

SALOMON BROTHERS CAPITAL & INCOME FUND INC
Form N-Q
September 29, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21467

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.

Smith Barney Fund Management LLC

300 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-451-2010

Date of fiscal year end: October 31

Date of reporting period: July 31, 2004

ITEM 1. SCHEDULE OF INVESTMENTS

SALOMON BROTHERS CAPITAL AND INCOME FUND

FORM N-Q

JULY 31, 2004

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited)

July 31, 2004

| Shares | Security (a) | Value |
|--|---|-------------------|
| Common Stock 42.8% | | |
| Consumer Discretionary 4.0% | | |
| Hotels Restaurants & Leisure 0.3% | | |
| 40,000 | Applebee s International, Inc. | \$ 1,065,600 |
| 30,100 | McDonald s Corp. | 827,750 |
| | | 1,893,350 |
| Household Durables 0.3% | | |
| 118,900 | Newell Rubbermaid Inc. | 2,568,240 |
| Leisure Equipment & Products 0.2% | | |
| 100,400 | Mattel, Inc. | 1,759,008 |
| Media 2.4% | | |
| 158,100 | Cablevision Systems Corp., NY Group Class A Shares+ | 2,762,007 |
| 23,500 | Comcast Corp., Class A Shares+ | 643,900 |
| 112,300 | EchoStar Communications Corp., Class A Shares+ | 3,112,956 |
| 54,500 | The Interpublic Group of Cos., Inc.+ | 697,055 |
| 149,400 | Liberty Media Corp., Series A Shares+ | 1,266,912 |
| 3,494 | Liberty Media International, Inc., Series A Rights+ | 20,999 |
| 17,470 | Liberty Media International, Inc., Series A Shares+ | 544,715 |
| 50,600 | The News Corp. Ltd., Sponsored Preferred ADR | 1,607,562 |
| 140,500 | Time Warner Inc.+ | 2,339,325 |
| 117,000 | UnitedGlobalCom, Inc., Class A Shares+ | 741,780 |
| 97,000 | Viacom Inc., Class B Shares | 3,258,230 |
| | | 16,995,441 |
| Multiline Retail 0.7% | | |
| 50,000 | Dollar General Corp. | 965,000 |
| 52,900 | Federated Department Stores, Inc. | 2,534,968 |
| 30,100 | Target Corp. | 1,312,360 |
| | | 4,812,328 |
| Textiles & Apparel 0.1% | | |
| 30,000 | Reebok International Ltd. | 1,021,800 |
| | Total Consumer Discretionary | 29,050,167 |
| Consumer Staples 1.7% | | |
| Beverages 0.1% | | |
| 16,200 | PepsiCo, Inc. | 810,000 |
| Food & Drug Retailing 0.1% | | |
| 80,000 | The Kroger Co.+ | 1,264,000 |
| Food Products 0.6% | | |
| 34,100 | Kellogg Co. | 1,420,606 |
| 50,000 | Sara Lee Corp. | 1,098,000 |
| 40,000 | The J. M. Smucker Co. | 1,672,400 |
| | | 4,191,006 |
| Household Products 0.4% | | |
| 45,700 | Kimberly Clark Corp. | 2,927,999 |
| Tobacco 0.5% | | |
| 72,300 | Altria Group, Inc. | 3,441,480 |
| | Total Consumer Staples | 12,634,485 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Shares | Security (a) | Value |
|---|---|-------------------|
| Energy 6.2% | | |
| Energy Equipment & Services 1.9% | | |
| 111,300 | ENSCO International Inc. | \$ 3,351,243 |
| 62,500 | Nabors Industries, Ltd.+ | 2,906,250 |
| 244,000 | Patterson-UTI Energy, Inc. | 4,448,120 |
| 116,500 | Rowan Cos., Inc.+ | 2,844,930 |
| | | 13,550,543 |
| Oil & Gas 4.3% | | |
| 202,500 | BP PLC, Sponsored ADR | 11,412,900 |
| 90,200 | Marathon Oil Corp. | 3,397,834 |
| 51,400 | Nexen Inc. | 1,977,872 |
| 146,300 | Total SA, Sponsored ADR | 14,242,305 |
| | | 31,030,911 |
| | Total Energy | 44,581,454 |
| Financials 8.7% | | |
| Banks 1.8% | | |
| 49,026 | Bank of America Corp. | 4,167,700 |
| 19,100 | The Bank of New York Co., Inc. | 548,743 |
| 16,400 | Comerica Inc. | 958,908 |
| 8,900 | Fifth Third Bancorp | 439,304 |
| 1,700 | Golden West Financial Corp. | 181,747 |
| 7,900 | M&T Bank Corp. | 736,517 |
| 14,400 | U.S. Bancorp | 407,520 |
| 16,500 | Wachovia Corp. | 731,115 |
| 64,800 | Wells Fargo & Co. | 3,720,168 |
| 13,000 | Zions Bancorp. | 786,500 |
| | | 12,678,222 |
| Diversified Financials 1.4% | | |
| 11,300 | American Express Co. | 567,825 |
| 18,000 | Capital One Financial Corp. | 1,247,760 |
| 3,300 | Countrywide Financial Corp. | 237,930 |
| 53,050 | Federal Home Loan Mortgage Corp. | 3,411,645 |
| 40,040 | J.P. Morgan Chase & Co. | 1,494,693 |
| 8,000 | Lehman Brothers Holdings Inc. | 560,800 |
| 13,000 | MBNA Corp. | 320,970 |
| 27,600 | Merrill Lynch & Co., Inc. | 1,372,272 |
| 6,600 | The Goldman Sachs Group, Inc. | 582,054 |
| | | 9,795,949 |
| Insurance 0.9% | | |
| 28,700 | American International Group, Inc. | 2,027,655 |
| 8 | Berkshire Hathaway Inc., Class A Shares+ | 698,000 |
| 15,300 | IPC Holdings, Ltd. | 573,750 |
| 26,000 | PartnerRe Ltd. | 1,360,060 |
| 8,000 | The Hartford Financial Services Group, Inc. | 520,800 |
| 34,500 | Willis Group Holdings Ltd. | 1,200,600 |
| | | 6,380,865 |
| Real Estate 4.6% | | |
| 19,300 | Alexandria Real Estate Equities, Inc. | 1,159,737 |
| 65,200 | AMB Property Corp. | 2,291,128 |
| 20,000 | American Financial Realty Trust | 265,000 |
| 7,400 | Apartment Investment and Management Co., Class A Shares | 236,578 |
| 40,100 | Archstone-Smith Trust | 1,180,143 |
| 25,000 | Ashford Hospitality Trust Inc. | 223,500 |
| 31,900 | AvalonBay Communities Inc. | 1,856,580 |
| 17,200 | Boston Properties Inc. | 909,880 |
| 12,400 | BRE Properties Inc., Class A Shares | 429,660 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Shares | Security (a) | Value |
|--|---------------------------------------|-------------------|
| Real Estate 4.6% (continued) | | |
| 44,800 | CarrAmerica Realty Corp. | \$ 1,365,952 |
| 12,000 | Developers Diversified Realty Corp. | 430,560 |
| 20,900 | Duke Realty Corp. | 642,884 |
| 29,900 | Equity Office Properties Trust | 775,905 |
| 50,200 | Equity Residential | 1,483,410 |
| 29,800 | Federal Realty Investment Trust | 1,257,560 |
| 67,400 | General Growth Properties Inc. | 2,027,392 |
| 9,600 | Gramercy Capital Corp.+ | 144,000 |
| 7,900 | Heritage Property Investment Trust | 216,934 |
| 27,000 | Highwoods Properties, Inc. | 626,400 |
| 24,000 | iStar Financial Inc. | 912,000 |
| 12,400 | Kimco Realty Corp. | 596,440 |
| 7,400 | The Macerich Co. | 354,460 |
| 7,200 | Pan Pacific Retail Properties, Inc. | 364,320 |
| 107,000 | ProLogis | 3,642,280 |
| 39,200 | PS Business Parks Inc. | 1,575,840 |
| 21,000 | Public Storage Inc. | 989,730 |
