 6.750% due 10/15/29	630,500
1,000,000	Huntsman International LLC, Senior Subordinated Notes, 10.125% due 7/1/09 (a)	1,033,750
104,000	ICI Wilmington Inc., Notes, 4.375% due 12/1/08	101,728
500,000	ISP Holdings Inc., Senior Secured Notes, Series B, 10.625% due 12/15/09	527,500
1,000,000	Lyondell Chemical Co., Senior Secured Notes, 11.125% due 7/15/12	1,120,000
1,116,000	Millennium America Inc., Senior Notes, 9.250% due 6/15/08	1,202,490
600,000	Nalco Co., Senior Subordinated Notes, 8.875% due 11/15/13 (a)	615,750

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Chemicals □ 1.2% (continued)		
\$ 500,000	OM Group Inc., Senior Subordinated Notes, 9.250% due 12/15/11	\$ 483,750
6,000	PPG Industries Inc., Notes, 6.500% due 11/1/07	6,181
650,000	PQ Corp., Senior Subordinated Notes, 7.500% due 2/15/13 (b)	601,250
125,000	Praxair Inc., Unsecured Notes, 2.750% due 6/15/08	118,587
500,000	Resolution Performance Products LLC/RPP Capital Corp., Secured Notes, 9.500% due 4/15/10 (a)	507,500
	Rhodia SA:	
500,000	Senior Notes, 7.625% due 6/1/10	486,250
500,000	Senior Subordinated Notes, 8.875% due 6/1/11 (a)	475,000
325,000	Westlake Chemical Corp., Senior Notes, 8.750% due 7/15/11	349,375
Total Chemicals		10,931,486
Commercial Banks □ 0.2%		
125,000	American Express Centurion Bank, Notes, 4.087% due 7/19/07 (c)	125,222
380,000	Banesto Finance Ltd., Subordinated Notes, 7.500% due 3/25/07	392,305
125,000	Bank of America Corp., Subordinated Notes, 6.375% due 2/15/08	129,042
250,000	Bank United Corp., Senior Notes, 8.875% due 5/1/07	262,109
109,091	Fifth Third Bank, Notes, 2.870% due 8/10/09	104,838
200,000	SunTrust Bank, Notes, 4.550% due 5/25/09	197,121
150,000	Wells Fargo & Co., Notes, 4.020% due 3/23/07 (c)	150,145
100,000	Zions Bancorp., Senior Notes, 2.700% due 5/1/06	99,042
Total Commercial Banks		1,459,824
Commercial Services & Supplies □ 0.4%		
475,000	Aleris International Inc., Senior Secured Notes, 10.375% due 10/15/10	521,312
	Allied Waste North America Inc.:	
75,000	Senior Notes, 7.250% due 3/15/15 (a)(b)	74,625
	Senior Secured Notes, Series B:	
217,000	9.250% due 9/1/12 (a)	234,978
1,000,000	7.375% due 4/15/14 (a)	942,500
100,000	Cendant Corp., Senior Notes, 6.875% due 8/15/06	101,314
450,000	Cenveo Corp., Senior Subordinated Notes, 7.875% due 12/1/13	418,500
125,000	Cintas Corp. No. 2, Senior Notes, 5.125% due 6/1/07 (a)	125,571
350,000	Corrections Corporation of America, Senior Subordinated Notes, 6.250% due 3/15/13	346,063
1,325,000	Iron Mountain Inc., Senior Subordinated Notes, 7.750% due 1/15/15	1,325,000
Total Commercial Services & Supplies		4,089,863
Communications Equipment □ 0.2%		
2,000,000	Lucent Technologies Inc., Debentures, 6.450% due 3/15/29	1,720,000

Computers & Peripherals □ **0.1%**

125,000	Hewlett-Packard Co., Senior Notes, 5.500% due 7/1/07	126,468
125,000	IBM Canada Credit Services Co., Senior Notes, 3.750% due 11/30/07 (b)	122,287
200,000	SunGard Data Systems Inc., Senior Notes, 9.125% due 8/15/13 (b)	204,000

Total Computers & Peripherals		452,755
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Consumer Finance □ **0.0%**

125,000	SLM Corp., Medium-Term Notes, Series A, 4.400% due 1/26/09 (c)	125,404
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See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Containers & Packaging □ 0.6%		
\$ 500,000	Anchor Glass Container Corp., Senior Secured Notes, 11.000% due 2/15/13 (d)*	\$ 320,000
1,000,000	Berry Plastics Corp., Senior Subordinated Notes, 10.750% due 7/15/12	1,035,000
213,415	Crown European Holdings SA, Secured Notes, 9.500% due 3/1/11	234,757
625,000	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13 (a)	564,062
1,250,000	Jefferson Smurfit Corp., Senior Notes, 8.250% due 10/1/12 (a)	1,184,375
750,000	JSG Funding PLC, Senior Notes, 9.625% due 10/1/12	723,750
900,000	Owens-Illinois Inc., Debentures, 7.500% due 5/15/10 (a)	895,500
500,000	Plastipak Holdings Inc., Senior Notes, 10.750% due 9/1/11	550,000
	Pliant Corp.:	
234,020	Senior Secured Notes, 11.625% due 6/15/09	253,912
	Senior Subordinated Notes:	
100,000	13.000% due 6/1/10	15,000
50,000	13.000% due 6/1/10	7,500
50,000	Stone Container Finance Co. of Canada II, Senior Notes, 7.375% due 7/15/14 (a)	44,625
Total Containers & Packaging		5,828,481
Diversified Financial Services □ 2.5%		
1,000,000	Alamosa Delaware Inc., Senior Discount Notes, step bond to yield 10.290% due 7/31/09	1,100,000
125,000	Amvescap PLC, Senior Notes, 5.900% due 1/15/07	125,971
125,000	Bear Stearns Cos. Inc., Notes, 5.700% due 1/15/07	126,245
75,000	Boeing Capital Corp., Senior Notes, 5.650% due 5/15/06	75,521
125,000	Capital One Bank, Notes, 5.750% due 9/15/10	127,445
125,000	CIT Group Inc., Senior Notes, 5.500% due 11/30/07	126,618
113,579	Core Investment Grade Bond Trust I, Pass-Through Certificates, 4.659% due 11/30/07	112,302
125,000	Countrywide Home Loans Inc., Medium-Term Notes, Series M, 4.125% due 9/15/09	120,183
	Ford Motor Credit Co.:	
200,000	Global Landmark Securities, 6.500% due 1/25/07	197,684
1,050,000	Notes, 7.000% due 10/1/13 (a)	962,440
125,000	General Electric Capital Corp., Medium-Term Notes, Series A, 3.984% due 6/22/07 (c)	125,162
	General Motors Acceptance Corp., Notes:	
156,000	6.125% due 9/15/06	155,576
1,600,000	6.750% due 12/1/14 (a)	1,532,515
162,000	Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12	173,137
125,000	HSBC Finance Corp., Senior Subordinated Notes, 5.875% due 2/1/09	128,061

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125,000	International Lease Finance Corp., Notes, 5.750% due 10/15/06	125,817
125,000	John Deere Capital Corp., Medium-Term Notes, Series D, 4.400% due 7/15/09	123,023
150,000	JPMorgan Chase & Co., Senior Notes, 5.350% due 3/1/07	151,128
125,000	Nationwide Building Society, Medium-Term Notes, 2.625% due 1/30/07 (b)	121,802
275,000	Nell AF SARL, Senior Notes, 8.375% due 8/15/15 (a)(b)	265,375
150,000	Rio Tinto Finance USA Ltd., Notes, 2.625% due 9/30/08	140,719

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Diversified Financial Services □ 2.5% (continued)		
\$ 500,000	Sensus Metering Systems Inc., Senior Subordinated Notes, 8.625% due 12/15/13	\$ 457,500
15,579,265	Targeted Return Index Securities (TRAINS), Secured Notes, Series HY-2005-1, 7.651% due 6/15/15 (b)	15,800,148
125,000	Textron Financial Corp., Medium-Term Notes, Series E, 2.750% due 6/1/06	123,774
125,000	TIAA Global Markets Inc., Notes, 4.125% due 11/15/07 (b)	123,315
350,000	Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 5.594% due 10/1/15 (a)	246,750
125,000	Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	130,937
Total Diversified Financial Services		22,999,148
Diversified Telecommunication Services □ 0.6%		
125,000	GTE Corp., Debentures, 6.360% due 4/15/06	125,900
750,000	Insight Midwest LP/Insight Capital Inc., Senior Notes, 10.500% due 11/1/10 (a)	791,250
150,000	Intelsat Bermuda Ltd., Senior Notes, 8.695% due 1/15/12 (b)(c)	152,625
550,000	Intelsat Ltd., Senior Discount Notes, step bond to yield 9.253% due 2/1/15 (b)	364,375
850,000	MCI Inc., Senior Notes, 8.735% due 5/1/14	943,500
50,000	NTL Cable PLC, Senior Notes, 8.750% due 4/15/14	52,625
190,000	PanAmSat Corp., Senior Notes, 9.000% due 8/15/14	200,925
2,125,000	Qwest Services Corp., Senior Secured Notes, 14.000% due 12/15/14	2,584,531
125,000	SBC Communications Inc., Notes, 5.750% due 5/2/06 (a)	125,673
Total Diversified Telecommunication Services		5,341,404
Electric Utilities □ 0.3%		
1,000,000	Edison Mission Energy, Senior Notes, 7.730% due 6/15/09	1,042,500
75,000	Entergy Gulf States Inc., First Mortgage Notes, 3.600% due 6/1/08	71,991
125,000	Niagara Mohawk Power Corp., First Mortgage Notes, 7.750% due 5/15/06	127,117
150,000	Nisource Finance Corp., Senior Notes, 7.625% due 11/15/05	150,157
250,000	Pinnacle West Capital Corp., Senior Notes, 6.400% due 4/1/06	251,826
1,000,000	Reliant Energy Inc., Senior Secured Notes, 9.500% due 7/15/13	1,070,000
325,000	Texas Genco LLC/Texas Genco Financing Corp., Senior Notes, 6.875% due 12/15/14 (b)	349,375
Total Electric Utilities		3,062,966
Energy Equipment & Services □ 0.1%		
75,000	Cooper Cameron Corp., Senior Notes, 2.650% due 4/15/07	72,379
529,000	Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375% due 11/1/14 (b)	544,870
250,000	Duke Energy Field Services LLC, Senior Notes, 5.750% due 11/15/06	252,208

