

SALOMON BROTHERS CAPITAL & INCOME FUND INC

Form N-CSRS

July 07, 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 Fl.

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: **April 30, 2006**

ITEM 1. REPORT TO STOCKHOLDERS.

The Semi-Annual Report to Stockholders is filed herewith.

Salomon Brothers Capital and Income Fund Inc.

Semi-Annual Report □ April 30, 2006

What's Inside

Fund Objective

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

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□Smith Barney, □Salomon Brothers□ and □Citi□ are service marks of Citigroup, licensed for use by Legg Mason as the names of funds and investment managers. Legg Mason and its affiliates, as well as the Fund's investment manager, are not affiliated with Citigroup.

Letter from the Chairman

R. JAY GERKEN, CFA
Chairman, President and
Chief Executive Officer

Dear Shareholder,

The U.S. economy was mixed during the six-month period of this report. After a 4.1% advance in the third quarter of 2005, fourth quarter gross domestic product ("GDP")ⁱ slipped to 1.7% . This marked the first quarter that GDP growth did not surpass 3.0% since the first three months of 2003. However, as expected, the economy rebounded sharply in the first quarter of 2006, with GDP rising an estimated 5.3% . The economic turnaround was prompted by both strong consumer and business spending. In addition, the U.S. Labor Department reported that unemployment hit a five-year low in March.

The Federal Reserve Board ("Fed")ⁱⁱ continued to raise interest rates during the reporting period. Despite the "changing of the guard" from Fed Chairman Greenspan to Ben Bernanke in early 2006, it was "business as usual" for the Fed, as it raised short-term interest rates four times during the reporting period. Since it began its tightening campaign in June 2004, the Fed has increased rates 15 consecutive times, bringing the federal funds rateⁱⁱⁱ from 1.00% to 4.75% . The Fed then raised rates to 5.00% on May 10th, after the end of the reporting period. Coinciding with this latest move, the Fed said that the "extent and timing" of further rate hikes would depend on future economic data.

For the six-month period ended April 30, 2006, the U.S. stock market generated solid results, with the S&P 500 Index^{iv} returning 9.63% . While high oil and commodity prices, steadily rising interest rates, and geopolitical issues triggered periods of market volatility, investors generally remained focused on the positive economic environment and strong corporate profits. Looking at the market more closely, small-cap stocks outperformed their mid- and large-cap counterparts, with the Russell 2000^v, Russell Midcap^{vi} and Russell 1000^{vii} Indexes returning 18.91%, 14.35%, and 9.92%, respectively. From an investment style perspective,

Salomon Brothers Capital and Income Fund Inc. |

value stocks outperformed growth stocks, with the Russell 3000 Value^{viii} and Russell 3000 Growth^{ix} Indexes returning 13.27% and 8.19%, respectively, over the reporting period.

Both short- and long term yields rose over the reporting period. During the six-months ended April 30, 2006, two-year Treasury yields increased from 4.42% to 4.87% . Over the same period, 10-year Treasury yields moved from 4.58% to 5.07% . During part of the reporting period the yield curve was inverted, with the yield on two-year Treasuries surpassing that of 10-year Treasuries. An inverted yield curve has historically foreshadowed an economic slowdown or recession. However, some experts, including new Chairman Bernanke, believe the inverted yield curve was largely a function of strong foreign demand for longer-term bonds. Looking at the six-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Indexx, returned 0.56% .

Performance Review

For the six months ended April 30, 2006, the Salomon Brothers Capital and Income Fund Inc. returned 8.92%, based on its net asset value (["NAV"])^{xi} and 5.97% based on its New York Stock Exchange (["NYSE"]) market price per share. In comparison, the Fund's unmanaged benchmark, the S&P 500 Index, returned 9.63% for the same time frame. The Lipper Income & Preferred Stock Closed-End Funds Category Average^{xii} increased 4.82% . Please note that Lipper performance returns are based on each fund's NAV per share.

During this six-month period, the Fund made distributions to shareholders totaling \$0.60 per share, (which may have included a return of capital). The performance table shows the Fund's six-month total return based on its NAV and market price as of April 30, 2006. **Past performance is no guarantee of future results.**

Performance Snapshot as of April 30, 2006 (unaudited)

Price Per Share	Six-Month Total Return
\$20.83 (NAV)	8.92%
\$17.61 (Market Price)	5.97%

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.