| 34,700 | The Rouse Co. | 1,693,360 |
| 34,500 | Simon Property Group, Inc. | 1,780,545 |
| 45,900 | SL Green Realty Corp. | 2,253,690 |
| 26,900 | Vornado Realty Trust | 1,562,621 |
| | | 33,248,489 |
| | Total Financials | 62,103,525 |
| Health Care 6.5% | | |
| Biotechnology 1.1% | | |
| 49,800 | Amgen Inc.+ | 2,832,624 |
| 4,500 | MedImmune, Inc.+ | 103,680 |
| 64,700 | OSI Pharmaceuticals, Inc.+ | 3,888,470 |
| 60,400 | Transkaryotic Therapies, Inc. + | 900,564 |
| | | 7,725,338 |
| Health Care Equipment & Supplies 0.8% | | |
| 108,900 | DJ Orthopedics, Inc.+ | 1,938,420 |
| 50,000 | Fisher Scientific International Inc.+ | 2,910,000 |
| 17,900 | Guidant Corp. | 990,228 |
| | | 5,838,648 |
| Health Care Providers & Services 0.3% | | |
| 25,000 | Aetna, Inc. | 2,145,000 |
| Pharmaceuticals 4.3% | | |
| 276,300 | GlaxoSmithKline PLC | 5,614,393 |
| 127,800 | GlaxoSmithKline PLC, Sponsored ADR | 5,233,410 |
| 80,400 | InterMune, Inc.+ | 963,996 |
| 445,800 | Pfizer Inc. | 14,247,768 |
| 2,600 | Roche Holding AG | 257,134 |
| 19,000 | Sepracor Inc.+ | 873,430 |
| 105,000 | Wyeth | 3,717,000 |
| | | 30,907,131 |
| | Total Health Care | 46,616,117 |
| Industrials 5.1% | | |
| Aerospace & Defense 1.1% | | |
| 78,100 | The Boeing Co. | 3,963,575 |
| 40,100 | Lockheed Martin Corp. | 2,124,899 |
| 60,000 | Raytheon Co. | 2,013,000 |
| | | 8,101,474 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Shares | Security (a) | Value |
|--|---|-------------------|
| Building Products 0.3% | | |
| 52,800 | American Standard Cos. Inc.+ | \$ 2,000,592 |
| Commercial Services & Supplies 0.6% | | |
| 35,700 | Avery Dennison Corp. | 2,162,349 |
| 60,000 | R.R. Donnelley & Sons Co. | 1,904,400 |
| | | 4,066,749 |
| Construction & Engineering 0.3% | | |
| 76,000 | Chicago Bridge & Iron Company N.V. | 2,218,440 |
| Industrial Conglomerates 2.1% | | |
| 259,800 | General Electric Co. | 8,638,350 |
| 77,900 | Honeywell International Inc. | 2,929,819 |
| 107,500 | Tyco International Ltd. | 3,332,500 |
| | | 14,900,669 |
| Machinery 0.7% | | |
| 131,300 | Navistar International Corp.+ | 4,720,235 |
| Trading Companies & Distributors 0.0% | | |
| 9,600 | MSC Industrial Direct Co., Class A Shares | 300,480 |
| | Total Industrials | 36,308,639 |
| Information Technology 4.8% | | |
| Communications Equipment 2.0% | | |
| 553,600 | 3Com Corp.+ | 2,729,248 |
| 1,676,200 | ADC Telecommunications, Inc.+ | 4,022,880 |
| 81,400 | Comverse Technology, Inc.+ | 1,388,684 |
| 20,000 | Nokia Oyj, Sponsored ADR | 232,400 |
| 1,235,600 | Nortel Networks Corp.+ | 4,522,296 |
| 150,000 | Tellabs, Inc.+ | 1,336,500 |
| | | 14,232,008 |
| Computers & Peripherals 0.7% | | |
| 186,700 | Hewlett-Packard Co. | 3,762,005 |
| 300,000 | Sun Microsystems, Inc.+ | 1,185,000 |
| | | 4,947,005 |
| Electronic Equipment & Instruments 0.2% | | |
| 67,500 | Celestica, Inc., Subordinate Voting Shares+ | 1,157,625 |
| 25,000 | Flextronics International Ltd.+ | 314,250 |
| | | 1,471,875 |
| Internet Software & Services 1.0% | | |
| 85,500 | Digitas Inc.+ | 571,995 |
| 74,300 | IAC/InterActiveCorp+ | 2,028,390 |
| 260,200 | McAfee Inc.+ | 4,678,396 |
| | | 7,278,781 |
| IT Consulting & Services 0.1% | | |
| 44,400 | ProQuest Co.+ | 1,110,000 |
| Semiconductor Equipment & Products 0.1% | | |
| 34,500 | Teradyne, Inc.+ | 589,950 |
| Software 0.7% | | |
| 152,200 | Microsoft Corp. | 4,331,612 |
| 52,900 | Novell, Inc.+ | 361,836 |
| | | 4,693,448 |
| | Total Information Technology | 34,323,067 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Shares | Security (a) | Value |
|--|--|--------------------|
| Materials 2.2% | | |
| Containers & Packaging 0.2% | | |
| 67,200 | Smurfit-Stone Container Corp.+ | \$ 1,250,592 |
| Metals & Mining 1.1% | | |
| 99,600 | Alcoa Inc. | 3,190,188 |
| 61,000 | Arch Coal, Inc. | 2,059,970 |
| 81,200 | Barrick Gold Corp. | 1,552,544 |
| 57,900 | Compass Minerals International Inc. | 1,182,318 |
| | | 7,985,020 |
| Paper & Forest Products 0.9% | | |
| 19,100 | Bowater Inc. | 712,430 |
| 132,000 | International Paper Co. | 5,706,360 |
| | | 6,418,790 |
| | Total Materials | 15,654,402 |
| Telecommunication Services 1.7% | | |
| Diversified Telecommunication Services 1.1% | | |
| 106,300 | Citizens Communications Co. | 1,530,720 |
| 101,900 | MCI Inc. | 1,557,032 |
| 35,400 | NTL Inc.+ | 1,845,048 |
| 65,300 | Spectrasite Inc.+ | 2,807,900 |
| | | 7,740,700 |
| Wireless Telecommunication Services 0.6% | | |
| 88,000 | AT&T Wireless Services, Inc.+ | 1,270,720 |
| 142,500 | Nextel Communications, Inc., Class A Shares+ | 3,243,300 |
| | | 4,514,020 |
| | Total Telecommunication Services | 12,254,720 |
| Utilities 1.9% | | |
| Electric Utilities 0.8% | | |
| 9,500 | Entergy Corp. | 546,250 |
| 78,600 | FirstEnergy Corp. | 3,073,260 |
| 59,000 | PG&E Corp.+ | 1,683,860 |
| | | 5,303,370 |
| Gas Utilities 0.9% | | |
| 361,900 | El Paso Corp. | 2,855,391 |
| 34,200 | Sempra Energy | 1,222,650 |
| 114,600 | Southern Union Co.+ | 2,281,686 |
| | | 6,359,727 |
| Multi-Utilities 0.2% | | |
| 81,900 | NiSource Inc. | 1,695,330 |
| | Total Utilities | 13,358,427 |
| | Total Common Stock | |
| | (Cost \$315,970,859) | 306,885,003 |
| Preferred Stock 0.0% | | |
| 14,000 | Delphi Trust I + | 360,500 |
| | Total Preferred Stock | |
| | (Cost \$368,200) | 360,500 |
| Convertible Preferred Stock 4.2% | | |
| 75,000 | Capital One Financial Corp. | 3,856,500 |
| 60,000 | Commerce Capital Trust II | 3,367,500 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Shares | Security (a) | Value |
|---|----------------------------------|-------------------|
| Convertible Preferred Stock 4.2% (continued) | | |
| 22,500 | Dobson Communications Corp. | \$ 2,061,799 |
| 38,000 | Hanover Compressor Capital Trust | 1,824,000 |
| 167,000 | Host Marriott Finance Trust | 8,530,360 |
| 30,100 | Reckson Associates Realty Corp. | 793,135 |
| 140,000 | Sovereign Cap Trust IV | 6,720,000 |
| 62,500 | Toys R Us Inc. | 2,855,625 |
| Total Convertible Preferred Stock | | |
| (Cost \$31,885,436) | | 30,008,919 |