Total Energy Equipment & Services		869,457
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Food & Staples Retailing □ 0.1%		
125,000	CVS Corp., Notes, 5.625% due 3/15/06	125,403
325,000	Jean Coutu Group Inc., Senior Subordinated Notes, 8.500% due 8/1/14 (a)	303,062
500,000	Rite Aid Corp., Senior Debentures, 6.875% due 8/15/13 (a)	417,500
150,000	Safeway Inc., Senior Notes, 6.500% due 11/15/08	155,315
Total Food & Staples Retailing		1,001,280

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Food Products □ 0.5%		
\$ 396,017	Ahold Lease USA Inc., Pass-Through Certificates, Series 2001 A-1, 7.820% due 1/2/20	\$ 425,966
75,000	Bunge Ltd. Finance Corp., Senior Notes, 4.375% due 12/15/08	73,617
125,000	Campbell Soup Co., Notes, 6.900% due 10/15/06	127,145
325,000	Dean Foods Co., Senior Notes, 6.900% due 10/15/17	329,875
500,000	Del Monte Corp., Senior Subordinated Notes, 8.625% due 12/15/12	535,000
	Doane Pet Care Co., Senior Subordinated Notes:	
500,000	9.750% due 5/15/07	500,625
325,000	10.625% due 11/15/15 (b)	330,687
	Dole Food Co. Inc.:	
350,000	Debentures, 8.750% due 7/15/13	366,625
161,000	Senior Notes, 8.875% due 3/15/11	167,440
125,000	Kellogg Co., Senior Notes, 2.875% due 6/1/08	118,981
200,000	Kraft Foods Inc., Notes, 4.625% due 11/1/06	199,465
500,000	Pinnacle Foods Holding Corp., Senior Subordinated Notes, 8.250% due 12/1/13	465,000
125,000	Unilever Capital Corp., Senior Notes, 6.875% due 11/1/05	125,000
625,000	United Agri Products Inc., Senior Notes, 8.250% due 12/15/11	659,375
Total Food Products		4,424,801
Health Care Providers & Services □ 0.6%		
250,000	AmeriPath Inc., Senior Subordinated Notes, 10.500% due 4/1/13	261,250
300,000	DaVita Inc., Senior Subordinated Notes, 7.250% due 3/15/15	304,500
500,000	Extendicare Health Services Inc., Senior Subordinated Notes, 6.875% due 5/1/14	490,000
600,000	Genesis HealthCare Corp., Senior Subordinated Notes, 8.000% due 10/15/13	637,500
	HCA Inc.:	
375,000	Debentures, 7.050% due 12/1/27	347,257
	Notes:	
142,000	7.125% due 6/1/06	144,250
975,000	6.375% due 1/15/15 (a)	961,586
925,000	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	952,750
325,000	InSight Health Services Holdings Corp., Senior Subordinated Notes, 9.174% due 11/1/11 (b)(c)	311,188
150,000	Quest Diagnostics Inc., Senior Notes, 6.750% due 7/12/06	151,913
	Tenet Healthcare Corp., Senior Notes:	
650,000	7.375% due 2/1/13 (a)	580,125
375,000	9.875% due 7/1/14	364,687
150,000	UnitedHealth Group Inc., Senior Notes, 3.300% due 1/30/08 (a)	145,141
75,000	WellPoint Health Networks Inc., Notes, 6.375% due 6/15/06	75,767
Total Health Care Providers & Services		5,727,914

Hotels, Restaurants & Leisure □ 1.3%

625,000	AMF Bowling Worldwide Inc., Senior Subordinated Notes, 10.000% due 3/1/10	626,562
1,000,000	Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14	991,250
200,000	Carnival Corp., Secured Notes, 3.750% due 11/15/07	195,682
325,000	Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (b)	323,375
875,000	Cinemark Inc., Senior Discount Notes, step bond to yield 18.428% due 3/15/14	623,438

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Hotels, Restaurants & Leisure □ 1.3% (continued)		
\$ 550,000	Denny's Holdings Inc., Senior Notes, 10.000% due 10/1/12 (a)	\$ 540,375
325,000	Gaylord Entertainment Co., Notes, 6.750% due 11/15/15	315,250
450,000	Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14	446,625
1,000,000	Isle of Capri Casinos Inc., Senior Subordinated Notes, 7.000% due 3/1/14	950,000
500,000	Kerzner International Ltd., Senior Subordinated Notes, 6.750% due 10/1/15 (b)	477,500
550,000	Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15 (a)	523,875
250,000	Leslie's Poolmart, Senior Notes, 7.750% due 2/1/13	251,250
25,000	Loews Cineplex Entertainment Corp., Senior Subordinated Notes, 9.000% due 8/1/14	24,188
125,000	McDonald's Corp., Medium-Term Notes, Series E, 5.950% due 1/15/08 MGM MIRAGE Inc.: Senior Notes:	128,177
700,000	6.750% due 9/1/12	700,000
575,000	5.875% due 2/27/14 (a)	540,500
203,000	Senior Subordinated Notes, 9.375% due 2/15/10 (a) Mohegan Tribal Gaming Authority, Senior Subordinated Notes:	222,285
300,000	7.125% due 8/15/14	304,500
350,000	6.875% due 2/15/15 (a)	351,750
325,000	Penn National Gaming Inc., Senior Subordinated Notes, 6.750% due 3/1/15	313,625
500,000	Pinnacle Entertainment Inc., Senior Subordinated Notes, 8.250% due 3/15/12	498,750
325,000	Riddell Bell Holdings Inc., Senior Subordinated Notes, 8.375% due 10/1/12 (a)	312,000
625,000	Seneca Gaming Corp., Senior Notes, 7.250% due 5/1/12 (a)	641,406
425,000	Six Flags Inc., Senior Notes, 9.625% due 6/1/14	422,875
625,000	Station Casinos Inc., Senior Subordinated Notes, 6.875% due 3/1/16 (a)	632,812
500,000	Turning Stone Casino Resort Enterprise, Senior Notes, 9.125% due 12/15/10 (b)	517,500
500,000	VICORP Restaurants Inc., Senior Notes, 10.500% due 4/15/11 (a)	465,000
Total Hotels, Restaurants & Leisure		12,340,550
Household Durables □ 0.3%		
100,000	Centex Corp., Notes, 4.750% due 1/15/08	99,053
125,000	Fortune Brands Inc., Notes, 2.875% due 12/1/06	122,185
500,000	Home Interiors & Gifts Inc., Senior Subordinated Notes, 10.125% due 6/1/08	317,500
600,000	Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14 (a)	600,000
600,000	Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14 (a)	612,000
575,000	Tempur-Pedic Inc./Tempur Production USA Inc., Senior Subordinated Notes, 10.250% due 8/15/10	623,875
Total Household Durables		2,374,613

Independent Power Producers & Energy Traders □ 1.3%

	AES Corp., Senior Notes:	
100,000	9.500% due 6/1/09	108,000
1,400,000	7.750% due 3/1/14 (a)	1,459,500
	Calpine Corp.:	
13,075,000	Senior Notes, 8.500% due 2/15/11 (a)	6,210,625
1,000,000	Senior Secured Notes, 8.750% due 7/15/13 (a)(b)	697,500

See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 17

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Independent Power Producers & Energy Traders □ 1.3% (continued)		
\$ 175,000	Calpine Generating Co. LLC, Secured Notes, 13.216% due 4/1/11 (c)	\$ 164,062
100,000	Duke Energy Corp., Senior Notes, 4.200% due 10/1/08	97,764
	Dynegy Holdings Inc.:	
1,725,000	Debentures, 7.125% due 5/15/18	1,526,625
450,000	Senior Secured Notes, 10.125% due 7/15/13 (b)	497,250
835,000	NRG Energy Inc., Second Priority Senior Secured Notes, 8.000% due 12/15/13	914,325
Total Independent Power Producers & Energy Traders		11,675,651
Industrial Conglomerates □ 0.2%		
	Cooper Industries Inc., Senior Notes:	
125,000	5.250% due 7/1/07	125,697
100,000	5.500% due 11/1/09	101,519
1,000,000	Koppers Inc., Senior Secured Notes, 9.875% due 10/15/13	1,095,000
350,000	Park-Ohio Industries Inc., Senior Subordinated Notes, 8.375% due 11/15/14 (a)	308,000
Total Industrial Conglomerates		1,630,216
Insurance □ 0.1%		
125,000	Hartford Financial Services Group Inc., Senior Notes, 2.375% due 6/1/06	123,391
75,000	Marsh & McLennan Cos. Inc., Notes, 4.270% due 7/13/07 (c)	74,711
500,000	Nationwide Life Global Funding I, Notes, 4.090% due 9/28/07 (b)(c)	500,531
150,000	Protective Life Secured Trust, Senior Secured Notes, Medium-Term Notes, 4.210% due 4/13/07 (c)	150,208
156,000	Prudential Financial Inc., Medium Term Notes, 3.750% due 5/1/08	153,286
75,000	Unitrin Inc., Senior Notes, 5.750% due 7/1/07	75,648
Total Insurance		1,077,775
Machinery □ 0.2%		
352,000	Dover Corp., Notes, 6.450% due 11/15/05	352,207
200,000	Ingersoll-Rand Co., Notes, 6.250% due 5/15/06	201,786
475,000	Invensys PLC, Senior Notes, 9.875% due 3/15/11 (a)(b)	458,375
225,000	Mueller Group Inc., Senior Subordinated Notes, 10.000% due 5/1/12	237,375
775,000	Mueller Holdings Inc., Discount Notes, step bond to yield 11.895% due 4/15/14	569,625
213,000	Terex Corp., Senior Subordinated Notes, 7.375% due 1/15/14	213,000
Total Machinery		2,032,368
Media □ 1.5%		
300,000	Bear Creek Corp., Senior Notes, 9.000% due 3/1/13 (b)	309,000
625,000	Cablevision Systems Corp., Senior Notes, Series B, 8.716% due 4/1/09 (c)	642,187
625,000	CanWest Media Inc., Senior Subordinated Notes, Series B, 8.000% due 9/15/12 (a)	657,812