II **Salomon Brothers Capital and Income Fund Inc.**

Special Shareholder Notices

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 adviser (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 then 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.

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. Legg Mason has recommended to the Board of Directors of the Fund that Western Asset be appointed as the sub-advisor to the Fund, subject to applicable regulatory requirements.

The portfolio management team of S. Kenneth Leech, Stephen A. Walsh, Keith J. Gardner, Michael C. Buchanan and Michael C. Duda assumed portfolio management responsibilities for the fixed income portion of the Fund on March 31, 2006. These portfolio managers are employees of the Manager for purpose of carrying out their duties relating to the Fund and they also will continue to serve as employees of Western Asset.

The Board is 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. The portfolio management responsibilities for the equity portion of the Fund remain unchanged.

Information About Your Fund

As you may be aware, several issues in the mutual fund industry have come under the scrutiny of federal and state regulators. The 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 funds' 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.

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.leggmason.com/InvestorServices.

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.

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, President and Chief Executive Officer

May 25, 2006

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.

RISKS: Like any investment where there is risk of loss, you may not be able to see the shares of the Fund for the same amount that you purchased them. Investing in foreign securities is subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions. These risks are magnified in emerging or developing markets. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. The 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 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 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.
- vi The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.
- vii 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.
- 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 U.S. Aggregate Index is a broad-based bond index comprised of Government, Corporate, Mortgage and Asset-backed issues, rated investment grade or higher, and having at least one year to maturity. Please note an investor cannot invest directly in an index.
- xi NAV is calculated by subtracting total liabilities from the closing value of all securities held by the Fund (plus all other assets) 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.
- xii Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 6-month period ended April 30, 2006, including the reinvestment of distributions, including returns of capital, if any, calculated among the 35 funds in the Fund's Lipper category, and excluding sales charges.

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Fund at a Glance (unaudited)

Investment Breakdown

Salomon Brothers Capital and Income Fund Inc. 2006 Semi-Annual Report 1

Schedule of Investments (April 30, 2006) (unaudited)

SALOMON BROTHERS CAPITAL AND INCOME FUND INC.

Shares	Security	Value
COMMON STOCKS □ 46.7%		
CONSUMER DISCRETIONARY □ 4.9%		
Hotels, Restaurants & Leisure □ 0.5%		
9,600	Ctrip.com International Ltd., ADR	\$ 431,953
89,000	McDonald's Corp.	3,076,730
25,000	OSI Restaurant Partners Inc.	1,067,500
Total Hotels, Restaurants & Leisure		4,576,183
Household Durables □ 0.8%		
17,400	Fortune Brands Inc.	1,397,220
1,226,577	Home Interiors of Gifts Inc.*	331,176
117,400	Newell Rubbermaid Inc.	3,219,108
51,300	Toll Brothers Inc.*	1,649,295
Total Household Durables		6,596,799
Media □ 3.1%		
83,000	Cablevision Systems Corp., New York Group, Class A Shares *	1,682,410
172,400	EchoStar Communications Corp., Class A Shares*	5,327,160
194,600	Interpublic Group of Cos. Inc.*	1,864,268
46,875	Liberty Global Inc., Series A Shares*	970,781
52,875	Liberty Global Inc., Series C Shares*	1,055,914
162,500	Liberty Media Corp., Class A Shares*	1,356,875
184,800	News Corp., Class B Shares	3,368,904
50,785	NTL Inc.*	1,395,572
94,300	Regal Entertainment Group, Class A Shares	1,982,186
345,800	SES Global SA, FDR	5,670,405
132,400	Time Warner Inc.	2,303,760
Total Media		26,978,235
Specialty Retail □ 0.5%		
47,500	Bed Bath & Beyond Inc.*	1,821,625
26,000	Best Buy Co. Inc.	1,473,160
62,800	Urban Outfitters Inc.*	1,456,960
Total Specialty Retail		4,751,745
TOTAL CONSUMER DISCRETIONARY		42,902,962

CONSUMER STAPLES □ 2.6%

Beverages □ **0.2%**

25,000	PepsiCo Inc.	1,456,000
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Food & Staples Retailing □ **0.8%**

162,600	Kroger Co.	3,294,276
40,000	Sysco Corp.	1,195,600
63,000	Wal-Mart Stores Inc.	2,836,890

Total Food & Staples Retailing		7,326,766
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Food Products □ **0.7%**

24,100	Kellogg Co.	1,116,071
60,000	McCormick & Co. Inc., Non Voting Shares	2,089,800
75,000	Sara Lee Corp.	1,340,250

See Notes to Financial Statements.