| Face | | |
|-------------------------------|---|------------|
| Amount | | |
| Corporate Bonds 15.7% | | |
| Basic Industries 2.9% | | |
| \$1,000,000 | Abitibi-Consolidated Inc., Debentures, 8.850% due 8/1/30 | 983,634 |
| 375,000 | AK Steel Corp., 7.875% due 2/15/09 | 359,063 |
| 500,000 | BCP Caylux Holdings Luxembourg SCA, Sr. Sub. Notes, 9.625% due 6/15/14 (b) | 523,750 |
| 1,000,000 | Berry Plastics Corp., 10.750% due 7/15/12 | 1,120,000 |
| 250,000 | Bowater Inc. Notes, 6.500% due 6/15/13 | 236,844 |
| 500,000 | Buckeye Cellulose Corp., 9.250% due 9/15/08 | 501,250 |
| 1,000,000 | Compass Minerals Group, Inc., 10.000% due 8/15/11 | 1,115,000 |
| 1,000,000 | Equistar Chemicals L.P./Equistar Funding Corp., Sr. Notes, 10.625% due 5/1/11 | 1,115,000 |
| 500,000 | Hercules Inc., 6.750% due 10/15/29 (b) | 492,500 |
| 1,000,000 | Huntsman International LLC, 10.125% due 7/1/09 | 1,022,500 |
| 500,000 | ISP Holdings Inc., Secured Notes, Series B, 10.625% due 12/15/09 | 552,500 |
| 950,000 | Ispat Inland ULC, Secured Notes, 9.75% due 4/1/14 (b) | 985,625 |
| 500,000 | Jefferson Smurfit Corp., 8.250% due 10/1/12 | 536,250 |
| 500,000 | JSG Funding PLC, Sr. Notes, 9.625% due 10/1/12 | 562,500 |
| 1,000,000 | Koppers Inc., 9.875% due 10/15/13 | 1,110,000 |
| 1,000,000 | Lyondell Chemical Co., Secured Notes, 11.125% due 7/15/12 | 1,121,250 |
| 1,000,000 | Millennium America Inc., 9.250% due 6/15/08 | 1,085,000 |
| 225,000 | Mueller Group Inc., Sr. Sub. Notes, 10.000% due 5/1/12 (b) | 237,375 |
| 500,000 | Nalco Co., Sr. Sub. Notes, 8.875% due 11/15/13 (b) | 527,500 |
| 1,000,000 | Newark Group, Inc., Sr. Sub. Notes, 9.750% due 3/15/14 (b) | 965,000 |
| 1,000,000 | Norske Skog Canada Ltd., Sr. Notes, 7.375% due 3/1/14 | 1,000,000 |
| 500,000 | OM Group, Inc., 9.250% due 12/15/11 | 513,750 |
| 400,000 | Owens-Illinois Inc., Debentures, 7.500% due 5/15/10 | 408,000 |
| 500,000 | Plastipak Holdings Inc. 10.750% due 9/1/11 | 540,625 |
| 500,000 | Resolution Performance Products LLC/RPP Capital Corp., Sr. Notes, 9.500% due 4/15/10 | 520,000 |
| Rhodia S.A.: | | |
| 500,000 | Sr. Notes, 7.625% due 6/1/10 (b) | 462,500 |
| 500,000 | Sr. Sub. Notes, 8.875% due 6/1/11 (b) | 432,500 |
| 1,000,000 | Tembec Industries Inc., 8.625% due 6/30/09 | 1,037,500 |
| 500,000 | Westlake Chemical Corp., 8.750% due 7/15/11 | 551,250 |
| 260,000 | Weyerhaeuser Co., Notes, 6.125% due 3/15/07 | 276,865 |
| 150,000 | WMC Finance USA, 6.750% due 12/1/06 | 160,973 |
| | | 21,056,504 |
| Consumer Cyclical 1.4% | | |
| 500,000 | Buffets Inc., Sr. Sub. Notes, 11.250% due 7/15/10 | 527,500 |
| 200,000 | Carnival Corp., 3.750% due 11/15/07 | 198,792 |
| 875,000 | Cinemark Inc., Sr. Discount Notes, (zero coupon untill 3/15/09, 9.750% thereafter), due 3/15/14 (b) | 581,875 |
| 1,000,000 | Cintas Corp. No. 2, 5.125% due 6/1/07 | 1,050,834 |
| 1,000,000 | CVS Corp., Notes, 5.625% due 3/15/06 | 1,043,488 |
| 150,000 | DaimlerChrysler NA Holding Corp., 6.400% due 5/15/06 | 158,092 |
| 1,000,000 | Felcor Lodging L.P., 9.000% due 6/1/11 | 1,077,500 |
| 750,000 | Home Depot Inc., Sr. Notes, 5.375% due 4/1/06 | 781,752 |