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	CCH I Holdings LLC:	
1,525,000	Senior Accreting Notes, step bond to yield 19.077% due 5/15/14 (b)	976,000
2,020,563	Senior Secured Notes, 11.000% due 10/1/15 (b)	1,838,712
700,000	Charter Communications Operating LLC, Second Lien Senior Notes, 8.375% due 4/30/14 (b)	705,250
250,000	Clear Channel Communications Inc., Senior Notes, 3.125% due 2/1/07 (a)	243,635
250,000	COX Communications Inc., Notes, 7.750% due 8/15/06	255,328
	CSC Holdings Inc.:	
225,000	Debentures, Series B, 8.125% due 8/15/09	231,188
375,000	Senior Notes, Series B, 8.125% due 7/15/09 (a)	385,312

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Media □ 1.5% (continued)		
	Dex Media Inc., Discount Notes:	
\$ 750,000	step bond to yield 8.608% due 11/15/13	\$ 585,000
1,000,000	step bond to yield 8.873% due 11/15/13 (a)	780,000
	DIRECTV Holdings LLC/DIRECTV Financing Co., Inc., Senior Notes:	
764,000	8.375% due 3/15/13	830,850
475,000	6.375% due 6/15/15	468,469
1,000,000	EchoStar DBS Corp., Senior Notes, 6.625% due 10/1/14	975,000
300,000	Emmis Communications Corp., Senior Notes, 9.745% due 6/15/12 (c)	302,250
500,000	LodgeNet Entertainment Corp., Senior Subordinated Debentures, 9.500% due 6/15/13	543,750
750,000	Mediacom Broadband LLC, Senior Notes, 11.000% due 7/15/13 (a)	806,250
200,000	Nexstar Finance Holdings LLC, Senior Discount Notes, step bond to yield 9.548% due 4/1/13	145,000
50,000	Rainbow National Services LLC, Senior Subordinated Debentures, 10.375% due 9/1/14 (b)	55,250
125,000	Reed Elsevier Capital Inc., Notes, 6.125% due 8/1/06	125,890
600,000	Rogers Cable Inc., Senior Secured Notes, 7.875% due 5/1/12	639,000
625,000	Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12	645,312
150,000	TCI Communications Inc., Senior Notes, 6.875% due 2/15/06	150,809
150,000	Time Warner Inc., Notes, 6.125% due 4/15/06 (a)	150,905
	Walt Disney Co.:	
100,000	Medium-Term Notes, 5.500% due 12/29/06	100,742
125,000	Senior Notes, Series B, 6.750% due 3/30/06	126,115
	Young Broadcasting Inc., Senior Subordinated Notes:	
325,000	10.000% due 3/1/11 (a)	303,875
300,000	8.750% due 1/15/14 (a)	267,000
Total Media		14,245,891
Metals & Mining □ 0.1%		
600,000	Corporacion Nacional del Cobre-Codelco, Notes, 5.500% due 10/15/13	607,426
275,000	IPSCO Inc., Senior Notes, 8.750% due 6/1/13 (a)	305,250
325,000	Novelis Inc., Senior Notes, 7.250% due 2/15/15 (b)	298,187
150,000	WMC Finance USA, 6.750% due 12/1/06	153,091
Total Metals & Mining		1,363,954
Multi-Utilities □ 0.0%		
125,000	Keyspan Gas East Corp., Medium-Term Notes, 6.900% due 1/15/08	130,055
Multiline Retail □ 0.0%		
225,000	Neiman Marcus Group Inc., Senior Subordinated Notes,	

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	10.375% due 10/15/15 (b)	218,250
125,000	Target Corp., Senior Notes, 5.500% due 4/1/07	126,320
Total Multiline Retail		344,570
Oil, Gas & Consumable Fuels □ 0.8%		
255,000	Burlington Resources Finance Corp., Senior Notes, 5.600% due 12/1/06	256,957
	Chesapeake Energy Corp., Senior Notes:	
775,000	6.375% due 6/15/15	765,312
75,000	6.625% due 1/15/16	75,188

See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 19

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Oil, Gas & Consumable Fuels □ 0.8% (continued)		
	El Paso Corp., Medium-Term Notes:	
\$ 1,050,000	7.750% due 1/15/32 (a)	\$ 1,047,375
1,000,000	7.800% due 8/1/31 (a)	997,500
500,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	507,500
325,000	Holly Energy Partners, L.P., Senior Notes, 6.250% due 3/1/15	316,875
125,000	Norsk Hydro ASA, Notes, 6.360% due 1/15/09	130,251
1,550,000	Petronas Capital Ltd., 7.875% due 5/22/22 (b)	1,888,749
1,500,000	Williams Cos. Inc., Senior Notes, 7.750% due 6/15/31 (a)	1,591,875
Total Oil, Gas & Consumable Fuels		7,577,582
Paper & Forest Products □ 0.4%		
440,000	Abitibi-Consolidated Inc., Debentures, 8.850% due 8/1/30	369,600
500,000	Appleton Papers Inc., Senior Subordinated Notes, Series B, 9.750% due 6/15/14 (a)	472,500
250,000	Bowater Inc., Notes, 6.500% due 6/15/13 (a)	221,250
150,000	Buckeye Technologies Inc.: Senior Notes, 8.500% due 10/1/13	149,625
400,000	Senior Subordinated Notes: 9.250% due 9/15/08 (a)	402,000
75,000	8.000% due 10/15/10	71,250
1,000,000	Newark Group Inc., Senior Subordinated Notes, 9.750% due 3/15/14	865,000
1,000,000	Norske Skog Canada Ltd., Senior Notes, 7.375% due 3/1/14 (a)	895,000
115,000	Weyerhaeuser Co., Notes, 5.250% due 12/15/09	114,788
Total Paper & Forest Products		3,561,013
Personal Products □ 0.2%		
125,000	Avon Products Inc., Senior Notes, 7.150% due 11/15/09	134,822
675,000	DEL Laboratories Inc., Senior Subordinated Notes, 8.000% due 2/1/12 (a)	509,625
150,000	Gillette Co., Notes, 3.500% due 10/15/07	146,644
600,000	Playtex Products Inc., Senior Subordinated Notes, 9.375% due 6/1/11 (a)	624,000
Total Personal Products		1,415,091
Pharmaceuticals □ 0.0%		
350,000	Warner Chilcott Corp., Senior Subordinated Notes, 8.750% due 2/1/15 (b)	323,750
Real Estate □ 0.3%		
1,000,000	Felcor Lodging LP, Senior Notes, 9.000% due 6/1/11 (a)	1,081,250
1,250,000	Host Marriott LP, Senior Notes, 7.125% due 11/1/13 (a)	1,273,438
500,000	MeriStar Hospitality Corp., Senior Notes, 9.125% due 1/15/11 (a)	535,625
50,000	Simon Property Group LP, Notes, 6.375% due 11/15/07	51,268

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200,000	Vornado Realty LP, Senior Notes, 5.625% due 6/15/07	201,828
Total Real Estate		3,143,409
Semiconductors & Semiconductor Equipment □ 0.1%		
	Amkor Technology Inc., Senior Notes:	
400,000	9.250% due 2/15/08	384,000
500,000	7.125% due 3/15/11 (a)	435,000
213,000	7.750% due 5/15/13 (a)	182,648
Total Semiconductors & Semiconductor Equipment		1,001,648

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Specialty Retail □ 0.2%		
\$ 500,000	Buffets Inc., Senior Subordinated Notes, 11.250% due 7/15/10 (a)	\$ 502,500
125,000	Carrols Corp., Senior Subordinated Notes, 9.000% due 1/15/13 (b)	124,375
500,000	CSK Auto Inc., Senior Notes, 7.000% due 1/15/14	470,000
325,000	Eye Care Centers of America Inc., Senior Subordinated Notes, 10.750% due 2/15/15 (b)	306,312
225,000	Finlay Fine Jewelry Corp., Senior Notes, 8.375% due 6/1/12 (a)	192,375
150,000	Home Depot Inc., Senior Notes, 5.375% due 4/1/06	150,447
125,000	Lowe's Cos. Inc., Notes, 7.500% due 12/15/05	125,402
200,000	Toys R Us Inc., Notes, 7.375% due 10/15/18 (a)	143,000
Total Specialty Retail		2,014,411
Textiles, Apparel & Luxury Goods □ 0.2%		
	Levi Strauss & Co., Senior Notes:	
150,000	8.804% due 4/1/12 (c)	149,625
800,000	9.750% due 1/15/15 (a)	812,000
300,000	Oxford Industries Inc., Senior Notes, 8.875% due 6/1/11	309,000
425,000	Simmons Bedding Co., Senior Subordinated Notes, 7.875% due 1/15/14 (a)	377,187
Total Textiles, Apparel & Luxury Goods		1,647,812
Tobacco □ 0.0%		
75,000	Altria Group Inc., Notes, 7.200% due 2/1/07	76,779
125,000	Cargill Inc., Notes, 6.250% due 5/1/06 (b)	126,073
Total Tobacco		202,852
Water Utilities □ 0.0%		
155,000	United Utilities PLC, Notes, 6.450% due 4/1/08	159,916
Wireless Telecommunication Services □ 0.6%		
1,000,000	American Tower Corp., Senior Notes, 7.500% due 5/1/12 (a)	1,047,500
1,450,000	Nextel Communications Inc., Senior Notes, Series E, 6.875% due 10/31/13	1,518,120
625,000	Rogers Wireless Communications Inc., Secured Notes, 7.500% due 3/15/15	673,437
650,000	SBA Communications Corp., Senior Notes, 8.500% due 12/1/12	711,750
250,000	Sprint Capital Corp., Notes, 6.000% due 1/15/07	253,259
650,000	UbiquiTel Operating Co., Senior Notes, 9.875% due 3/1/11	713,375
325,000	US Unwired Inc., Second Priority Secured Notes, Series B, 10.000% due 6/15/12	371,313
Total Wireless Telecommunication Services		5,288,754
TOTAL CORPORATE BONDS & NOTES		

(Cost □ \$152,721,532)

146,101,959**CONVERTIBLE BONDS & NOTES □ 8.0%****Airlines □ 0.2%**

2,000,000	Continental Airlines Inc., Notes, 4.500% due 2/1/07	1,725,000
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Biotechnology □ 2.1%

