

LMP REAL ESTATE INCOME FUND INC.
Form N-CSRS
August 28, 2013

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 811-21098

LMP Real Estate Income Fund Inc.
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY
(Address of principal executive offices)

10018
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902
(Name and address of agent for service)

Registrant's telephone number, including area code: (888)777-0102

Date of fiscal year end: December 31

Date of reporting period: June 30, 2013

ITEM 1.

REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

June 30, 2013

Semi-Annual Report

LMP REAL ESTATE INCOME FUND INC.

(RIT)

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

Fund objectives

The Fund's primary investment objective is high current income and the Fund's secondary investment objective is capital appreciation.

What's inside

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Letter from the chairman

Dear Shareholder,

We are pleased to provide the semi-annual report of LMP Real Estate Income Fund Inc. for the six-month reporting period ended June 30, 2013. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

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I am pleased to introduce myself as the new Chairman, President and Chief Executive Officer of the Fund, succeeding R. Jay Gerken, as he embarks upon his retirement. Jay has most recently served as Chairman, President and Chief Executive Officer of the Fund and other funds in the Legg Mason complex. On behalf of all our shareholders and the Fund's Board of Directors, I would like to thank Jay for his vision and guidance, and wish him all the best.

I am honored to have been appointed to my new role with the Fund. During my 23 year career in the financial industry, I have seen it evolve and expand. Despite these changes, keeping an unwavering focus on our shareholders and their needs remains paramount. This was a consistent focus of Jay's, and I look forward to following his lead in the years to come.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.lmcef.com. Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

II LMP Real Estate Income Fund Inc.

We look forward to helping you meet your financial goals.

Sincerely,

Kenneth D. Fuller

Chairman, President and Chief Executive Officer

July 26, 2013

LMP Real Estate Income Fund Inc. III

Investment commentary

Economic review

The U.S. economy continued to grow over the six months ended June 30, 2013 (the reporting period), but the pace was far from robust. Looking back, U.S. gross domestic product (GDP) growth, as reported by the U.S. Department of Commerce, was an anemic 0.1% during the fourth quarter of 2012. This weakness was partially driven by moderating private inventory investment and federal government spending. Economic growth then improved, as first quarter 2013 GDP growth was 1.1%. Accelerating growth was due, in part, to strengthening consumer spending, which rose 2.3% during the first quarter, versus a 1.7% increase during the previous quarter. The U.S. Department of Commerce's initial reading for second quarter 2013 GDP growth, released after the reporting period ended, was 1.7%. This increase was partially driven by increases in non-residential fixed investment and exports, along with a smaller decline in federal government spending versus the previous quarter.

While there was some improvement in the U.S. job market, unemployment remained elevated throughout the reporting period. When the period began, unemployment, as reported by the U.S. Department of Labor, was 7.9%. Unemployment then fell to 7.7% in February, 7.6% in March and 7.5% in April. It then edged up to 7.6% in May and was unchanged in June. In an encouraging sign, an average of almost 202,000 jobs were created per month during the first half of 2013. In contrast, the monthly average was roughly 183,000 in 2012. In addition, the percentage of longer-term unemployed has declined, as roughly 36.7% of the 11.8 million Americans looking for work in June 2013 have been out of work for more than six months, versus 38.1% in January 2013.

Meanwhile, the housing market brightened, as sales generally improved and home prices continued to rebound. According to the National Association of Realtors (NAR), existing-home sales dipped 1.2% on a seasonally adjusted basis in June 2013 versus the previous month and were 1.52% higher than in June 2012. In addition, the NAR reported that the median existing-home price for all housing types was \$214,200 in June 2013, up 13.5% from June 2012. This marked the sixteenth consecutive month that home prices rose compared to the same period a year earlier. While the inventory of homes available for sale rose 1.9% in June 2013 to a 5.2 month supply at the current sales pace, it was 7.6% lower than in June 2012.

While manufacturing activity was weak in many international developed countries, it was generally positive in the U.S. Based on the Institute for Supply Management's Purchasing Managers' Index (PMI) ⁱⁱ, the U.S. manufacturing sector expanded during the first four months of the reporting period. Manufacturing then experienced a setback, falling from 50.7 in April 2013 to 49.0 in May (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). However, manufacturing then moved back into expansion territory in June, as the PMI increased to 50.9. During June, 12 of the 18 industries within the PMI expanded, versus 10 expanding the prior month.