Edgar Filing: SALOMON BROTHERS CAPITAL & INCOME FUND INC - Form N-Q

| | | |
|---------|---|---------|
| 500,000 | Interface Inc., Sr. Sub. Notes, 9.500% due 2/1/14 (b) | 505,000 |
| 500,000 | John Q. Hammons Hotels L.P., 1st Mortgage, Series B, 8.875% due 5/15/12 | 553,125 |
| 750,000 | Johnson Controls Inc., Notes, 5.000% due 11/15/06 | 780,350 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face | | | |
|---|--|--|------------|
| Amount | Security (a) | | Value |
| Consumer Cyclical 1.4% (continued) | | | |
| \$ 75,000 | LCE Acquisition Corp., 9.000% due 8/1/14 (b) | | \$ 74,250 |
| 500,000 | Levi Strauss & Co., Notes, 7.000% due 11/1/06 | | 487,500 |
| 500,000 | Meristar Hospitality Corp., 9.125% due 1/15/11 | | 518,750 |
| 350,000 | Prime Hospitality Corp., Sr. Sub. Notes, Series B, 8.375% due 5/1/12 | | 370,125 |
| 750,000 | Target Corp., Notes, 5.500% due 4/1/07 | | 791,359 |
| 200,000 | VF Corp., Notes, 8.100% due 10/1/05 | | 212,166 |
| 500,000 | VICORP Restaurants Inc., Sr. Notes, 10.500% due 4/15/11 (b) | | 520,000 |
| | | | 10,232,458 |
| Consumer Non-Cyclical 2.7% | | | |
| 472,865 | Ahold Lease USA Inc., 7.820% due 1/2/20 | | 474,342 |
| 250,000 | Ameripath Inc., 10.500% due 4/1/13 | | 255,000 |
| 500,000 | Athena Neurosciences Finance LLC, 7.250% due 2/21/08 | | 496,250 |
| 1,000,000 | Boyd Gaming Corp., Sr. Sub. Notes, 6.750% due 4/15/14 (b) | | 966,250 |
| 500,000 | Brown-Forman Corp., Notes, 2.125% due 3/15/06 | | 494,963 |
| 950,000 | Cargill Inc., Notes, 6.250% due 5/1/06 (b) | | 1,002,934 |
| 700,000 | Cendant Corp., Notes, 6.875% due 8/15/06 | | 749,043 |
| 500,000 | Constellation Brands Inc., Series B, 8.125% due 1/15/12 | | 541,250 |
| 250,000 | Curative Health Services Inc., Sr. Notes, 10.75% due 5/1/11 (b) | | 227,500 |
| 500,000 | Del Monte Corp., Sr. Sub. Notes, 8.625% due 12/15/12 | | 547,500 |
| 500,000 | Doane Pet Care Co., Sr. Sub. Notes, 9.750% due 5/15/07 | | 472,500 |
| 350,000 | Dole Food Co Inc., Debentures, 8.750% due 7/15/13 | | 369,250 |
| 500,000 | Elizabeth Arden Inc., 7.750% due 1/15/14 | | 513,125 |
| 500,000 | Extencicare Health Services, Inc., Sr. Sub. Notes, 6.875% due 5/1/14 (b) | | 480,000 |
| 700,000 | Fortune Brands Inc., Notes, 2.875% due 12/1/06 | | 695,234 |
| 720,000 | The Gillette Co., Notes, 3.500% due 10/15/07 | | 722,321 |
| 250,000 | Global Cash Access LLC/Global Cash Finance Corp., Sr. Sub. Notes, 8.750% due 3/15/12 (b) | | 263,125 |
| 142,000 | HCA Inc., Notes, 7.125% due 6/1/06 | | 150,134 |
| 500,000 | Home Interiors & Gifts Inc., 10.125% due 6/1/08 | | 500,000 |
| 1,000,000 | Isle of Capri Casinos Inc., Sr. Sub. Notes, 7.000% due 3/1/14 | | 956,250 |
| 350,000 | Jean Coutu Group Inc., Sr. Sub. Notes, 8.500% due 8/1/14 (b) | | 348,687 |
| 700,000 | Kellogg Co., Sr. Notes, 2.875% due 6/1/08 | | 676,482 |
| 500,000 | Pinnacle Entertainment Inc., Sr. Sub. Notes, 8.250% due 3/15/12 | | 482,500 |
| 150,000 | Quest Diagnostics Inc., 6.750% due 7/12/06 | | 160,088 |
| 500,000 | Rite Aid Corp., Debentures, 6.875 due 8/15/13 | | 460,000 |
| 150,000 | Safeway Inc., Notes, 4.800% due 7/16/07 | | 153,746 |
| 900,000 | Sealy Mattress Co., Sr. Sub. Notes, 8.250% due 6/15/14 (b) | | 904,500 |
| | Tenet Healthcare Corp.: | | |
| 650,000 | Notes, 7.375% due 2/1/13 | | 604,500 |
| 25,000 | Sr. Notes, 9.875% due 7/1/14 (b) | | 26,094 |
| 500,000 | Turning Stone Casino Resort Enterprise, Sr. Notes, 9.125% due 12/15/10 (b) | | 535,000 |
| 1,000,000 | Unilever Capital Corp., 6.875% due 11/1/05 | | 1,052,982 |
| 775,000 | UnitedHealth Group Inc., Sr. Notes, 3.300% due 1/30/08 | | 761,784 |
| 1,000,000 | Vanguard Health Systems, Inc., 9.750% due 8/1/11 | | 1,155,000 |
| 750,000 | WellPoint Health Networks, Notes, 6.375% due 6/15/06 | | 792,680 |
| 500,000 | VWR International Inc., Sr. Sub. Notes, 8.000% due 4/15/14 (b) | | 512,500 |
| | | | 19,503,514 |
| Energy 0.6% | | | |
| 700,000 | Cooper Cameron Corp., Sr. Notes, 2.650% due 4/15/07 | | 682,499 |
| 250,000 | Duke Energy Field Services LLC, Notes, 5.750% due 11/15/06 | | 261,228 |
| 1,000,000 | Dynegy Holdings Inc., Debentures, 7.125% due 5/15/18 | | 815,000 |
| 1,000,000 | El Paso Corp., Sr. Notes, 7.800% due 8/1/31 | | 817,500 |
| 500,000 | Exco Resources Inc., 7.250% due 1/15/11 | | 520,000 |
| 200,000 | Norsk Hydro ASA, Notes, 6.36% due 1/15/09 | | 216,628 |
| 1,000,000 | The Williams Cos., Inc., Sr. Notes, 8.625% due 6/1/10 | | 1,127,500 |
| | | | 4,440,355 |