2 **Salomon Brothers Capital and Income Fund Inc.** 2006 Semi-Annual Report

Schedule of Investments (April 30, 2006) (unaudited) (continued)

Shares	Security	Value
Food Products □ 0.7% (continued)		
25,000	Wm. Wrigley Jr. Co.	\$ 1,176,750
6,250	Wm. Wrigley Jr. Co., Class B	294,375
Total Food Products		6,017,246
Household Products □ 0.3%		
45,400	Kimberly-Clark Corp.	2,657,262
Tobacco □ 0.6%		
70,000	Altria Group Inc.	5,121,200
TOTAL CONSUMER STAPLES		22,578,474
ENERGY □ 6.6%		
Energy Equipment & Services □ 2.3%		
28,300	Cameron International Corp.*	1,421,792
112,700	ENSCO International Inc.	6,028,323
37,200	GlobalSantaFe Corp.	2,277,012
71,500	Halliburton Co.	5,587,725
141,000	Pride International Inc.*	4,919,490
Total Energy Equipment & Services		20,234,342
Oil, Gas & Consumable Fuels □ 4.3%		
82,500	Arlington Tankers Ltd.	1,859,550
38,500	ConocoPhillips	2,575,650
87,200	Marathon Oil Corp.	6,920,192
102,114	Nexen Inc.	5,973,669
66,800	OPTI Canada Inc.*	2,553,223
17,600	Suncor Energy Inc.	1,509,024
87,480	Total SA, Sponsored ADR	12,073,990
190,400	Williams Cos. Inc.	4,175,472
Total Oil, Gas & Consumable Fuels		37,640,770
TOTAL ENERGY		57,875,112
FINANCIALS □ 14.4%		
Capital Markets □ 0.5%		
4,700	Goldman Sachs Group Inc.	753,363
6,000	Lehman Brothers Holdings Inc.	906,900
35,600	Merrill Lynch & Co. Inc.	2,714,856
Total Capital Markets		4,375,119

Commercial Banks □ **0.9%**

76,852	Bank of America Corp.	3,836,452
62,300	Wells Fargo & Co.	4,279,387

Total Commercial Banks		8,115,839
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Consumer Finance □ **1.4%**

77,400	American Express Co.	4,164,894
91,432	Capital One Financial Corp.	7,921,669

Total Consumer Finance		12,086,563
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Diversified Financial Services □ **0.3%**

58,340	JPMorgan Chase & Co.	2,647,469
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See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2006 Semi-Annual Report 3

Schedule of Investments (April 30, 2006) (unaudited) (continued)