Market review

Q. How did the Federal Reserve Board (Fed)iii respond to the economic environment?

A. The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rateiv at a historically low range between zero and 0.25%. At its meeting in December 2012, prior to the beginning of the reporting period, the Fed announced that it would continue purchasing \$40 billion per month of agency mortgage-backed securities (MBS), as well as initially purchasing \$45 billion a month of longer-term Treasuries. The Fed also said that it would keep the federal funds rate on hold ...as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee s 2.0% longer-run goal, and longer-term inflation expectations continue to be well anchored. At its meeting that ended on June 19, 2013, the Fed did not make any material changes to its official policy statement. However, in a press conference following the meeting, Fed Chairman Bernanke said ...the Committee currently anticipates that it would be appropriate to moderate the monthly pace of purchases later this year; and if the subsequent data remain broadly aligned with our current expectations for the economy, we would continue to reduce the pace of purchases in measured steps through the first half of next year, ending purchases around midyear. This initially triggered a sharp sell-off in both the stock and bond markets. While the stock market subsequently rallied and reached a new record high on July 12, the bond market did not rebound as sharply. As a result, Treasury yields remained sharply higher than they were prior to Chairman Bernanke s press conference. At its meeting that ended on July 31, 2013, after the reporting period ended, the Fed did not institute any policy changes and left its \$85 billion a month asset purchase program intact.

Q. What factors impacted the U.S. stock market during the reporting period?

A. Despite periods of volatility and several flights to quality, the U.S. stock market generated strong results during the reporting period. As 2013 began, there were concerns about the fiscal cliff and its potential impact on the economy. While this and other macro issues, including the European sovereign debt crisis and uncertainties surrounding the impact of sequestration, weighed on investor sentiment at times, the market posted positive results during the first five months of the reporting period. The market then experienced a modest setback in June 2013, due to concerns related to the tapering of the Fed s asset purchase program. However, for the six months ended June 30, 2013, the S&P 500 Indexv gained 13.82%.

Looking at the U.S. stock market more closely, small-cap stocks generated the best returns during the six months ended June 30, 2013, with the Russell 2000 Indexvi gaining 15.86%. In contrast, large-cap stocks, as measured by the Russell 1000 Indexvii, returned 13.91% and the Russell Midcap Indexviii returned 15.45%. From an investment style perspective, growth and value stocks, as measured by the Russell 3000 Growthix and Russell 3000 Valuex Indices, returned 12.23% and 15.78%, respectively.

Investment commentary (cont d)

Performance review

For the six months ended June 30, 2013, LMP Real Estate Income Fund Inc. returned 7.23% based on its net asset value (NAV)^{xi} and 11.15% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the MSCI U.S. REIT Index^{xii}, returned 6.36% for the same period. The Lipper Real Estate Closed-End Funds Category Average^{xiii} returned 4.59% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.36 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 June 30, 2013. **Past performance is no guarantee of future results.**

Performance Snapshot as of June 30, 2013 (unaudited)

	6-Month Total Return*
Price Per Share	
\$12.69 (NAV)	7.23%
\$11.85 (Market Price)	11.15%

All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

* Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, at NAV.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Looking for additional information?

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The Fund is traded under the symbol **RIT** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol **XRITX** on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that 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.lmcef.com.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

VI LMP Real Estate Income Fund Inc.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

Kenneth D. Fuller

Chairman, President and Chief Executive Officer

August 1, 2013

RISKS: Funds that invest in securities related to the real estate industry are subject to the risks of real estate markets, including fluctuating property values, changes in interest rates and other mortgage-related risks. In addition, investment in funds that concentrate their investments in one sector or industry may involve greater risk than more broadly diversified funds. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder's risk of loss. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

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.

LMP Real Estate Income Fund Inc. VII

Investment commentary (cont d)

- i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

- ii The Institute for Supply Management 's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

- iii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

- iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

- v The S&P 500 Index is an unmanaged index of 500 stocks and is generally representative of the performance of larger companies in the U.S.

- vi The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market.

- vii The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

- viii The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

- ix The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher 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.)

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x The Russell 3000 Value Index measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.

xi Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) 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 the Fund's market price as determined by supply of and demand for the Fund's shares.

xii The MSCI U.S. REIT Index is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate Investment Trusts (REITs) that are included in the MSCI U.S. Investable Market 2500 Index, with the exception of specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The Index represents approximately 85% of the U.S. REIT universe.

xiii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended June 30, 2013, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 13 funds in the Fund's Lipper category.