5,000,000	BioMarin Pharmaceuticals Inc., Subordinated Notes, 3.500% due 6/15/08	4,706,250
3,000,000	Enzon Pharmaceuticals Inc., Subordinated Notes, 4.500% due 7/1/08 (a)	2,745,000
4,250,000	InterMune Inc., Senior Notes, 0.250% due 3/1/11 (b)	3,277,813
1,500,000	Isis Pharmaceuticals Inc., Subordinated Notes, 5.500% due 5/1/09	1,306,875
4,000,000	NPS Pharmaceuticals Inc., Senior Notes, 3.000% due 6/15/08	3,465,000

See Notes to Financial Statements.**Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 21**

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Biotechnology □ 2.1% (continued)		
\$ 2,750,000	Oscient Pharmaceutical Corp., Senior Notes, 3.500% due 4/15/11	\$ 2,028,125
900,000	Vertex Pharmaceuticals Inc., Senior Subordinated Notes, 5.750% due 2/15/11 (b)	1,450,125
Total Biotechnology		18,979,188
Commercial Services & Supplies □ 0.4%		
4,500,000	Allied Waste North America Inc., Senior Subordinated Debentures, 4.250% due 4/15/34	3,920,625
Communications Equipment □ 1.2%		
9,000,000	Ciena Corp., Senior Notes, 3.750% due 2/1/08	8,223,750
2,000,000	Nortel Networks Corp., Senior Notes, 4.250% due 9/1/08	1,877,500
1,000,000	Terayon Communication Systems Inc., Subordinated Notes, 5.000% due 8/1/07	965,000
Total Communications Equipment		11,066,250
Computers & Peripherals □ 0.1%		
1,500,000	Silicon Graphics Inc., Senior Notes, 6.500% due 6/1/09	1,183,125
Independent Power Producers & Energy Traders □ 0.1%		
2,500,000	Calpine Corp., Contingent Convertible Senior Notes, 4.750% due 11/15/23 (a)	1,115,625
Media □ 0.7%		
1,560,000	Charter Communications Inc., Senior Notes, Class A Shares: 5.875% due 11/16/09	1,146,600
690,000	5.875% due 11/16/09 (b)	507,150
5,000,000	Mediacom Communications Corp., Senior Notes, 5.250% due 7/1/06	4,925,000
Total Media		6,578,750
Oil, Gas & Consumable Fuels □ 1.0%		
17,000,000	El Paso Corp., Debentures, zero coupon bond to yield 8.687% due 2/28/21	9,265,000
Pharmaceuticals □ 0.2%		
2,000,000	Sepracor Inc., Subordinated Debentures, 5.000% due 2/15/07	1,997,500
Semiconductors & Semiconductor Equipment □ 0.9%		
840,000	Amkor Technology Inc., Subordinated Notes, 5.000% due 3/15/07	739,200
8,500,000	Atmel Corp., Subordinated Notes, zero coupon bond to yield 5.762% due 5/23/21	4,069,375
3,500,000	Conexant Systems Inc., Subordinated Notes, 4.000% due 2/1/07 (a)	3,377,500

Total Semiconductors & Semiconductor Equipment		8,186,075
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Software □ 0.8%		
3,545,000	i2 Technologies Inc., Subordinated Notes, 5.250% due 12/15/06	3,505,119
4,275,000	Manugistics Group Inc., Subordinated Notes, 5.000% due 11/1/07	4,071,937
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Total Software		7,577,056
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Wireless Telecommunicattion Services □ 0.3%		
4,500,000	Liberty Media Corp., Senior Debentures, 4.000% due 11/15/29 (a)□	2,677,500
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TOTAL CONVERTIBLE BONDS & NOTES		
(Cost □ \$79,078,000)		74,271,694
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See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
ASSET-BACKED SECURITIES ☐ 5.9%		
Credit Card ☐ 0.0%		
\$ 192,765	First Consumers Master Trust, Series 2001-A, Class A, 4.280% due 9/15/08 (c)	\$ 191,671
Home Equity ☐ 5.9%		
1,000,000	ACE Securities Corp., Series 2004-OP1, Class M3, 5.288% due 4/25/34 (c)	1,002,400
	Aegis Asset-Backed Securities Trust:	
161,700	Series 2004-2N, Class N1, 4.500% due 4/25/34 (b)	161,387
1,250,000	Series 2004-5, Class M2, 5.258% due 12/25/34 (c)	1,265,484
376,357	Series 2004-5N, 5.000% due 12/25/34 (b)	372,911
944,418	Series 2004-6N, 4.750% due 3/25/35 (b)	939,254
	Amerquest Mortgage Securities Inc.:	
1,000,000	Series 2003-12, Class M2, 5.738% due 11/25/33 (c)	1,026,146
1,000,000	Series 2004-R08, Class M10, 6.538% due 9/25/34 (b)(c)	946,525
1,000,000	Series 2004-R11, Class M5, 5.238% due 11/25/34 (c)	1,019,351
1,000,000	Amortizing Residential Collateral Trust, Series 2004-1, Class M4, 5.088% due 10/25/34 (c)	1,019,841
182,383	AQ Finance NIM Trust, Series 2004-RN5, Class A, 5.193% due 6/25/34 (b)	181,625
	Argent NIM Trust:	
34,935	Series 2004-WN08, Class A, 4.700% due 7/25/34 (b)	34,899
500,000	Series 2004-WN10, Class B, 7.385% due 11/25/34 (b)	506,162
	Argent Securities Inc., Series 2004-W8:	
600,000	Class M10, 7.538% due 5/25/34 (c)	589,838
2,000,000	Class M4, 5.338% due 5/25/34 (c)	2,018,007
750,000	Asset-Backed Funding Certificates, Series 2004-FF1, Class M2, 5.488% due 1/25/34 (c)	760,945
227,394	Asset-Backed Funding Corp. NIM Trust, Series 2004-OPT4, Class N1, 4.450% due 5/26/34 (b)	226,148
	Bear Stearns Asset-Backed Securities Inc.:	
2,000,000	Series 2004-HE5, Class M1, 4.608% due 7/25/34 (c)	2,001,166
1,253,068	Series 2005-AC4, Class M2, 4.708% due 7/25/35 (c)	1,253,063
	Bear Stearns Asset-Backed Securities Inc. NIM Trust, Series 2004-HE5N:	
117,297	Class A1, 5.000% due 7/25/34 (b)	117,018
79,000	Class A2, 5.000% due 7/25/34 (b)	78,584
	Bear Stearns Asset-Backed Securities NIM Trust:	
60,841	Series 2004-FR1N, Class A1, 5.000% due 5/25/34 (b)	60,508
115,852	Series 2004-HE6N, Class A1, 5.250% due 8/25/34 (b)	115,304
	Countrywide Asset-Backed Certificates:	
750,000	Series 2003-03, Class M4, 5.438% due 3/25/33 (c)	755,326
236,840	Series 2004-02N, Class N1, 5.000% due 2/25/35 (b)	235,563
410,000	Series 2004-05, Class M4, 5.288% due 6/25/34 (c)	416,360
230,245	Series 2004-05N, Class N1, 5.500% due 10/25/35 (b)	229,409
2,000,000	Series 2004-BC4, Class M2, 4.888% due 10/25/34 (c)	2,007,612

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97,737	Credit-Based Asset Servicing and Securitization, Series 2004-AN, Class A, 5.000% due 9/27/36 (b)	97,253
814,991	CS First Boston Mortgage Securities Corp., Series 2001-HE16, Class M2, 5.238% due 11/25/31 (c)	817,552
230,088	Finance America NIM Trust, Series 2004-01, Class A, 5.250% due 6/27/34 (b)	229,780

See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 23

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Home Equity □ 5.9% (continued)		
\$ 750,000	First Franklin Mortgage Loan Asset Backed Certificates, Series 2004-FF2, Class M4, 4.938% due 3/25/34 (c)	\$ 757,356
1,000,000	First Franklin Mortgage Loan Trust NIM, Series 2004-FF10, Class N2, 6.000% due 11/26/34 (b)(e)	979,919
256,405	First Franklin NIM Trust, Series 2004-FF7A, Class A, 5.000% due 9/27/34 (b)	255,170
Fremont Home Loan Trust:		
1,000,000	Series 2004-01, Class M5, 5.138% due 2/25/34 (c)	1,011,727
2,000,000	Series 2004-B, Class M4, 5.208% due 5/25/34 (c)	2,003,316
875,000	Series 2004-D, Class M5, 5.038% due 11/25/34 (c)	879,817
3,640	Fremont NIM Trust, Series 2004-B, 4.703% due 5/25/34 (b)	3,636
1,005,000	GSAMP Trust, Series 2004-OPT, Class M3, 5.188% due 11/25/34 (c)	1,012,197
836,455	Long Beach Asset Holdings Corp., Series 2004-06, Class N2, 7.500% due 11/25/34 (b)	776,649
750,000	Long Beach Mortgage Loan Trust, Series 2004-06, Class M2, 5.188% due 11/25/34 (c)	752,996
1,000,000	MASTR Asset-Backed Securities Trust, Series 2004-OPT2, Class M4, 5.038% due 9/25/34 (c)	1,008,403
Merrill Lynch Mortgage Investors Inc.:		
94,020	Series 2004-WM2N, Class N1, 4.500% due 12/25/34 (b)	93,452
236,671	Series 2005-WM1N, Class N1, 5.000% due 9/25/35 (b)	234,403
Morgan Stanley Asset Backed Securities Capital I:		
1,400,000	Series 2004-HE4, Class M2, 5.338% due 5/25/34 (c)	1,400,814
500,000	Series 2004-HE9, Class M6, 5.288% due 11/25/34 (c)	505,716
1,000,000	Series 2004-NC8, Class M4, 5.038% due 9/25/34 (c)	1,011,981
1,000,000	Series 2004-OP1, Class M5, 5.088% due 11/25/34 (c)	1,013,378
New Century Home Equity Loan Trust:		
1,250,000	Series 2001-NC1, Class M2, 5.100% due 6/20/31 (c)	1,251,395
1,500,000	Series 2003-04, Class M2, 5.858% due 10/25/33 (c)	1,533,809
Novastar Home Equity Loan:		
2,000,000	Series 2003-04, Class M2, 5.663% due 2/25/34 (c)	2,038,294
1,000,000	Series 2004-01, Class M4, 5.013% due 6/25/34 (c)	1,004,655
1,250,000	Series 2004-02, Class M5, 5.538% due 9/25/34 (c)	1,266,030
1,000,000	Series 2004-4, Class M4, 5.138% due 3/25/35 (c)	1,001,251
750,000	Series 2005-02, Class M10, 7.038% due 10/25/35 (c)	682,500
88,070	Novastar NIM Trust, Series 2004-N2, 4.458% due 6/26/34 (b)	87,815
Option One Mortgage Loan Trust:		
422,349	Series 2002-02, Class M2, 5.188% due 6/25/32 (c)	423,062
1,000,000	Series 2002-4, Class M2, 5.168% due 7/25/32 (c)	1,004,801
1,500,000	Series 2004-02, Class M2, 5.088% due 5/25/34 (c)	1,500,875
Park Place Securities NIM Trust:		
500,000	Series 2004-WWF1, Class B, 6.290% due 1/25/35 (b)	497,813
616,675	Series 2005-WHQ2, Class A, 5.192% due 5/25/35 (b)	614,825