Shares	Security	Value
Insurance □ 1.3%		
41,400	AFLAC Inc.	\$ 1,968,156
24,300	American International Group Inc.	1,585,575
12	Berkshire Hathaway Inc., Class A Shares*	1,068,000
70,000	Chubb Corp.	3,607,800
53,900	Marsh & McLennan Cos. Inc.	1,653,113
30,000	St. Paul Travelers Cos. Inc.	1,320,900
Total Insurance		11,203,544
Real Estate Investment Trusts (REITs) □ 9.1%		
19,300	Alexandria Real Estate Equities Inc.	1,748,580
65,200	AMB Property Corp.	3,259,348
155,000	American Financial Realty Trust	1,763,900
7,400	Apartment Investment and Management Co., Class A Shares	330,706
62,100	Archstone-Smith Trust	3,035,448
60,000	Arden Realty Inc.	2,720,400
25,000	Ashford Hospitality Trust Inc.	291,000
31,900	AvalonBay Communities Inc.	3,435,630
46,500	BioMed Realty Trust Inc.	1,287,120
17,200	Boston Properties Inc.	1,518,244
41,400	Brandywine Realty Trust	1,172,034
12,400	BRE Properties Inc., Class A Shares	668,112
12,000	Developers Diversified Realty Corp.	638,400
20,900	Duke Realty Corp.	739,860
218,000	Equity Office Properties Trust	7,041,400
50,200	Equity Residential	2,252,474
29,800	Federal Realty Investment Trust	2,033,254
60,700	General Growth Properties Inc.	2,849,865
43,400	Global Signal Inc.	2,156,980
47,500	Gramercy Capital Corp.	1,179,425
57,900	Heritage Property Investment Trust	2,236,098
27,000	Highwoods Properties Inc.	851,580
115,000	Host Marriott L.P.	2,417,300
90,000	iStar Financial Inc.	3,443,400
24,800	Kimco Realty Corp.	920,824
70,000	Liberty Property Trust	3,129,000
7,400	Macerich Co.	541,828
100,000	Maguire Properties Inc.	3,396,000
105,000	New Plan Excel Realty Trust Inc.	2,588,250
7,200	Pan Pacific Retail Properties Inc.	479,808
106,300	ProLogis	5,338,386
39,200	PS Business Parks Inc.	2,036,440
16,400	Public Storage Inc.	1,260,832
26,393	Reckson Associates Realty Corp.	1,073,667

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63,400	Republic Property Trust	722,760
34,500	Simon Property Group Inc.	2,824,860
41,300	SL Green Realty Corp.	4,088,700
25,000	United Dominion Realty Trust Inc.	679,750
26,900	Vornado Realty Trust	2,572,716

Total Real Estate Investment Trusts (REITs)

80,724,379

See Notes to Financial Statements.

4 **Salomon Brothers Capital and Income Fund Inc.** 2006 Semi-Annual Report

Schedule of Investments (April 30, 2006) (unaudited) (continued)

Shares	Security	Value
Thriffs & Mortgage Finance □ 0.9%		
64,550	Freddie Mac	\$ 3,941,423
60,000	Golden West Financial Corp.	4,312,200
Total Thriffs & Mortgage Finance		8,253,623
TOTAL FINANCIALS		127,406,536
HEALTH CARE □ 4.6%		
Biotechnology □ 1.1%		
41,100	Amgen Inc.*	2,782,470
28,400	CV Therapeutics Inc.*	563,740
8,700	Genentech Inc.*	693,477
15,500	Genzyme Corp.*	947,980
34,400	InterMune Inc.*	550,056
16,100	Invitrogen Corp.*	1,062,761
34,600	PDL BioPharma Inc.*	995,788
72,709	Vertex Pharmaceuticals Inc.*	2,644,426
Total Biotechnology		10,240,698
Health Care Equipment & Supplies □ 0.4%		
88,000	Boston Scientific Corp.*	2,045,120
37,400	DJ Orthopedics Inc.*	1,487,024
Total Health Care Equipment & Supplies		3,532,144
Health Care Providers & Services □ 0.9%		
37,200	Aetna Inc.	1,432,200
32,200	Coventry Health Care Inc.*	1,599,374
33,000	DaVita Inc.*	1,856,580
41,100	WellPoint Inc.*	2,918,100
Total Health Care Providers & Services		7,806,254
Pharmaceuticals □ 2.2%		
61,500	Abbott Laboratories	2,628,510
49,200	GlaxoSmithKline PLC, Sponsored ADR	2,798,496
51,100	Novartis AG, Sponsored ADR	2,938,761
93,400	Pfizer Inc.	2,365,822
23,900	Sanofi-Aventis	2,255,221
23,100	Sanofi-Aventis, Sponsored ADR	1,086,624
89,700	Schering-Plough Corp.	1,733,004
14,100	Sepracor Inc.*	629,424
22,800	Teva Pharmaceutical Industries Ltd., Sponsored ADR	923,400

41,000	Wyeth	1,995,470
Total Pharmaceuticals		19,354,732
TOTAL HEALTH CARE		40,933,828
INDUSTRIALS □ 3.3%		
Aerospace & Defense □ 1.3%		
84,400	Boeing Co.	7,043,180
90,000	Raytheon Co.	3,984,300
Total Aerospace & Defense		11,027,480

See Notes to Financial Statements.