VIII LMP Real Estate Income Fund Inc.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of June 30, 2013 and December 31, 2012. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

Represents less than 0.1%.

Schedule of investments (unaudited)

June 30, 2013

LMP Real Estate Income Fund Inc.

	Shares	Value
Security		
Common Stocks 86.4%		
Apartments 5.9%		
Apartment Investment and Management Co., Class A Shares	98,200	\$ 2,949,928(a)
AvalonBay Communities Inc.	13,800	1,861,758(a)
Campus Crest Communities Inc.	331,220	3,822,279(a)
Total Apartments		8,633,965
Diversified 17.3%		
Digital Realty Trust Inc.	59,000	3,599,000(a)
Dundee Real Estate Investment Trust	125,000	3,879,433(a)
EPR Properties	112,000	5,630,240(a)
First Potomac Realty Trust	163,619	2,136,864
Lexington Corporate Properties Trust	105,100	1,227,568
Liberty Property Trust	176,000	6,504,960(a)
Retail Properties of America Inc., Class A Shares	148,000	2,113,440
Total Diversified		25,091,505
Health Care 15.9%		
HCP Inc.	116,390	5,288,762(a)
Health Care REIT Inc.	80,710	5,409,991(a)
Healthcare Trust of America Inc., Class A Shares	84,000	943,320
OMEGA Healthcare Investors Inc.	209,000	6,483,180(a)
Senior Housing Properties Trust	190,000	4,926,700(a)
Total Health Care		23,051,953
Industrial 2.2%		
DCT Industrial Trust Inc.	439,360	3,141,424(a)
Lodging/Resorts 3.7%		
Hersha Hospitality Trust	190,000	1,071,600
Hospitality Properties Trust	166,000	4,362,480(a)
Total Lodging/Resorts		5,434,080
Mortgage 7.8%		
American Capital Agency Corp.	91,710	2,108,413
Annaly Capital Management Inc.	190,000	2,388,300(a)
CYS Investments Inc.	133,200	1,226,772
Starwood Property Trust Inc.	226,000	5,593,500(a)
Total Mortgage		11,316,985
Office 8.3%		
BioMed Realty Trust Inc.	130,000	2,629,900(a)
Highwoods Properties Inc.	110,200	3,924,222(a)
Kilroy Realty Corp.	103,740	5,499,257(a)
Total Office		12,053,379

See Notes to Financial Statements.

LMP Real Estate Income Fund Inc.

	Shares	Value
Security		
Regional Malls 5.2%		
Macerich Co.	125,000	\$ 7,621,250(a)
Retail - Free Standing 2.5%		
Spirit Realty Capital Inc.	202,000	3,579,440(a)
Shopping Centers 17.6%		
Excel Trust Inc.	249,000	3,189,690(a)
Inland Real Estate Corp.	480,000	4,905,600(a)
Kite Realty Group Trust	264,000	1,591,920
Ramco-Gershenson Properties Trust	247,620	3,845,539(a)
Regency Centers Corp.	85,000	4,318,850(a)
Urstadt Biddle Properties, Class A Shares	46,000	927,820
Westfield Group	650,000	6,800,593
Total Shopping Centers		25,580,012
Total Common Stocks (Cost \$91,310,860)		125,503,993

	Rate		
Preferred Stocks 38.1%			
Apartments 2.4%			
Apartment Investment & Management Co., Series Z	7.000%	135,000	3,496,500
Diversified 6.6%			
DuPont Fabros Technology Inc., Cumulative, Series B	7.625%	68,000	1,730,600
EPR Properties, Series E	9.000%	60,000	1,927,800
LBA Realty Fund LP, Cumulative Redeemable	8.750%	90,000	3,687,192*
Retail Properties of America Inc., Cumulative	7.000%	90,000	2,243,700
Total Diversified			9,589,292
Lodging/Resorts 10.2%			
Ashford Hospitality Trust, Series E	9.000%	97,000	2,554,980(a)
Chesapeake Lodging Trust, Series A	7.750%	70,000	1,795,500
Hersha Hospitality Trust, Series B	8.000%	120,000	3,078,600
LaSalle Hotel Properties, Series H	7.500%	26,266	682,916
LaSalle Hotel Properties, Series I	6.375%	30,000	689,100
Pebblebrook Hotel Trust, Series A	7.875%	118,000	3,049,120
Pebblebrook Hotel Trust, Series C	6.500%	27,000	652,050
Sunstone Hotel Investors Inc., Series D	8.000%	88,917	2,334,071
Total Lodging/Resorts			14,836,337
Office 2.7%			
Alexandria Real Estate Equities Inc., Series D	7.000%	50,000	1,294,500
Corporate Office Properties Trust, Series L	7.375%	105,000	2,693,250
Total Office			3,987,750

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

June 30, 2013

LMP Real Estate Income Fund Inc.