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1,000,000	Renaissance Home Equity Loan Trust, Series 2003-4, Class M3, 5.938% due 3/25/34 (c)	1,012,774
1,000,000	Residential Asset Securities Corp., Series 2004-KS10, Class M2, 5.188% due 11/25/34 (c)	1,013,533

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Home Equity ☐ 5.9% (continued)		
	Sail NIM Notes:	
\$ 150,206	Series 2003-BC2A, Class A, 7.750% due 4/27/33 (b)	\$ 139,517
264,512	Series 2004-002A, Class A, 5.500% due 3/27/34 (b)	264,485
306,049	Series 2004-004A, Class A, 5.000% due 4/27/34 (b)	305,768
185,166	Series 2004-005A, Class A, 4.500% due 6/27/34 (b)	185,166
243,063	Series 2004-008A, Class A, 5.000% due 9/27/34 (b)	241,805
183,271	Series 2004-011A, Class A2, 4.750% due 1/27/35 (b)	182,276
292,389	Series 2004-11A, Class B, 7.500% due 1/27/35 (b)	285,986
398,357	Series 2004-AA, Class B, 7.500% due 10/27/34 (b)	318,685
	Series 2004-BN2A:	
391,821	Class A, 5.000% due 12/27/34 (b)	390,903
383,598	Class B, 7.000% due 12/27/34 (b)	296,061
	Series 2005-1A:	
100,137	Class A, 4.250% due 2/27/35 (b)	99,529
326,556	Class B, 7.500% due 2/27/35 (b)	319,960
	Sharp SP I LLC, NIM Trust:	
266,032	Series 2004-HS1N, 5.920% due 2/25/34 (b)	262,743
190,908	Series 2004-OP1N, 5.190% due 4/25/34 (b)	190,693
280,590	Series 2005-HE1N, 5.190% due 2/25/35 (b)	279,528
1,500,000	Structured Asset Investment Loan Trust, Series 2003-BC10, Class M2, 5.888% due 10/25/33 (c)	1,514,856
	Total Home Equity	54,397,744
	TOTAL ASSET-BACKED SECURITIES	
	(Cost ☐ \$54,502,671)	54,589,415
MORTGAGE-BACKED SECURITIES ☐ 2.1%		
FHLMC ☐ 1.7%		
	Federal Home Loan Mortgage Corp. (FHLMC), Gold:	
482,106	8.500% due 9/1/25	524,806
14,672,470	6.000% due 9/1/32-2/1/34	14,831,016
	Total FHLMC	15,355,822
FNMA ☐ 0.4%		
	Federal National Mortgage Association (FNMA):	
2,058,141	8.000% due 12/1/12	2,154,402
1,924,820	5.500% due 4/1/35	1,900,042
	Total FNMA	4,054,444
	TOTAL MORTGAGE-BACKED SECURITIES	

(Cost □ \$19,643,686)

19,410,266**COLLATERALIZED MORTGAGE OBLIGATIONS □ 1.0%**

	Commercial Mortgage Pass-Through Certificates:	
2,000,000	Series 2002-FL6, Class E, 4.970% due 6/14/14 (b)(c)	2,005,725
186,860	Series 2003-FL9, Class E, 4.970% due 11/15/15 (b)(c)	187,770
	Federal Home Loan Mortgage Corp. (FHLMC):	
245,102	Series 2764, Class DT, 6.000% due 3/15/34 (c)	240,428
736,488	Series 2780, Class SL PAC, 6.000% due 4/15/34 (c)	725,727
446,836	Homestar NIM Trust, Series 2004-6, Class A1, 5.500% due 1/25/35 (b)	447,325

See Notes to Financial Statements.**Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 25**

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
COLLATERALIZED MORTGAGE OBLIGATIONS 1.0% (continued)		
\$ 1,299,657	Impac CMB Trust, Series 2004-04, Class 2M2, 5.538% due 9/25/34 (c)	\$ 1,302,708
915,785	Merit Securities Corp., Series 11PA, Class B2, 5.570% due 9/28/32 (b)(c)	893,606
	MLCC Mortgage Investors Inc.:	
750,000	Series 2004-A, Class B2, 4.958% due 4/25/29 (c)	749,415
1,000,000	Series 2004-B, Class B2, 4.918% due 5/25/29 (c)	1,005,845
1,924,950	Saco I Trust, Series 2005-2, Class A, 4.238% due 4/25/35 (b)(c)	1,924,950
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS		
	(Cost \$9,458,580)	9,483,499
SOVEREIGN BONDS 14.3%		
Argentina 0.5%		
	Republic of Argentina:	
437,000 EUR	10.250% due 1/26/07	178,222
1,553,125	4.005% due 8/3/12 (c)	1,379,812
5,951,899 ARS	Discount Bonds, 5.830% due 12/31/33	2,355,614
800,000	Par bonds, 1.330% due 12/31/38 (c)	298,600
Total Argentina		4,212,248
Brazil 3.3%		
	Federative Republic of Brazil:	
2,200,000	11.000% due 8/17/40	2,647,150
18,330,000	Collective Action Security, 8.000% due 1/15/18	18,953,220
8,889,870	DCB, Series L, 5.250% due 4/15/12	8,684,292
Total Brazil		30,284,662
Bulgaria 0.2%		
1,715,000	Republic of Bulgaria, 8.250% due 1/15/15 (b)	2,058,000
Chile 0.2%		
2,000,000	Republic of Chile, 5.500% due 1/15/13	2,050,971
China 0.1%		
705,000	People's Republic of China, 4.750% due 10/29/13	686,639
Colombia 0.7%		
	Republic of Colombia:	
1,640,000	11.750% due 2/25/20	2,214,000
4,300,000	8.125% due 5/21/24	4,465,550
145,000	10.375% due 1/28/33	181,975

Total Colombia		6,861,525
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Ecuador □ 0.2%		
	Republic of Ecuador:	
190,000	12.000% due 11/15/12 (b)	190,950
1,835,000	Step bond to yield 12.573% due 8/15/30 (b)	1,651,500
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Total Ecuador		1,842,450
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El Salvador □ 0.1%		
1,175,000	Republic of El Salvador, 7.750% due 1/24/23 (b)	1,277,813
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See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Malaysia 0.2%		
	Federation of Malaysia:	
350,000	8.750% due 6/1/09	\$ 393,223
1,625,000	7.500% due 7/15/11	1,821,621
Total Malaysia		2,214,844
Mexico 2.9%		
	United Mexican States:	
1,170,000	11.375% due 9/15/16	1,696,500
7,770,000	8.125% due 12/30/19	9,318,172
	Medium-Term Notes, Series A:	
1,000,000	6.375% due 1/16/13	1,051,250
425,000	5.875% due 1/15/14	433,500
8,325,000	6.625% due 3/3/15	8,901,506
3,425,000	8.000% due 9/24/22	4,092,875
265,000	7.500% due 4/8/33	302,763
600,000	8.300% due 8/15/31	739,500
475,000	Series XW, 10.375% due 2/17/09	551,000
Total Mexico		27,087,066
Panama 0.6%		
	Republic of Panama:	
700,000	7.250% due 3/15/15	738,150
1,915,000	9.375% due 1/16/23	2,336,300
1,625,000	8.875% due 9/30/27	1,901,250
200,000	9.375% due 4/1/29	245,500
Total Panama		5,221,200
Peru 0.7%		
	Republic of Peru:	
380,000	9.125% due 2/21/12	439,945
1,900,000	9.875% due 2/6/15	2,353,625
705,000	7.350% due 7/21/25	715,575
260,000	8.750% due 11/21/33	300,300
2,989,000	FLIRB, 5.000% due 3/7/17 (c)	2,828,341
Total Peru		6,637,786
Philippines 0.7%		
	Republic of the Philippines:	
2,625,000	9.000% due 2/15/13	2,795,625

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375,000	8.250% due 1/15/14	385,547
2,175,000	10.625% due 3/16/25	2,516,203
625,000	Senior Notes, 9.500% due 2/2/30	660,937
Total Philippines		6,358,312
<hr/>		
Poland □ 0.2%		
1,495,000	Republic of Poland, Notes, 5.250% due 1/15/14	1,515,706
<hr/>		

See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 27

Schedule of Investments (October 31, 2005) (continued)

Face Amount	Security#	Value
Russia 1.4%		
	Russian Federation:	
1,665,000	11.000% due 7/24/18 (b)	\$ 2,430,900
9,615,000	Step bond to yield 5.000% due 3/31/30 (b)	10,687,673
Total Russia		13,118,573
South Africa 0.2%		
	Republic of South Africa:	
250,000	9.125% due 5/19/09	281,250
1,825,000	6.500% due 6/2/14	1,957,313
Total South Africa		2,238,563
Supranational 0.0%		
300,000	Corporacion Andina de Fomento, Notes, 4.556% due 1/26/07 (c)	300,225
Turkey 1.0%		
	Republic of Turkey:	
200,000	11.750% due 6/15/10	246,000
725,000	11.500% due 1/23/12	917,125
4,150,000	11.000% due 1/14/13	5,229,000
900,000	7.250% due 3/15/15	936,000
1,250,000	7.000% due 6/5/20	1,225,000
800,000	11.875% due 1/15/30	1,163,000
Total Turkey		9,716,125
Ukraine 0.2%		
1,400,000	Republic of Ukraine, 7.650% due 6/11/13 (b)	1,506,750
Uruguay 0.1%		
	Republic of Uruguay, Benchmark Bonds:	
575,000	7.250% due 2/15/11	586,500
750,000	7.500% due 3/15/15	738,750
Total Uruguay		1,325,250
Venezuela 0.8%		
	Bolivarian Republic of Venezuela:	
2,750,000	5.375% due 8/7/10	2,662,000
1,050,000	8.500% due 10/8/14	1,145,550
1,200,000	7.650% due 4/21/25	1,196,400
1,900,000	Collective Action Security, 10.750% due 9/19/13	2,318,000