Edgar Filing: SALOMON BROTHERS CAPITAL & INCOME FUND INC - Form N-Q

| Finance | 2.5% | | |
|----------------|--|--|---------|
| 375,000 | American Express Centurion Bank, Notes, 1.500% due 7/19/07 | | 374,998 |
| 750,000 | Amvescap PLC, 6.600% due 5/15/05 | | 771,253 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face | | | |
|---------------------------------|---|--|------------|
| Amount | Security (a) | | Value |
| Finance 2.5% (continued) | | | |
| \$ 380,000 | Banesto Finance Ltd., 7.500% due 3/25/07 | | \$ 414,855 |
| 250,000 | Bank United Corp., Sub. Notes, 8.875% due 5/1/07 | | 282,680 |
| 200,000 | BB&T Corp., Sub. Notes, 6.375% due 6/30/05 | | 207,043 |
| 750,000 | The Bear Stearns Cos., Inc., Notes, 6.500% due 5/1/06 | | 794,207 |
| 75,000 | Boeing Capital Corp., Sr. Notes, 5.650% due 5/15/06 | | 78,849 |
| 250,000 | Capital One Financial Corp., Notes, 7.250% due 5/1/06 | | 265,460 |
| 245,000 | Chubb Corp., Notes, 6.150% due 8/15/05 | | 253,204 |
| 751,000 | CIT Group Inc., Notes, 6.500% due 2/7/06 | | 790,777 |
| 750,000 | Countrywide Home Loans Inc., 5.500% due 2/1/07 | | 785,104 |
| 200,000 | Ford Motor Credit Co., Notes, 6.875% due 2/1/06 | | 209,905 |
| 700,000 | General Electric Capital Corp., Notes, 1.610% due 6/22/07 | | 700,722 |
| 156,000 | General Motors Acceptance Corp., Notes, 6.125% due 9/15/06 | | 162,755 |
| 1,000,000 | Hartford Financial Services Group Inc., Sr. Notes, 2.375% due 6/1/06 | | 987,098 |
| 750,000 | Household Finance Corp., Notes, 5.750% due 1/30/07 | | 791,959 |
| 750,000 | International Lease Finance Corp., Notes, 5.750% due 10/15/06 | | 791,235 |
| 1,000,000 | John Deere Capital Corp., Notes, 5.125% due 10/19/06 | | 1,039,883 |
| 750,000 | JPMorgan Chase & Co., Sr. Notes, 5.350% due 3/1/07 | | 793,066 |
| 1,000,000 | Marsh & McLennan Cos., Inc., Notes, 1.740% due 7/13/07 | | 999,894 |
| 1,000,000 | MGIC Investment Corp., Sr. Notes, 7.500% due 10/15/05 | | 1,053,995 |
| 750,000 | Morgan Stanley, 5.800% due 4/1/07 | | 793,927 |
| 1,000,000 | Protective Life Secured Trust, Secured Notes, 1.680% due 4/13/07 | | 999,807 |
| 150,000 | Rio Tinto Finance USA Ltd., Notes, 2.625% due 9/30/08 | | 141,807 |
| 1,000,000 | SLM Corp., Notes, 1.860% due 1/26/09 | | 998,225 |
| 200,000 | Suntrust Bank, Sr. Notes, 2.125% due 1/30/06 | | 199,036 |
| 260,000 | Textron Financial Corp., Notes, 2.750% due 6/1/06 | | 258,362 |
| 200,000 | Vornado Realty L.P., Notes, 5.625% due 6/15/07 | | 209,433 |
| 1,000,000 | Wells Fargo & Co., Notes, 1.61938% due 3/23/07 | | 1,000,862 |
| 425,000 | Zions Bancorp., Senior Notes, 2.700% due 5/1/06 | | 422,727 |
| | | | 17,573,128 |
| Manufacturing 0.7% | | | |
| 175,000 | Blount Inc., 13.000% due 8/1/09 | | 189,000 |
| 1,000,000 | Cooper Industries Inc., 5.250% due 7/1/07 | | 1,046,389 |
| 352,000 | Dover Corp., Notes, 6.450% due 11/15/05 | | 368,352 |
| 1,000,000 | Eaton Corp., Notes, 6.950% due 11/15/04 | | 1,013,741 |
| 150,000 | Goodrich Corp., 7.500% due 4/15/08 | | 166,338 |
| 710,000 | Honeywell International Inc., Notes, 6.875% due 10/3/05 | | 744,008 |
| 200,000 | Ingersoll-Rand Co., Notes, 6.250% due 5/15/06 | | 210,879 |
| 175,000 | Invensys PLC, Sr. Notes, 9.875% due 3/15/11 (b) | | 177,187 |
| 150,000 | Masco Corp., Notes, 6.750% due 3/15/06 | | 158,921 |
| 500,000 | Sensus Metering Systems Inc., Sr. Sub. Notes, 8.625% due 12/15/13 (b) | | 492,500 |
| 250,000 | Tyco International Group SA, 6.375% due 6/15/05 | | 257,487 |
| | | | 4,824,802 |
| Media and Cable 1.3% | | | |
| | Cablevision Systems Corp., Sr. Notes: | | |
| 625,000 | 5.670% due 4/1/09 (b) | | 637,500 |
| 900,000 | 8.000% due 4/15/12 (b) | | 888,750 |
| 1,000,000 | CBS Corp., 7.150% due 5/20/05 | | 1,036,804 |
| | Charter Communications Holdings, LLC., Sr. Notes: | | |
| 400,000 | 10.000% due 4/1/09 | | 317,000 |
| 1,000,000 | 10.750% due 10/1/09 | | 810,000 |
| 250,000 | Clear Channel Communications Inc., Sr. Notes, 6.000% due 11/1/06 | | 262,756 |
| 250,000 | COX Communications Inc., Notes, 7.750% due 8/15/06 | | 271,624 |
| 1,350,000 | Dex Media Inc., Discount Notes, (zero coupon until 11/15/08, 9.000% thereafter), due 11/15/13 (b) | | 945,000 |
| 750,000 | Insight Midwest, L.P., Sr. Notes, 10.500% due 11/1/10 | | 804,375 |
| 750,000 | Mediacom Broadband LLC, 11.000% due 7/15/13 | | 772,500 |

Edgar Filing: SALOMON BROTHERS CAPITAL & INCOME FUND INC - Form N-Q

| | | |
|---------|--|---------|
| 225,000 | Nexstar Finance Holdings LLC, Sr. Discount Notes, (zero coupon until 4/1/08, 11.375% thereafter), due 4/1/13 | 162,000 |
| 50,000 | NTL Cable PLC, Sr. Notes, 8.750% due 4/15/14 (b) | 52,125 |
| 750,000 | Reed Elsevier Capital Inc., 6.125% due 8/1/06 | 791,878 |
| 150,000 | TCI Communications Inc., Sr. Notes, 6.875% due 2/15/06 | 158,342 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face | | | |
|---|--|--|--------------------|
| Amount | Security (a) | | Value |
| Media and Cable 1.3% (continued) | | | |
| \$ 150,000 | Time Warner Inc., 6.125% due 4/15/06 | | \$ 157,191 |
| 675,000 | Walt Disney Co., Notes, 5.500% due 12/29/06 | | 707,057 |
| 325,000 | Young Broadcasting Inc., 10.000% due 3/1/11 | | 329,875 |
| | | | 9,104,777 |
| Services & Other 0.4% | | | |
| 1,000,000 | Allied Waste North America, Inc., Sr. Notes, Series B, 7.375% due 4/15/14 | | 962,500 |
| 500,000 | Cenveo Corp., Sr. Sub. Notes, 7.875% due 12/1/13 | | 458,750 |
| 1,000,000 | Iron Mountain Inc., 7.750% due 1/15/15 | | 1,027,500 |
| | | | 2,448,750 |
| Technology 0.4% | | | |
| 500,000 | Amkor Technology Inc., Sr. Notes, 7.125% due 3/15/11 | | 430,000 |
| 1,000,000 | Hewlett-Packard Co., Notes, 7.150% due 6/15/05 | | 1,040,893 |
| 2,000,000 | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29 | | 1,535,000 |
| | | | 3,005,893 |
| Telecommunications 1.7% | | | |
| 1,000,000 | Alamosa (Delaware), Inc., (zero coupon until 7/31/05, 12.000% thereafter), due 7/31/09 | | 982,500 |
| 1,000,000 | American Tower Corp., Sr. Notes, 7.500% due 5/1/12 (b) | | 987,500 |
| 1,000,000 | BellSouth Corp., Notes, 4.119% due 4/26/05 (b) | | 1,013,198 |
| 1,000,000 | Crown Castle International Corp., Sr. Notes, Series B, 7.500% due 12/1/13 | | 1,002,500 |
| 1,000,000 | GTE Corp., Debentures, 6.360% due 4/15/06 | | 1,052,299 |
| 750,000 | GTE North Inc., Debentures, Series H, 5.650% due 11/15/08 | | 788,370 |
| 175,000 | PanAm Sat Corp., Sr. Notes, 9.000% due 8/15/14 (b) | | 176,855 |
| 2,000,000 | Qwest Services Corp., Notes, 14.500% due 12/15/14 (b) | | 2,410,000 |
| 1,000,000 | SBA Communications Corp., Sr. Notes, 10.250% due 2/1/09 | | 1,040,000 |
| 1,000,000 | SBC Communications Inc., Notes, 5.750% due 5/2/06 | | 1,046,051 |
| 500,000 | SpectraSite Inc., Sr. Notes, 8.250% due 5/15/10 | | 518,750 |
| 250,000 | Sprint Capital Corp., 6.000% due 1/15/07 | | 263,084 |
| | UbiquiTel Operating Co.: | | |
| 500,000 | Sr. Notes, 9.875% due 3/1/11 | | 498,750 |
| 250,000 | Zero coupon until 4/15/05, (14.000% thereafter), due 4/15/10 | | 252,500 |
| | | | 12,032,357 |
| Utilities 1.1% | | | |
| | The AES Corp., Sr. Notes: | | |
| 100,000 | 9.500% due 6/1/09 | | 109,000 |
| 1,400,000 | 7.750% due 3/1/14 | | 1,368,500 |
| 1,000,000 | Calpine Corp., Secured Notes, 8.750% due 7/15/13 (b) | | 805,000 |
| 175,000 | Calpine Generating Co. LLC, Secured Notes, 10.250% due 4/1/11 (b) | | 158,375 |
| 350,000 | Duke Energy Corp., Sr. Notes, 4.200% due 10/1/08 | | 348,189 |
| 1,000,000 | Edison Mission Energy, Senior Notes, 7.730% due 6/15/09 | | 1,037,500 |
| 600,000 | KeySpan Corp., Notes, 6.150% due 6/1/06 | | 632,229 |
| 950,000 | Niagra Mohawk Power Corp., 1st Mortgage, 7.750% due 5/15/06 | | 1,025,684 |
| 150,000 | Nisource Finance Corp., 7.625% due 11/15/05 | | 158,730 |
| 1,000,000 | NRG Energy Inc., Secured Notes, 8.000% due 12/15/13 (b) | | 1,027,500 |
| 250,000 | Pinnacle West Capital Corp., Senior Notes, 6.400% due 4/1/06 | | 262,641 |
| 1,000,000 | Reliant Energy Inc., Secured Notes, 9.500% due 7/15/13 | | 1,080,000 |
| 130,000 | United Utilities PLC, Notes, 6.450% due 4/1/08 | | 139,742 |
| | | | 8,153,090 |
| Total Corporate Bonds | | | |
| | | | 112,375,628 |
| (Cost \$113,000,367) | | | |
| Convertible Bonds 9.5% | | | |
| 2,000,000 | Agere Systems Inc., Sub. Notes, 6.500% due 12/15/09 | | 2,017,500 |
| 4,500,000 | Allied Waste Industries Inc., Sr. Sub. Debentures, 4.250% due 4/15/34 | | 3,982,500 |
| 8,500,000 | Atmel Corp. Sub. Notes, Zero coupon due 5/23/21 | | 3,750,625 |
| 3,000,000 | BEA Systems Inc., Sub. Notes, 4.000% due 12/15/06 | | 2,985,000 |