Security	Rate	Shares	Value
Regional Malls 4.6%			
CBL & Associates Properties Inc., Series E	6.625%	70,000	\$ 1,740,900
General Growth Properties Inc., Series A	6.375%	96,000	2,225,280
Glimcher Realty Trust, Series H	7.500%	105,000	2,642,850
Total Regional Malls			6,609,030
Retail - Free Standing 3.3%			
National Retail Properties Inc.	5.700%	85,000	1,961,163
National Retail Properties Inc., Series D	6.625%	64,001	1,624,985
Realty Income Corp., Cumulative, Series F	6.625%	44,070	1,134,803
Total Retail - Free Standing			4,720,951
Shopping Centers 7.1%			
Cedar Realty Trust Inc., Series B	7.250%	107,400	2,760,180
Excel Trust Inc., Series B	8.125%	67,000	1,709,840
Kite Realty Group Trust, Series A	8.250%	140,999	3,630,724 ^(a)
Urstadt Biddle Properties Inc., Cumulative, Series F	7.125%	87,500	2,265,375
Total Shopping Centers			10,366,119
Storage 1.2%			
CubeSmart, Cumulative, Series A	7.750%	66,000	1,712,040
Total Preferred Stocks (Cost \$53,748,885)			55,318,019
Total Investments before Short-Term Investments (Cost \$145,059,745)			180,822,012

	Maturity Date	Face Amount	
Short-Term Investments 0.1%			
Repurchase Agreements 0.1%			
Interest in \$100,000,000 joint tri-party repurchase agreement dated 6/28/13 with Deutsche Bank Securities Inc.; Proceeds at maturity \$79,001; (Fully collateralized by U.S. government obligations, 1.625% due 8/15/22; Market value \$80,580) (Cost \$79,000)	0.120%	7/1/13	\$ 79,000
Total Investments 124.6% (Cost \$145,138,745#)			180,901,012
Liabilities in Excess of Other Assets (24.6)%			(35,706,357)
Total Net Assets 100.0%			\$145,194,655

* Non-income producing security.

(a) All or a portion of this security is pledged as collateral pursuant to the loan agreement (See Note 5).

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

Abbreviation used in this schedule:

REIT Real Estate Investment Trust

See Notes to Financial Statements.

Statement of assets and liabilities (unaudited)

June 30, 2013

Assets:

Investments, at value (Cost \$145,138,745)	\$180,901,012
Cash	486
Dividends and distributions receivable	1,500,665
Prepaid expenses	18,396
Total Assets	182,420,559

Liabilities:

Loan payable (Note 5)	37,000,000
Investment management fee payable	128,137
Interest payable (Note 5)	4,018
Accrued expenses	93,749
Total Liabilities	37,225,904
Total Net Assets	\$145,194,655

Net Assets:

Par value (\$0.001 par value; 11,441,022 shares issued and outstanding; 100,000,000 shares authorized)	\$ 11,441
Paid-in capital in excess of par value	130,630,946
Overdistributed net investment income	(2,869,083)
Accumulated net realized loss on investments and foreign currency transactions	(18,340,847)
Net unrealized appreciation on investments and foreign currencies	35,762,198
Total Net Assets	\$145,194,655

Shares Outstanding	11,441,022
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Net Asset Value	\$12.69
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See Notes to Financial Statements.