Total Venezuela	7,321,950
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TOTAL SOVEREIGN BONDS	
(Cost □ \$129,249,319)	133,836,658

LOAN PARTICIPATION (c)(e) □ 0.1%	
United States □ 0.1%	
1,000,000	UPC Broadband Inc. Term Loan, Tranche H2, 6.554% due 3/15/12 (Bank of America) (Cost □ \$1,000,000)
	1,009,739

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Shares	Security#	Value
COMMON STOCKS □ 40.6%		
CONSUMER DISCRETIONARY □ 4.3%		
Hotels, Restaurants & Leisure □ 0.4%		
13,000	Ctrip.com International Ltd., ADR (a)	\$ 747,890
72,800	McDonald's Corp.	2,300,480
25,000	Outback Steakhouse Inc.	941,500
Total Hotels, Restaurants & Leisure		3,989,870
Household Durables □ 0.3%		
117,400	Newell Rubbermaid Inc. (a)	2,699,026
Media □ 2.9%		
88,100	Cablevision Systems Corp., New York Group, Class A Shares*	2,184,880
425,000	Charter Communications Inc., Class A Shares (a)*	510,000
22,800	Comcast Corp., Class A Shares*	634,524
178,800	EchoStar Communications Corp., Class A Shares*	4,804,356
206,500	Interpublic Group of Cos. Inc. (a)*	2,133,145
52,875	Liberty Global Inc., Class A Shares*	1,309,714
52,875	Liberty Global Inc., Series C Shares*	1,254,195
172,400	Liberty Media Corp., Class A Shares*	1,374,028
196,100	News Corp., Class B Shares	2,953,266
8,400	NTL Inc. (a)*	515,088
100,000	Regal Entertainment Group, Class A Shares (a)	1,843,000
345,800	SES Global SA, FDR	5,468,862
140,500	Time Warner Inc.	2,505,115
Total Media		27,490,173
Multiline Retail □ 0.3%		
56,100	J.C. Penney Co. Inc.	2,872,320
Specialty Retail □ 0.4%		
35,000	Best Buy Co. Inc.	1,549,100
40,000	Sherwin-Williams Co.	1,702,000
Total Specialty Retail		3,251,100
TOTAL CONSUMER DISCRETIONARY		40,302,489
CONSUMER STAPLES □ 2.1%		
Beverages □ 0.1%		
25,000	PepsiCo Inc.	1,477,000
Food & Staples Retailing □ 0.7%		

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20,000	CVS Corp.	488,200
162,600	Kroger Co.*	3,235,740
53,000	Wal-Mart Stores Inc.	2,507,430
Total Food & Staples Retailing		6,231,370
Food Products □ 0.5%		
25,200	Hormel Foods Corp.	801,360
29,300	Kellogg Co.	1,294,181
50,000	McCormick & Co. Inc., Non Voting Shares	1,514,500
75,000	Sara Lee Corp.	1,338,750
Total Food Products		4,948,791

See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 29

Schedule of Investments (October 31, 2005) (continued)

Shares	Security#	Value
Household Products □ 0.3%		
46,300	Kimberly-Clark Corp.	\$ 2,631,692
Tobacco □ 0.5%		
63,000	Altria Group Inc.	4,728,150
TOTAL CONSUMER STAPLES		20,017,003
ENERGY □ 6.2%		
Energy Equipment & Services □ 2.3%		
137,700	ENSCO International Inc.	6,277,743
74,200	GlobalSantaFe Corp.	3,305,610
71,500	Halliburton Co.	4,225,650
32,200	Nabors Industries Ltd.*	2,209,886
29,900	National-Oilwell Varco Inc.*	1,867,853
105,000	Pride International Inc.*	2,947,350
Total Energy Equipment & Services		20,834,092
Oil, Gas & Consumable Fuels □ 3.9%		
82,500	Arlington Tankers Ltd. (a)	1,837,275
58,100	CNX Gas Corp. (b)*	1,205,575
87,200	Marathon Oil Corp.	5,245,952
196,414	Nexen Inc.	8,119,755
127,000	OPTI Canada Inc.*	3,947,188
17,600	Suncor Energy Inc.	943,888
87,480	Total SA, Sponsored ADR (a)	11,024,230
190,400	Williams Cos. Inc.	4,245,920
Total Oil, Gas & Consumable Fuels		36,569,783
TOTAL ENERGY		57,403,875
FINANCIALS □ 12.0%		
Capital Markets □ 0.5%		
6,600	Goldman Sachs Group Inc.	834,042
8,000	Lehman Brothers Holdings Inc.	957,360
35,600	Merrill Lynch & Co. Inc.	2,304,744
Total Capital Markets		4,096,146
Commercial Banks □ 1.1%		
82,952	Bank of America Corp.	3,628,320
24,700	Comerica Inc.	1,427,166

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16,500	Wachovia Corp.	833,580
58,500	Wells Fargo & Co.	3,521,700
13,000	Zions Bancorporation	955,110
Total Commercial Banks		10,365,876
Consumer Finance □ 1.0%		
42,200	American Express Co.	2,100,294
95,032	Capital One Financial Corp.	7,255,693
Total Consumer Finance		9,355,987
Diversified Financial Services □ 0.2%		
49,940	JPMorgan Chase & Co.	1,828,803

See Notes to Financial Statements.

30 **Salomon Brothers Capital and Income Fund Inc.** 2005 Annual Report

Schedule of Investments (October 31, 2005) (continued)

Shares	Security#	Value
Insurance □ 0.8%		
35,200	AFLAC Inc.	\$ 1,681,856
24,300	American International Group Inc.	1,574,640
8	Berkshire Hathaway Inc., Class A Shares*	687,200
30,800	Chubb Corp.	2,863,476
8,000	Hartford Financial Services Group Inc.	638,000
Total Insurance		7,445,172
Real Estate □ 7.7%		
19,300	Alexandria Real Estate Equities Inc.	1,560,405
65,200	AMB Property Corp.	2,880,536
155,000	American Financial Realty Trust	1,908,050
7,400	Apartment Investment and Management Co., Class A Shares	284,160
62,100	Archstone-Smith Trust	2,519,397
60,000	Arden Realty Inc.	2,708,400
25,000	Ashford Hospitality Trust Inc.	262,500
31,900	Avalonbay Communities Inc.	2,751,375
46,500	BioMed Realty Trust Inc.	1,162,965
17,200	Boston Properties Inc.	1,190,584
12,400	BRE Properties Inc., Class A Shares	546,964
66,800	CarrAmerica Realty Corp.	2,199,724
12,000	Developers Diversified Realty Corp.	524,160
20,900	Duke Realty Corp.	712,690
218,000	Equity Office Properties Trust	6,714,400
50,200	Equity Residential	1,970,350
29,800	Federal Realty Investment Trust	1,807,370
60,700	General Growth Properties Inc.	2,578,536
46,000	Global Signal Inc.	1,906,700
47,500	Gramercy Capital Corp.	1,120,525
57,900	Heritage Property Investment Trust (a)	1,887,540
27,000	Highwoods Properties Inc.	761,670
90,000	iStar Financial Inc.	3,318,300
24,800	Kimco Realty Corp.	734,576
70,000	Liberty Property Trust	2,918,300
7,400	Macerich Co.	475,598
100,000	Maguire Properties Inc.	3,000,000
105,000	New Plan Excel Realty Trust Inc. (a)	2,413,950
7,200	Pan Pacific Retail Properties Inc.	457,200
60,000	Prentiss Properties Trust	2,367,600
106,300	ProLogis	4,570,900
39,200	PS Business Parks Inc.	1,824,368
16,400	Public Storage Inc.	1,085,680
26,393	Reckson Associates Realty Corp.	926,394
34,500	Simon Property Group Inc.	2,470,890

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41,300	SL Green Realty Corp.	2,809,639
25,000	United Dominion Realty Trust Inc.	553,250
26,900	Vornado Realty Trust	2,178,900
Total Real Estate		72,064,546

See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 31

Schedule of Investments (October 31, 2005) (continued)

Shares	Security#	Value
Thriffs & Mortgage Finance □ 0.7%		
54,950	Freddie Mac	\$ 3,371,183
60,000	Golden West Financial Corp.	3,523,800
Total Thriffs & Mortgage Finance		6,894,983
TOTAL FINANCIALS		112,051,513
HEALTH CARE □ 4.5%		
Biotechnology □ 0.8%		
74,400	Abgenix Inc. (a)*	773,760
39,500	Amgen Inc.*	2,992,520
28,400	CV Therapeutics Inc. (a)*	711,704
8,700	Genentech Inc.*	788,220
34,400	InterMune Inc. (a)*	467,840
9,800	Invitrogen Corp.*	623,182
34,600	Protein Design Labs Inc.*	969,492
Total Biotechnology		7,326,718
Health Care Equipment & Supplies □ 0.3%		
63,800	Boston Scientific Corp.*	1,602,656
37,400	DJ Orthopedics Inc. (a)*	1,087,592
Total Health Care Equipment & Supplies		2,690,248
Health Care Providers & Services □ 1.4%		
18,600	Aetna Inc.	1,647,216
32,700	Coventry Health Care Inc.*	1,765,473
33,000	DaVita Inc.*	1,622,940
15,700	PacifiCare Health Systems Inc.*	1,293,052
29,800	UnitedHealth Group Inc.	1,725,122
64,500	WellPoint Inc.*	4,816,860
Total Health Care Providers & Services		12,870,663
Pharmaceuticals □ 2.0%		
61,500	Abbott Laboratories	2,647,575
49,200	GlaxoSmithKline PLC, Sponsored ADR	2,557,908
51,100	Novartis AG, Sponsored ADR	2,750,202
93,400	Pfizer Inc.	2,030,516
23,900	Sanofi-Aventis	1,915,333
23,100	Sanofi-Aventis, ADR	926,772
53,000	Schering-Plough Corp.	1,078,020
66,800	Sepracor Inc.*	3,757,500