Edgar Filing: SALOMON BROTHERS CAPITAL & INCOME FUND INC - Form N-Q

| | | |
|------------|--|-----------|
| 5,000,000 | BioMarin Pharmaceuticals Inc. Sub. Notes, 3.500% due 6/15/08 | 4,287,500 |
| 7,500,000 | Ciena Corp., Sr. Notes, 3.750% due 2/1/08 | 6,581,250 |
| 2,000,000 | Conexant Systems Inc., Sub. Notes, 4.000% due 2/1/07 | 1,752,500 |
| 17,000,000 | EL Paso Corp., Zero Coupon Debentures due 2/28/21 | 8,415,000 |
| 7,000,000 | i2 Technologies Inc., Sub. Notes, 5.250% due 12/15/06 | 6,308,750 |

See Notes to Schedule of Investments.

Edgar Filing: SALOMON BROTHERS CAPITAL & INCOME FUND INC - Form N-Q

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face | | | |
|---|--|--|-------------------|
| Amount | | Security (a) | Value |
| Convertible Bonds 9.5% (continued) | | | |
| \$5,250,000 | | InterMune Inc., Sr. Notes, 0.250% due 3/1/11 (b) | \$ 4,200,000 |
| 4,000,000 | | Mediacom Communications Corp., Sr. Notes, 5.250% due 7/1/06 | 3,790,000 |
| 4,500,000 | | Navistar Financial Corp., Sub. Notes, 4.750% due 4/1/09 | 4,387,500 |
| 5,000,000 | | Nortel Networks Corp., 4.250% due 9/1/08 | 4,768,750 |
| 1,500,000 | | Silicon Graphics Inc., Sr. Notes, 6.500% due 6/1/09 | 1,944,375 |
| 3,500,000 | | Tyco International Group SA, 2.750% due 1/15/08 | 4,987,500 |
| 4,000,000 | | Vertex Pharmaceuticals Inc., 5.750% due 2/15/11 (b) | 3,755,000 |
| | | Total Convertible Bonds | |
| | | (Cost \$73,551,813) | 67,913,750 |
| Sovereign Bonds 9.7% | | | |
| Argentina 0.2% | | | |
| | | Republic of Argentina: | |
| 925,000 | | Discount Bond, Series L-GL, 2.4375 % due 3/31/23 (c)(d) | 474,062 |
| 1,740,000 | | Series L-GP, 6.000% due 3/31/23 (d) | 893,925 |
| | | | 1,367,987 |
| Brazil 2.5% | | | |
| | | Federal Republic of Brazil: | |
| 3,430,000 | | 12.250% due 3/6/30 | 3,704,400 |
| 13,950,099 | | C Bonds, 8.000% due 4/15/14 | 13,161,047 |
| 1,247,064 | | DCB, Series L, 2.125% due 4/15/12 (c) | 1,085,725 |
| | | | 17,951,172 |
| Bulgaria 0.1% | | | |
| 600,000 | | Republic of Bulgaria, 8.250% due 1/15/15 | 715,500 |
| Colombia 0.5% | | | |
| 4,300,000 | | Republic of Colombia, 8.1250% due 5/21/24 | 3,676,500 |
| Costa Rica 0.1% | | | |
| 350,000 | | Republic of Costa Rica, 9.995% due 8/1/20 (b) | 386,750 |
| Dominican Republic 0.0% | | | |
| 385,000 | | Dominican Republic, 9.500% due 9/27/06 | 294,525 |
| Ecuador 0.5% | | | |
| | | Republic of Ecuador: | |
| 2,850,000 | | 12.000% due 11/15/12 | 2,693,250 |
| 1,150,000 | | 7.000% due 8/15/30 | 857,325 |
| | | | 3,550,575 |
| Mexico 1.6% | | | |
| | | United Mexican States: | |
| 650,000 | | 6.375% due 1/16/13 | 663,650 |
| 10,810,000 | | 6.625% due 3/3/15 | 11,023,498 |
| | | | 11,687,148 |
| Panama 0.4% | | | |
| 2,475,000 | | Republic of Panama, 9.375% due 1/16/23 | 2,586,375 |
| Peru 0.3% | | | |
| 1,900,000 | | Republic of Peru, 9.875% due 2/6/15 | 2,044,875 |
| Philippines 0.5% | | | |
| | | Republic of Philippines: | |
| 3,250,000 | | 9.000% due 2/15/13 | 3,331,250 |
| 425,000 | | 10.625% due 3/16/25 | 461,125 |
| | | | 3,792,375 |
| Russia 2.1% | | | |
| 1,000,000 | | Aries Vermögensverwaltungs GmbH Credit Linked Notes, 9.600% due 10/25/14 (b) | 1,062,500 |
| | | Russian Federation: | |
| 3,335,000 | | 11.000% due 7/24/18 | 4,227,112 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face | | | |
|---|--|--|-------------------|
| Amount | Security (a) | | Value |
| Russia 2.1% (continued) | | | |
| \$ 275,000 | 12.750% due 6/24/28 | | \$ 402,187 |
| 10,300,000 | 5.000% due 3/31/30 (c) | | 9,463,125 |
| | | | 15,154,924 |
| South Africa 0.1% | | | |
| | Republic of South Africa: | | |
| 250,000 | 9.125% due 5/19/09 | | 292,187 |
| 100,000 | 6.500% due 6/2/14 | | 103,000 |
| | | | 395,187 |
| SupraNational 0.0% | | | |
| 300,000 | Corporacion Andina de Fomento, 2.010% due 1/26/07 (c) | | 301,152 |
| Turkey 0.5% | | | |
| | Republic of Turkey: | | |
| 200,000 | 11.750% due 6/15/10 | | 236,000 |
| 2,700,000 | 11.000% due 1/14/13 | | 3,125,250 |
| | | | 3,361,250 |
| Venezuela 0.3% | | | |
| 2,575,000 | Republic of Venezuela, 5.375% due 8/7/10 | | 2,140,469 |
| Total Sovereign Bonds | | | |
| | (Cost \$72,155,304) | | 69,406,764 |
| U.S. Government Agencies and Obligations 5.6% | | | |
| 3,715,968 | Fannie Mae, 8.000% due 12/1/12 | | 3,959,676 |
| | Freddie Mac: | | |
| 378,734 | 6.000% due 3/15/34 | | 384,244 |
| 967,522 | 6.000% due 4/15/34 | | 984,475 |
| | Gold: | | |
| 786,148 | 8.500% due 9/1/25 | | 864,600 |
| 14,122,752 | 6.000% due 9/1/32 | | 14,505,736 |
| 19,182,836 | 6.000% due 2/1/34 | | 19,695,592 |
| Total U.S. Government Agencies and Obligations | | | |
| | (Cost \$40,299,540) | | 40,394,323 |
| Asset-Backed Securities 6.6% | | | |
| 840,385 | Aegis Asset Backed Securities Trust, Series 2004-2, Class N1, 4.500% due 4/25/34 (b) | | 837,365 |
| 1,000,000 | Ameriquest Mortgage Securities Inc., Series 2003-12, Class M2, 3.150% due 11/25/33 | | 1,025,672 |
| 1,000,000 | AQ Finance Net Interest Margin Trust, Class A, 5.193% due 6/25/34 (b) | | 1,000,077 |
| 750,000 | Argent Net Interest Margin Trust, Series 2004-WN8, Class A, 4.700% due 7/25/34 (b) | | 749,398 |
| 2,000,000 | Argent Securities Inc., Series 2004-W8, Class M4, 2.750% due 5/25/34 | | 2,005,594 |
| 750,000 | Asset Backed Funding Certificates, Series 2004-FF1, Class M2, 2.930% due 1/25/34 | | 750,000 |
| 1,000,000 | Asset Backed Funding Corp. Net Interest Margin Trust, Series 2004-OPT4, Class N1, 4.450% due 5/26/34 (b) | | 1,000,000 |
| | Bayview Financial Acquisition Trust: | | |
| 500,000 | Series 2001-C, Class M3, 2.700% due 8/25/36 (b) | | 495,625 |
| 1,006,408 | Series 2002-DA, Class M1, 2.150% due 8/25/32 (b) | | 1,012,126 |
| | Bear Stearns Asset Backed Securities Inc.: | | |
| 2,000,000 | Series 2004-HE5, Class M1, 1.670% due 7/25/34 | | 2,001,187 |
| | Net Interest Margin Notes: | | |
| | Class A1: | | |
| 270,000 | Series 2004-FR1, 5.000% due 5/25/34 (b) | | 270,000 |
| 937,061 | Series 2004-HE5N, 5.000% due 7/25/34 (b) | | 935,744 |
| 500,000 | Series 2004-HE6, 5.250% due 8/25/34 (b) | | 500,000 |
| 79,000 | Class A2, Series 2004-HE5N, 5.000% due 7/25/34 (b) | | 78,790 |
| | Countrywide Asset-backed Certificates: | | |
| | Class M4: | | |
| 750,000 | Series 2003-3, 2.850% due 3/25/33 | | 760,085 |
| 410,000 | Series 2004-5, 2.700% due 6/25/34 | | 410,243 |