Salomon Brothers Capital and Income Fund Inc. 2006 Semi-Annual Report 5

Schedule of Investments (April 30, 2006) (unaudited) (continued)

Shares	Security	Value
Building Products □ 0.2%		
56,000	Masco Corp.	\$ 1,786,400
Commercial Services & Supplies □ 0.3%		
35,700	Avery Dennison Corp.	2,231,250
27,000	IHS Inc., Class A Shares*	764,640
Total Commercial Services & Supplies		2,995,890
Industrial Conglomerates □ 1.3%		
259,800	General Electric Co.	8,986,482
30,100	Textron Inc.	2,707,495
Total Industrial Conglomerates		11,693,977
Machinery □ 0.1%		
13,000	Parker Hannifin Corp.	1,053,650
Trading Companies & Distributors □ 0.1%		
9,600	MSC Industrial Direct Co. Inc., Class A Shares	497,856
TOTAL INDUSTRIALS		29,055,253
INFORMATION TECHNOLOGY □ 3.4%		
Communications Equipment □ 1.0%		
141,375	ADC Telecommunications Inc.*	3,165,387
23,000	Cisco Systems Inc.*	481,850
90,051	Comverse Technology Inc.*	2,039,655
73,900	Juniper Networks Inc.*	1,365,672
59,300	Nokia Oyj, Sponsored ADR	1,343,738
Total Communications Equipment		8,396,302
Computers & Peripherals □ 0.2%		
420,000	Sun Microsystems Inc.*	2,100,000
Internet Software & Services □ 0.6%		
188,900	Digitas Inc.*	2,665,379
52,400	Jupitermedia Corp.*	923,288
26,100	Openwave Systems Inc.*	485,721
80,200	RealNetworks Inc.*	803,604
25,600	SINA Corp.*	677,120
Total Internet Software & Services		5,555,112

IT Services □ **0.2%**

47,100	Wright Express Corp.*	1,450,209
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Semiconductors & Semiconductor Equipment □ **0.4%**

67,700	Advanced Micro Devices Inc.*	2,190,095
69,900	ASML Holding NV, NY Registered Shares*	1,478,385

Total Semiconductors & Semiconductor Equipment		3,668,480
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Software □ **1.0%**

45,600	Adobe Systems Inc.*	1,787,520
54,500	Cognos Inc.*	2,031,215
223,400	Microsoft Corp.	5,395,110

Total Software		9,213,845
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TOTAL INFORMATION TECHNOLOGY		30,383,948
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See Notes to Financial Statements.

Schedule of Investments (April 30, 2006) (unaudited) (continued)

Shares	Security	Value
MATERIALS □ 1.5%		
Chemicals □ 0.8%		
61,700	Air Products & Chemicals Inc.	\$ 4,227,684
62,000	E.I. du Pont de Nemours & Co.	2,734,200
Total Chemicals		6,961,884
Metals & Mining □ 0.7%		
153,400	Barrick Gold Corp.	4,675,632
56,200	Compass Minerals International Inc.	1,479,746
Total Metals & Mining		6,155,378
TOTAL MATERIALS		13,117,262
TELECOMMUNICATION SERVICES □ 2.9%		
Diversified Telecommunication Services □ 0.6%		
260,900	Citizens Communications Co.	3,464,752
42,600	PanAmSat Holding Corp.	1,058,610
19,200	Time Warner Telecom Inc., Class A Shares*	321,984
Total Diversified Telecommunication Services		4,845,346
Wireless Telecommunication Services □ 2.3%		
74,300	ALLTEL Corp.	4,782,691
171,797	American Tower Corp., Class A Shares*	5,865,150
211,400	Dobson Communications Corp., Class A Shares*	1,902,600
301,468	Sprint Nextel Corp.	7,476,406
30,640	WiderThan Co. Ltd., ADR*	452,246
Total Wireless Telecommunication Services		20,479,093
TOTAL TELECOMMUNICATION SERVICES		25,324,439
UTILITIES □ 2.5%		
Electric Utilities □ 0.3%		