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22,800	Teva Pharmaceutical Industries Ltd., Sponsored ADR (a)	869,136
15,300	Wyeth	681,768
Total Pharmaceuticals		19,214,730
TOTAL HEALTH CARE		42,102,359
INDUSTRIALS □ 3.0%		
Aerospace & Defense □ 1.0%		
98,400	Boeing Co.	6,360,576
90,000	Raytheon Co.	3,325,500
Total Aerospace & Defense		9,686,076

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Shares	Security#	Value
Building Products □ 0.2%		
52,800	American Standard Cos. Inc.	\$ 2,008,512
Commercial Services & Supplies □ 0.2%		
35,700	Avery Dennison Corp.	2,022,405
Construction & Engineering □ 0.3%		
100,500	Chicago Bridge & Iron Co. NV, New York Shares (a)	2,241,150
Industrial Conglomerates □ 1.2%		
259,800	General Electric Co.	8,809,818
30,100	Textron Inc.	2,168,404
Total Industrial Conglomerates		10,978,222
Machinery □ 0.1%		
21,300	Navistar International Corp.*	586,176
Trading Companies & Distributors □ 0.0%		
9,600	MSC Industrial Direct Co. Inc., Class A Shares	366,528
TOTAL INDUSTRIALS		27,889,069
INFORMATION TECHNOLOGY □ 2.8%		
Communications Equipment □ 1.0%		
154,375	ADC Telecommunications Inc. (a)*	2,693,844
42,451	Comverse Technology Inc.*	1,065,520
159,000	Nokia Oyj, Sponsored ADR	2,674,380
755,700	Nortel Networks Corp.*	2,456,025
Total Communications Equipment		8,889,769
Computers & Peripherals □ 0.1%		
40,000	EMC Corp.*	558,400
Internet Software & Services □ 0.4%		
133,900	Digitas Inc.*	1,446,120
8,500	Netease.com Inc. ADR*	648,295
81,900	SINA Corp.*	2,076,165
Total Internet Software & Services		4,170,580
IT Services □ 0.1%		
50,000	Wright Express Corp.*	1,079,000

Semiconductors & Semiconductor Equipment □ 0.5%

80,000	Applied Materials Inc.	1,310,400
20,000	ASML Holding NV, NY Registered Shares*	339,600
74,300	Maxim Integrated Products Inc.	2,576,724

Total Semiconductors & Semiconductor Equipment 4,226,724

Software □ 0.7%

42,500	Cognos Inc.*	1,595,025
14,000	Macromedia Inc.*	614,880
175,400	Microsoft Corp.	4,507,780

Total Software 6,717,685

TOTAL INFORMATION TECHNOLOGY 25,642,158

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Shares	Security#	Value
MATERIALS □ 1.3%		
Chemicals □ 0.7%		
61,700	Air Products & Chemicals Inc.	\$ 3,531,708
62,000	E.I. du Pont de Nemours & Co.	2,584,780
Total Chemicals		6,116,488
Containers & Packaging □ 0.1%		
20,000	Sealed Air Corp.*	1,006,200
Metals & Mining □ 0.5%		
153,400	Barrick Gold Corp.	3,873,350
56,200	Compass Minerals International Inc. (a)	1,258,318
Total Metals & Mining		5,131,668
TOTAL MATERIALS		12,254,356
TELECOMMUNICATION SERVICES □ 2.6%		
Diversified Telecommunication Services □ 0.7%		
276,800	Citizens Communications Co.	3,388,032
80,000	IDT Corp., Class B Shares*	955,200
107,600	Telewest Global Inc.*	2,454,356
Total Diversified Telecommunication Services		6,797,588
Wireless Telecommunication Services □ 1.9%		
60,800	ALLTEL Corp.	3,761,088
216,197	American Tower Corp., Class A Shares*	5,156,299
174,300	Dobson Communications Corp., Class A Shares*	1,270,647
313,968	Sprint Nextel Corp.	7,318,594
Total Wireless Telecommunication Services		17,506,628
TOTAL TELECOMMUNICATION SERVICES		24,304,216
UTILITIES □ 1.8%		
Electric Utilities □ 0.3%		
100,000	ITC Holdings Corp.	2,750,000
Independent Power Producers & Energy Traders □ 0.9%		
133,000	AES Corp.*	2,113,370
73,800	NRG Energy Inc. (a)*	3,174,138
33,600	TXU Corp.	3,385,200

Total Independent Power Producers & Energy Traders		8,672,708
<hr/>		
Multi-Utilities □ 0.6%		
123,300	Sempra Energy	5,462,190
<hr/>		
TOTAL UTILITIES		16,884,898
<hr/>		
TOTAL COMMON STOCKS		
(Cost □ \$337,078,574)		378,851,936
<hr/>		
PREFERRED STOCK □ 0.0%		
CONSUMER DISCRETIONARY □ 0.0%		
Auto Components □ 0.0%		
14,000	Delphi Trust I, 8.250% (a) (Cost □ \$368,200)	103,600
<hr/>		

See Notes to Financial Statements.

Schedule of Investments (October 31, 2005) (continued)

Shares	Security#	Value
CONVERTIBLE PREFERRED STOCKS □ 1.9%		
ENERGY □ 0.2%		
Energy Equipment & Services □ 0.2%		
38,000	Hanover Compressor Capital Trust, 7.250% (a)	\$ 1,814,500
FINANCIALS □ 1.5%		
Real Estate □		
1.1%		
167,000	Host Marriott Finance Trust, 6.750%	9,164,125
26,000	Simon Property Group Inc., 6.000%	1,612,000
		10,776,125
Thriffs & Mortgage Finance □ 0.4%		
77,000	Sovereign Capital Trust IV, 4.375%	3,455,375
TOTAL FINANCIALS		14,231,500
TELECOMMUNICATION SERVICES □ 0.2%		
Wireless Telecommunication Services □ 0.2%		
12,514	Dobson Communications Corp., 6.000%	2,108,609
TOTAL CONVERTIBLE PREFERRED STOCKS		
	(Cost □ \$17,521,622)	18,154,609
Contracts		
PURCHASED OPTION □ 0.3%		
2,300	S&P 500 Index, Put @ 1,175, Expires 12/05 (Cost □ \$3,019,900)	2,530,000
TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS		
	(Cost □ \$803,642,084)	838,343,375
Face Amount		
SHORT-TERM INVESTMENTS □ 10.1%		
Repurchase Agreements □ 0.9%		
\$ 3,523,000	Interest in \$572,678,000 joint tri-party repurchase agreement dated 10/31/05 with Deutsche Bank Securities Inc., 4.000% due 11/1/05; Proceeds at maturity □ \$3,523,391; (Fully collateralized by various U.S. Government Agency Obligations 0.000% to 7.125% due 11/28/05 to 1/15/30; Market value □ \$3,593,480)	3,523,000

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5,000,000	Interest in \$689,187,000 joint tri-party repurchase agreement dated 10/31/05 with Merrill Lynch, Pierce, Fenner & Smith Inc., 4.000% due 11/1/05; Proceeds at maturity □ \$5,000,556; (Fully collateralized by U.S. Treasury obligations, 0.000% to 3.750% due 11/3/05 to 5/15/08; Market value □ \$5,100,011)	5,000,000
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Total Repurchase Agreements (Cost □ \$8,523,000) **8,523,000**

Shares

Securities Purchased from Securities Lending Collateral □ 9.2%

85,925,599	State Street Navigator Securities Lending Trust Prime Portfolio (Cost □ \$85,925,599)	85,925,599
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See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 35

Schedule of Investments (October 31, 2005) (continued)

	Value
TOTAL SHORT-TERM INVESTMENTS	
(Cost □ \$94,448,599)	\$ 94,448,599
TOTAL INVESTMENTS □ 100.0%	
(Cost □ \$898,090,683**)	\$ 932,791,974

- # All securities (except those on loan) are segregated as collateral pursuant to revolving credit facility.
- * Non-income producing security.
- Face amount denominated in U.S. dollars, unless otherwise indicated.
- Security is exchangeable for Sprint Nexel Corp. Common Stock.
- (a) All or a portion of this security is on loan (See Notes 1 and 3).
- (b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.
- (c) Variable rate security. Coupon rates disclosed are those which are in effect at October 31, 2005.
- (d) Security is currently in default.
- (e) Participation interest was acquired through the financial institution indicated parenthetically.
- ** Aggregate cost for federal income tax purposes is \$899,839,147.

Abbreviations used in this schedule:

- ADR □ American Depositary Receipt
 ARS □ Argentine Peso
 DCB □ Debt Conversion Bond
 EUR □ Euro Currency
 FDR □ Foreign Depositary Receipt
 FLIRB □ Front-Loaded Interest Reduction Bonds
 MASTR □ Mortgage Asset Securitization Transactions Inc.
 NIM □ Net Interest Margin
 PAC □ Planned Amortization Cost

See Notes to Financial Statements.

Statement of Assets and Liabilities (October 31, 2005)**ASSETS:**

Investments, at value (Cost □ \$898,090,683)	\$ 932,791,974
Foreign currency, at value (Cost □ \$838)	835
Cash	146
Receivable for swap contracts	1,940
Receivable for securities sold	8,643,459
Dividends and interest receivable	6,504,109
Prepaid expenses	12,454

Total Assets	947,954,917
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LIABILITIES:

Loan payable (Notes 1 and 4)	220,000,000
Payable for loaned securities collateral (Notes 1 and 3)	85,925,599
Payable for securities purchased	2,134,173
Interest payable (Note 4)	720,266
Management fee payable	623,208
Payable for offering costs	442,559
Payable for Fund shares repurchased	223,668
Payable for swap contracts	5,424
Directors' fees payable	145
Accrued expenses	225,556

Total Liabilities	310,300,598
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Total Net Assets	\$ 637,654,319
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NET ASSETS:

Par value (\$0.001 par value; 32,382,706 shares issued and outstanding; 100,000,000 shares authorized)	\$ 32,383
Paid-in capital in excess of par value	603,674,127
Accumulated net realized loss on investments, swap contracts and foreign currency transactions	(751,862)
Net unrealized appreciation on investments and foreign currency transactions	34,699,671

Total Net Assets	\$ 637,654,319
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Shares Outstanding	32,382,706
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Net Asset Value	\$19.69
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See Notes to Financial Statements.