Statement of operations (unaudited)

For the Six Months Ended June 30, 2013

Investment Income:

Dividends	\$ 3,891,926
Interest	1,839
Less: Foreign taxes withheld	(34,947)
Total Investment Income	3,858,818

Expenses:

Investment management fee (Note 2)	844,802
Interest expense (Note 5)	173,647
Transfer agent fees	40,502
Legal fees	35,403
Audit and tax	28,911
Commitment fees (Note 5)	20,111
Shareholder reports	16,190
Directors' fees	12,007
Stock exchange listing fees	8,793
Fund accounting fees	6,926
Custody fees	2,302
Insurance	2,007
Miscellaneous expenses	5,788
Total Expenses	1,197,389
Less: Fee waivers and/or expense reimbursements (Note 2)	(46,934)
Net Expenses	1,150,455
Net Investment Income	2,708,363

Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Transactions (Notes 1 and 3):

Net Realized Gain (Loss) From:	
Investment transactions	2,174,232
REIT distributions	442,352
Foreign currency transactions	(2,211)
Net Realized Gain	2,614,373
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	4,819,366
Foreign currencies	(81)
Change in Net Unrealized Appreciation (Depreciation)	4,819,285
Net Gain on Investments and Foreign Currency Transactions	7,433,658
Increase in Net Assets from Operations	\$10,142,021

See Notes to Financial Statements.

Statements of changes in net assets

For the Six Months Ended June 30, 2013 (unaudited)
and the Year Ended December 31, 2012

	2013	2012
Operations:		
Net investment income	\$ 2,708,363	\$ 5,151,756
Net realized gain	2,614,373	4,742,629
Change in net unrealized appreciation (depreciation)	4,819,285	15,038,483
<i>Increase in Net Assets From Operations</i>	<i>10,142,021</i>	<i>24,932,868</i>
Distributions to Shareholders From (Note 1):		
Net investment income	(4,117,178)	(8,231,150)
<i>Decrease in Net Assets From Distributions to Shareholders</i>	<i>(4,117,178)</i>	<i>(8,231,150)</i>
Fund Share Transactions:		
Reinvestment of distributions (6,018 and 3,803 shares issued, respectively)	82,392	45,143
<i>Increase in Net Assets From Fund Share Transactions</i>	<i>82,392</i>	<i>45,143</i>
<i>Increase in Net Assets</i>	<i>6,107,235</i>	<i>16,746,861</i>
Net Assets:		
Beginning of period	139,087,420	122,340,559
End of period*	\$145,194,655	\$139,087,420
* Includes overdistributed net investment income of:	\$(2,869,083)	\$(1,460,268)

See Notes to Financial Statements.

Statement of cash flows (unaudited)

For the Six Months Ended June 30, 2013

Increase (Decrease) in Cash:**Cash Provided (Used) by Operating Activities:**

Net increase in net assets resulting from operations	\$ 10,142,021
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:	
Purchases of portfolio securities	(15,691,864)
Proceeds from sales of portfolio securities	11,602,313
Net purchases, sales and maturities of short-term investments	5,820,000
Return of capital from REIT distributions	1,174,464
Litigation payment received	242
Increase in dividends and interest receivable	(122,622)
Increase in prepaid expenses	(10,463)
Decrease in payable for securities purchased	(1,872,734)
Increase in investment management fee payable	3,000
Decrease in interest payable	(135)
Decrease in accrued expenses	(15,847)
Net realized gain on investments	(2,174,232)
Change in unrealized appreciation of investments	(4,819,366)
Net Cash Provided by Operating Activities*	4,034,777
Cash Flows from Financing Activities:	
Distributions paid on common stock	(4,034,786)
Net Cash Used in Financing Activities	(4,034,786)
Net Decrease in Cash	(9)
Cash at Beginning of Period	495
Cash at End of Period	\$ 486
Non-Cash Financing Activities:	
Proceeds from reinvestment of distributions	\$ 82,392

* Included in operating expenses is cash of \$173,782 paid for interest on borrowings.

See Notes to Financial Statements.

Financial highlights

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

	20131	2012	2011	2010	2009	2008
Net asset value, beginning of period²	\$12.16	\$10.70	\$11.07	\$8.98	\$6.46	\$16.04
Income (loss) from operations:						
Net investment income	0.24	0.45	0.45	0.36	0.45	0.90
Net realized and unrealized gain (loss)	0.65	1.73	(0.10)	2.45	3.01	(8.10)
Distributions paid to taxable auction rate preferred stockholders						(0.21)
Total income (loss) from operations	0.89	2.18	0.35	2.81	3.46	(7.41)
Less distributions paid to common stock shareholders from:						
Net investment income [#]	(0.36)	(0.72)	(0.72)	(0.29)	(0.44)	(0.71)
Net realized gains						(0.48)
Return of capital				(0.43)	(0.50)	(0.98)
Total distributions	(0.36)	(0.72)	(0.72)	(0.72)	(0.94)	(2.17)
Net asset value, end of period						