| | | |
|-----------|---|-----------|
| 1,112,015 | Class N1: Series 2004-2N, 5.000% due 2/25/35 (b) | 1,108,192 |
|-----------|---|-----------|

See Notes to Schedule of Investments.

Edgar Filing: SALOMON BROTHERS CAPITAL & INCOME FUND INC - Form N-Q

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face | | | |
|---|---|--|-------------------|
| Amount | Security (a) | | Value |
| Asset-Backed Securities 6.6% (continued) | | | |
| \$ 1,000,000 | Series 2004-5N, 5.500% due 10/25/35 (b) | | \$ 1,000,000 |
| 1,484,584 | Credit-Based Asset Servicing and Securitization, Series 2004-AN, Class A, 5.000% due 9/27/36 (b) | | 1,470,677 |
| 600,000 | C.S. First Boston Mortgage Securities Corp., Series 2001-HE16, Class M2, 2.650% due 11/25/31 | | 602,257 |
| 940,047 | Finance America Net Interest Margin Trust, Series 2004-1, Class A, 5.250% due 6/27/34 (b) | | 940,341 |
| 1,085,457 | First Consumers Master Trust, Series 2001-A, Class A, 1.690% due 9/15/08 | | 998,556 |
| 750,000 | First Franklin Mortgage Loan Asset Backed Certificates, Series 2004-FF2, Class M4, 2.250% due 3/25/34 | | 750,445 |
| | Fremont Home Loan Trust: | | |
| 1,000,000 | Series 2004-A, Class M5, 2.550% due 2/25/34 | | 1,000,593 |
| 2,000,000 | Series 2004-B, Class M4, 2.620% due 5/25/34 | | 2,004,890 |
| 876,582 | Fremont Net Interest Margin Trust, Series 2004-B, 4.703% due 5/25/34 (b) | | 876,582 |
| 1,218,880 | Merrill Lynch Mortgage Investors Inc., Series 2004-WM2N, Class N1, 4.500% due 10/25/05 (b) | | 1,218,341 |
| 1,200,000 | Metris Master Trust, Series 2001-3, Class B, 2.320% due 7/21/08 | | 1,200,898 |
| 1,000,000 | Merit Securities Corp., Series 11PA, Class B2, 2.96188% due 9/28/32 (b) | | 961,986 |
| | Morgan Stanley ABS Capital I: | | |
| 1,400,000 | Series 2004-HE4, Class M2, 2.750% due 5/25/34 | | 1,400,829 |
| 725,846 | Series 2004-NC2N, 6.250% due 12/25/33 (b) | | 727,065 |
| | New Century Home Equity Loan Trust: | | |
| 750,000 | 2.520% due 6/20/31 | | 752,655 |
| 1,500,000 | Series 2003-4, Class M2, 3.270% due 10/25/33 | | 1,542,664 |
| 1,500,000 | North Street Referenced Linked Notes Ltd., Series 2000-1A, Class A, 2.380% due 4/28/11 (b) | | 705,000 |
| | Novastar Home Equity Loan: | | |
| 2,000,000 | Series 2003-4, Class M2, 3.075% due 2/25/34 | | 2,045,604 |
| 1,000,000 | Series 2004-1, Class M4, 2.425% due 6/25/34 | | 1,002,105 |
| 1,250,000 | Series 2004-2, Class M5, 2.950% due 9/25/34 | | 1,251,308 |
| 930,266 | Novastar Net Interest Margin Trust, Class 2004-N2, 4.458% due 6/26/34 (b) | | 930,266 |
| 1,500,000 | Option One Mortgage Loan Trust, Series 2004-2, Class M2, 2.500% due 5/25/34 | | 1,500,889 |
| | Sail Net Interest Margin Notes, Class A: | | |
| 561,601 | Series 2003-BC2A, 7.750% due 4/27/33 (b) | | 556,152 |
| 732,738 | Series 2004-2, 5.500% due 3/27/34 (b) | | 732,197 |
| 1,865,954 | Series 2004-4A, 5.000% due 4/27/34 (b) | | 1,863,039 |
| 1,319,322 | Series 2004-5, 4.500% due 6/27/34 (b) | | 1,317,261 |
| 1,308,542 | Sharp SP I LLC Net Interest Margin Trust, Series 2004-OP1N, Class NA, 5.190% due 4/25/34 (b) | | 1,308,411 |
| 1,500,000 | Structured Asset Investment Loan Trust, Series 2003-BC10, Class M2, 3.300% due 10/25/33 | | 1,523,202 |
| | Total Asset-Backed Securities | | |
| | (Cost \$47,089,494) | | 47,124,311 |
| | Collateralized Mortgage Obligations 0.8% | | |
| 1,750,000 | Commercial Mortgage Pass-Through Certificates, Series 2002-FL6, Class E, 2.380% due 6/14/14 | | 1,760,124 |
| 1,968,145 | Impac CMB Trust, Series 2004-4, Class 2M2, 2.950% due 9/25/34 | | 1,976,925 |
| | Merrill Lynch Mortgage Investors Inc., Class B2: | | |
| 750,000 | Series 2004-A, 2.370% due 4/25/29 | | 749,111 |
| 1,000,000 | Series 2004-B, 2.330% due 5/25/29 | | 999,392 |
| | Total Collateralized Mortgage Obligations | | |
| | (Cost \$5,465,270) | | 5,485,552 |
| | Loan Participations (c)(e) 0.3% | | |
| 2,582,500 | Kingdom of Morocco, Tranche A, 2.03125% due 1/2/09 (J.P. Morgan Chase & Co.) (Cost \$2,554,133) | | 2,546,991 |
| | Contracts | | |
| | Purchased Options 1.4% | | |
| 200 | S&P 500 Index, Call @ 1,050, Expire 9/18/04 | | 1,197,000 |
| 2,500 | S&P 500 Index, Put @ 1,075, Expire 12/18/04 | | 8,612,500 |
| | Total Purchased Options | | |
| | (Cost \$11,455,672) | | 9,809,500 |