Statement of Operations (For the year ended October 31, 2005)

INVESTMENT INCOME:

Interest	\$ 28,798,058
Dividends	9,524,758
Income from securities lending	199,025
Less: Foreign taxes withheld	(118,810)

Total Investment Income	38,403,031
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EXPENSES:

Interest expense (Notes 3 and 4)	7,777,427
Management fee (Note 2)	7,311,175
Shareholder reports	180,981
Custody fees	161,087
Directors' fees	61,365
Audit and tax	60,746
Legal fees	45,565
Transfer agent fees	25,159
Loan fees	21,266
Stock exchange listing fees	20,830
Insurance	7,499
Miscellaneous expenses	4,650

Total Expenses	15,677,750
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Net Investment Income	22,725,281
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**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, SWAP CONTRACTS
AND FOREIGN CURRENCY TRANSACTIONS (NOTES 1 AND 3):**

Net Realized Gain (Loss) From:

Investments	28,057,054
Swap contracts	3,608
Foreign currency transactions	(100,286)
Option contracts	(17,321,069)

Net Realized Gain	10,639,307
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Change in Net Unrealized Appreciation/Depreciation From:

Investments	32,522,448
Foreign currency transactions	(2,007)
Option contracts	7,151,350

Change in Net Unrealized Appreciation/Depreciation	39,671,791
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Increase from payment by affiliate	21,460
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Net Gain on Investments, Swap Contracts and Foreign Currency Transactions	50,332,558
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Increase in Net Assets From Operations

\$ 73,057,839

See Notes to Financial Statements.

38 **Salomon Brothers Capital and Income Fund Inc.** 2005 Annual Report

Statements of Changes in Net Assets
(For the year ended October 31, 2005 and the period ended October 31, 2004⁽¹⁾)

	2005	2004 ⁽¹⁾
OPERATIONS:		
Net investment income	\$ 22,725,281	\$ 12,181,904
Net realized gain (loss)	10,639,307	(1,394,587)
Change in net unrealized appreciation/depreciation	39,671,791	(4,972,120)
Increase from payment by Affiliate	21,460	□
Increase in Net Assets From Operations	73,057,839	5,815,197
DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 1):		
Net investment income	(32,052,389)	(13,404,047)
Net realized gains	(7,365,538)	□
Return of capital	□	(6,373,531)
Decrease in Net Assets From Distributions to Shareholders	(39,417,927)	(19,777,578)
FUND SHARE TRANSACTIONS:		
Net proceeds from sale of shares (32,950,000 shares issued, net of \$1,318,000 offering costs)	□	628,027,000
Reinvestment of distributions (8,859 shares issued)	□	159,269
Cost of shares repurchased (581,400 shares repurchased)	(10,309,481)	□
Increase (Decrease) in Net Assets From Fund Share Transactions	(10,309,481)	628,186,269
Increase in Net Assets	23,330,431	614,223,888
NET ASSETS:		
Beginning of year	614,323,888	100,000
End of year*	\$ 637,654,319	\$ 614,323,888
* Includes overdistributed net investment income of:	□	\$ (918,153)

(1) For the period February 24, 2004 (commencement of operations) to October 31, 2004.

See Notes to Financial Statements.

Statement of Cash Flows (For the year ended October 31, 2005)

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

Interest and dividends received	\$ 35,929,527
Operating expenses paid	(7,843,678)
Net sales of short-term investments	31,092,350
Realized loss on foreign currency transactions	(100,286)
Realized loss on options	(17,321,069)
Realized gain on swap contracts	3,608
Net change in unrealized depreciation on foreign currencies	(2,007)
Purchases of long-term investments	(535,353,068)
Proceeds from disposition of long-term investments	550,885,116
Interest paid	(7,435,327)

Net Cash Flows Provided By Operating Activities	49,855,166
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CASH FLOWS USED BY FINANCING ACTIVITIES:

Cash distributions paid on Common Stock	(39,417,927)
Cost of shares repurchased	(10,085,813)
Offering costs paid	(351,019)

Net Cash Flows Used By Financing Activities	(49,854,759)
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NET INCREASE IN CASH

	407
Cash and foreign currency Beginning of year	574

Cash and foreign currency End of year	\$ 981
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**RECONCILIATION OF INCREASE IN NET ASSETS FROM OPERATIONS
TO NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:**

Increase in Net Assets From Operations	\$ 73,057,839
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Accretion of discount on investments	(3,270,499)
Amortization of premium on investments	1,725,257
Increase in investments, at value	(15,248,259)
Decrease in payable for securities purchased	(2,325,160)
Increase in interest receivable	(928,262)
Increase in receivable for securities sold	(3,554,495)
Increase in prepaid expenses	(12,454)
Increase in interest payable	342,100
Increase in accrued expenses	69,099

Total Adjustments	(23,202,673)
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Net Cash Flows Provided By Operating Activities	\$ 49,855,166
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See Notes to Financial Statements.

Financial Highlights

For a share of capital stock outstanding throughout each year or period ended October 31, unless otherwise noted:

	2005(1)	2004(1)(2)
Net Asset Value, Beginning of Year	\$ 18.64	\$ 19.06 ⁽³⁾
Income (Loss) From Operations:		
Net investment income	0.69	0.37
Net realized and unrealized gain (loss)	1.52	(0.19)
Total Income From Operations	2.21	0.18
Gain From Repurchase of Stock	0.04	□
Less Distributions From:		
Net investment income	(0.98)	(0.40)
Realized gains	(0.22)	□
Return of capital	□	(0.20)
Total Distributions	(1.20)	(0.60)
Net Asset Value, End of Year	\$ 19.69	\$ 18.64
Market Price, End of Year	\$ 17.19	\$ 17.24
Total Return, Based on Net Asset Value	12.34%(5)	1.06%□
Total Return, Based on Market Price Per Share⁽⁴⁾	6.85%(5)	(10.74)%□
Net Assets, End of Year (000s)	\$ 637,654	\$ 614,324
Ratios to Average Net Assets:		
Expenses	2.45%	1.54%(6)
Expenses, excluding interest expense	1.23	1.15 ⁽⁶⁾
Net investment income	3.55	2.97 ⁽⁶⁾
Portfolio Turnover Rate	64%	39%
Supplemental Data:		
Loans Outstanding, End of Year (000s)	\$ 220,000	\$ 220,000
Asset Coverage for Loan Outstanding	390%	379%
Weighted Average Loan (000s)	\$ 220,000	\$ 105,783
Weighted Average Interest Rate on Loans	3.54%	2.22%

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- (1) Per share amounts have been calculated using the average shares method.
 - (2) For the period February 24, 2004 (commencement of operations) through October 31, 2004.
 - (3) Initial public offering price of \$20.00 per share less offering costs and sales load totaling \$0.94 per share.
 - (4) The total return calculation assumes that dividends are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results and the broker commission paid to purchase or sell a share is excluded.
 - (5) The investment manager fully reimbursed the Fund for losses incurred resulting from an investment transaction error. Without this reimbursement, total return would not have changed.
 - (6) Annualized.
- Total return is not annualized, as it may not be representative of the total return for the year.

See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2005 Annual Report 41

Notes to Financial Statements

1. Organization and Significant Accounting Policies

The Salomon Brothers Capital and Income Fund Inc. ("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 ("1940 Act"). The Board of Directors authorized 100 million shares of \$0.001 par value common stock. The Fund seeks total return with an emphasis on income by investing primarily in a portfolio consisting of 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"). Estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

(a) Investment Valuation. Equity securities for which market quotations are available are valued at the last sale price or official closing price on the primary market or exchange on which they trade. Debt securities are valued at the mean between the bid and asked prices provided by an independent pricing service that are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various relationships between securities. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the bid and asked prices as of the close of business of that market. When prices are not readily available, or are determined not to reflect fair value, 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 may value these investments at fair value as determined in accordance with the procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates market value.

(b) Repurchase Agreements. When entering into repurchase agreements, it is the Fund's policy that its custodian or a third party custodian takes possession of the underlying collateral securities, the market value of which at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults, and the market value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

(c) Lending of Portfolio Securities. The Fund has an agreement with its custodian whereby the custodian may lend securities owned by the Fund to brokers, dealers and other financial organizations. In exchange for lending securities under the terms of the agreement with its custodian, the Fund receives a lender's fee. Fees earned by the Fund on securities lending are recorded as securities lending income. Loans of securities by the Fund are collateralized by cash, U.S. government securities or high quality money market instruments that are maintained at all times in an amount at least equal to the current market value of

Notes to Financial Statements (continued)

the loaned securities, plus a margin which varies depending on the type of securities loaned. The custodian establishes and maintains the collateral in a segregated account. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

The Fund maintains the risk of any loss on the securities on loan as well as the potential loss on investments purchased with cash collateral received from securities lending.

(d) Loan Participations. The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund will assume the credit risk of both the borrower and the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

(e) Credit, Exchange Rate and Market Risk. The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit risk. The Fund's investment in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investment in non-dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations.

(f) Cash Flow Information. The Fund invests in securities and distributes dividends from net investment income and net realized gains, which are paid in cash and may be reinvested at the discretion of shareholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments are presented in the Statement of Cash Flows.

(g) Security Transactions and Investment Income. Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. The cost of investments sold is determined by use of the specific identification method.

(h) Foreign Currency Translation. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the date of valuation. Purchases and sales of investment securities

Notes to Financial Statements (continued)

and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts based upon prevailing exchange rates on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, including gains and losses on forward foreign currency contracts, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities, at the date of valuation, resulting from changes in exchange rates.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

(i) Distributions to Shareholders. Distributions from net investment income for the Fund, if any, are declared and paid on a monthly basis. Distributions of net realized gains, if any, are declared at least annually. Distributions are recorded on the ex-dividend date and are determined in accordance with income tax regulations, which may differ from GAAP.

(j) Federal and Other Taxes. It is the Fund's policy to comply with the federal income and excise tax requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, the Fund intends to distribute substantially all of its taxable income and net realized gains on investments, if any, to shareholders each year. Therefore, no federal income tax provision is required in the Fund's financial statements. Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

(k) Reclassification.