See Notes to Schedule of Investments.

Salomon Brothers Capital and Income Fund Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face | | | |
|------------------------------------|--|--------------|----------------|
| Amount | Security (a) | | Value |
| Repurchase Agreements 3.4% | | | |
| \$ 7,000,000 | Deutsche Bank Securities Inc. dated 7/30/04, 1.340% due 8/2/04; Proceeds at maturity \$7,000,782; (Fully collateralized by various U.S. Government Obligations and Agencies, 0.000% to 7.125% due 8/3/04 to 3/15/31; Market value \$7,140,009) | \$ 7,000,782 | \$ 7,000,000 |
| 3,071,000 | Goldman Sachs Group Inc. dated 7/30/04, 1.360% due 8/2/04; Proceeds at maturity \$3,071,348; (Fully collateralized by various U.S. Government Obligations and Agencies, 0.000% to 8.750% due 9/2/04 to 1/15/25; Market value \$3,132,424) | \$3,071,348 | 3,071,000 |
| 7,000,000 | Morgan Stanley dated 7/30/04, 1.350% due 8/2/04; Proceeds at maturity \$7,000,788; (Fully collateralized by various U.S. Government Obligations and Agencies, 0.000% to 8.440% due 9/15/04 to 8/6/38; Market value \$7,209,402) | \$7,000,788 | 7,000,000 |
| 7,000,000 | UBS Securities LLC dated 7/30/04, 1.350% due 8/2/04; Proceeds at maturity \$7,000,788; (Fully collateralized by various U.S. Government Obligations and Agencies, 0.000% to 8.875% due 8/3/04 to 5/15/30; Market value \$7,140,039) | \$7,000,788 | 7,000,000 |
| Total Repurchase Agreements | | | |
| | (Cost \$24,071,000) | | 24,071,000 |
| Total Investments - 100.0% | | | |
| | (Cost \$737,867,088*) | | \$ 716,382,241 |

+ Non-income producing security.

(a) All securities are segregated as collateral pursuant to revolving credit facility.

(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.

(c) Rate shown reflects current rate on instrument with variable rates or step coupon rates.

(d) Security is currently in defaulted.

(e) Participation interests were acquired through the financial institutions indicated parenthetically.

* Aggregate cost for Federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

ADR American Depositary Receipt

C Bond Capitalization Bond

DCB Debt Conversion Bond

See Notes to Schedule of Investments.

Notes to the Schedule of Investments (unaudited)

Note 1. Significant Accounting Policies

Salomon Brothers Capital and Income Fund Inc. (Fund) was incorporated in Maryland and is registered as a non-diversified, closed-end, management investment company under the Investment Company Act of 1940, as amended. 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 significant accounting policies followed by the Fund are as follows:

(a) SECURITIES VALUATION. In valuing the Fund's assets, all securities for which market quotations are readily available are valued (i) at the last sale price prior to the time of determination if there were sales on the date of determination, (ii) at the mean between the last current bid and asked prices if there were no sales on such date and bid and asked quotations are available, and (iii) at the bid price if there was no sales price on such date and only bid quotations are available. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the last current bid and asked price as of the close of business of that market. However, when the spread between bid and asked price exceeds five percent of the par value of the security, the security is valued at the bid price. Securities may also be valued by independent pricing services which use prices provided by market-makers or estimates of market values obtained from yield data relating to instruments or securities with similar characteristics. Short-term investments having a maturity of 60 days or less are valued at amortized cost which approximates market value. Securities for which reliable quotations are not readily available and all other securities and assets are valued at fair value as determined in good faith by, or under procedures established by, the Board of Directors.

(b) REPURCHASE AGREEMENTS. When entering into repurchase agreements, it is the Fund's policy that a custodian takes possession of the underlying collateral securities, the 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 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.

Notes to the Schedule of Investments (unaudited) (continued)

Note 2. Option Contracts

Premiums paid when put or call options are purchased by the Fund, represent investments, which are marked-to-market daily and are included in the schedules of investments. When a purchased option expires, the Fund will realize a loss in the amount of the premium paid. When the Fund enters into a closing sales transaction, the Fund will realize a gain or loss depending on whether the proceeds from the closing sales transaction are greater or less than the premium paid for the option. When the Fund exercises a put option, it will realize a gain or loss from the sale of the underlying security and the proceeds from such sale will be decreased by the premium originally paid. When the Fund exercises a call option, the cost of the security which the Fund purchases upon exercise will be increased by the premium originally paid.

At July 31, 2004, the Fund held purchased put and call option contracts with a total cost of \$11,455,672.

Note 3. Loan Participations

The Fund invests in fixed and floating rate loans arranged through private negotiations between a foreign sovereign entity and 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. As a result, the Fund will assume the credit risk of both the borrower and the lender that is selling the participation. 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.

At July 31, 2004, the Fund held loan participations with a total cost of \$2,554,133 and a total market value of \$2,546,991.

Note 4. Credit Risk

The yields of emerging market debt obligations and high-yield corporate debt obligations reflect, among other things, perceived credit risk. The Fund's investment in securities rated below investment grade typically involves risks not associated with higher rated securities including, among others, overall greater risk of 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.

Notes to the Schedule of Investments (unaudited) (continued)

Note 5. Foreign Securities

Investing in securities of foreign companies and foreign governments involves special risks and considerations not typically associated with investing in U.S. companies and the U.S. government. These risks include revaluation of currencies and future adverse political and economic developments. Moreover, securities of many foreign companies and foreign governments and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies and the U.S. government.

Note 6. Loan

At July 31, 2004, the Fund had a \$120,000,000 loan available pursuant to revolving credit and security agreement with Crown Point Capital Company, LLC and Citicorp North America, Inc. (CNA), an affiliate of SBAM. In addition, CNA acts as an administrative agent. The loans generally bear interest at a variable rate based on the weighted average interest rates of the underlying commercial paper or LIBOR, plus any applicable margin. Securities held by the Fund are subject to a lien, granted to the lenders, to the extent of the borrowing outstanding and any additional expenses.

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

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

SIGNATURES

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

Salomon Brothers Capital and Income Fund Inc.

By /s/ R. JAY GERKEN
 R. Jay Gerken
 Chief Executive Officer

Date: September 29, 2004

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

By /s/ R. JAY GERKEN
 R. Jay Gerken
 Chief Executive Officer

Date: September 29, 2004

By /s/ FRANCES M. GUGGINO
 Frances M. Guggino
 Chief Financial Officer

Date: September 29, 2004