

Edgar Filing: Small Cap Premium & Dividend Income Fund, Inc. - Form N-CSRS

Small Cap Premium & Dividend Income Fund, Inc.
Form N-CSRS
September 02, 2008
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSRS

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES**

Investment Company Act file number 811-21746

Name of Fund: Small Cap Premium & Dividend Income Fund Inc. (RCC)

Fund Address: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Mitchell M. Cox, Chief Executive Officer, Small Cap Premium & Dividend Income Fund Inc., 4 World
Financial Center, 6th Floor, New York, New York 10080.

Registrant's telephone number, including area code: (877) 449-4742

Date of fiscal year end: 12/31/2008

Date of reporting period: 01/01/2008 06/30/2008

Item 1 Report to Stockholders

**Small Cap Premium &
Dividend Income Fund Inc.**

Semi-Annual Report

(Unaudited)

June 30, 2008

Small Cap Premium & Dividend Income Fund Inc.

Directors and Officers

William J. Rainer, Director and Chairman of the Board
Paul Glasserman, Director and Chairman of the Audit Committee
Steven W. Kohlhagen, Director and Chairman of the Nominating and Corporate Governance Committee
Laura S. Unger, Director
Mitchell M. Cox, President
James E. Hillman, Vice President and Treasurer
Colleen R. Rusch, Vice President and Secretary
Donald C. Burke, Vice President and Assistant Treasurer
Martin G. Byrne, Chief Legal Officer
Michael J. Fuccile, Chief Compliance Officer
Justin C. Ferri, Vice President
Michael M. Higuchi, Vice President

Custodian

State Street Bank and Trust Company
P.O. Box 351
Boston, MA 02101

Transfer Agent

BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, NJ 07310

Fund Summary as of June 30, 2008 (Unaudited)

Fund Information

Symbol on New York Stock Exchange	RCC
Initial Offering Date	July 29, 2005
Yield on Closing Market Price as of June 30, 2008 (\$14.70)*	13.61%
Current Semi-Annual Distribution per share of Common Stock**	\$1.00
Current Annualized Distribution per share of Common Stock**	\$2.00

* Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

** The distribution is not constant and is subject to change. A portion of the distribution may be deemed a tax return of capital or net realized gain at fiscal year end.

The table below summarizes the changes in the Fund's market price and net asset value for the six-month period:

	6/30/08 (a)	12/31/07	Change	High	Low
Market Price	\$ 14.70	\$ 15.74	(6.61%)	\$ 17.07	\$ 12.81
Net Asset Value	\$ 15.02	\$ 17.19	(12.62%)	\$ 17.20	\$ 14.99

(a) For the six-month period, the Common Stock of the Fund had a total investment return of (6.55%) based on net asset value per share and (.11%) based on market price per share, assuming reinvestment of dividends. For the same period, the Fund's unmanaged reference index, the Russell 2000® Index, had a total investment return of (9.37%). The reference index has no expenses associated with performance.

Does not include reinvestment of dividends.

Portfolio Information as of June 30, 2008

Ten Largest Equity Holdings	Percent of Net Assets
Comstock Resources, Inc.	0.3%
Penn Virginia Corp.	0.3
Energy Conversion Devices, Inc.	0.2
W-H Energy Services, Inc.	0.2
Alexion Pharmaceuticals, Inc.	0.2
GrafTech International Ltd.	0.2
EXCO Resources, Inc.	0.2
Compass Minerals International, Inc.	0.2
ITC Holdings Corp.	0.2

Five Largest Industries	Percent of Net Assets
Computer Services Software & Systems	5.0%
Real Estate Investment Trusts (REITs)	5.0
Banks: Outside New York City	4.3
Oil: Crude Producers	4.0
Services: Commercial	3.0

Sector Representation	Percent of Long-Term Investments
Financial Services	19.4%
Consumer Discretionary	15.5
Technology	13.8
Health Care	13.0
Materials & Processing	9.7
Other Energy	8.4
Producer Durables	8.1
Utilities	4.7
Auto & Transportation	4.1
Consumer Staples	2.6
Other	0.4
Integrated Oils	0.3

For Fund portfolio compliance purposes, the Fund's industry and sector classifications refer to any one or more of the industry and sector sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry and sector sub-classifications for reporting ease.

Russell 2000 is a registered trademark of the Frank Russell Company.

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Summary Schedule of Investments as of June 30, 2008 (Unaudited)

This summary schedule of investments is presented to help investors focus on the Fund's principal holdings. It includes the Fund's 50 largest holdings and each investment of any issuer that exceeds 1% of the Fund's net assets. Other Securities represent all issues not required to be disclosed under the rules adopted by the Securities and Exchange Commission. In addition, the summary schedule of investments allows the adviser certain efficiencies. As such, any cost savings in report production or printing are passed on to the Fund and, ultimately to Fund shareholders. A complete schedule of investments is available without charge, upon request, by calling 1-877-449-4742 or on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Industry	Common Stocks	Shares	Value	Percent of Net Assets
Advertising Agencies	Other Securities		\$ 842,974	0.4%
Aerospace	Curtiss-Wright Corp.	7,500	335,550	0.2
	Other Securities		1,331,569	0.6
			1,667,119	0.8
Agriculture, Fishing & Ranching	Other Securities		277,026	0.1
Air Transport	Other Securities		1,130,282	0.6
Aluminum	Other Securities		144,531	0.1
Auto Parts: After Market	Other Securities		188,509	0.1
Auto Parts: Original Equipment	Other Securities		922,922	0.5
Auto, Trucks & Parts	Other Securities		207,848	0.1
Banks: New York City	Other Securities		133,952	0.1
Banks: Outside New York City	Other Securities		8,817,690	4.3
Beverage: Brewers (Wineries)	Other Securities		65,088	0.0
Beverage: Soft Drinks	Other Securities		209,426	0.1
Biotechnology Research & Production	Alexion Pharmaceuticals, Inc. (a)	6,500	471,250	0.2
	Myriad Genetics, Inc. (a)	7,600	345,952	0.2
	OSI Pharmaceuticals, Inc. (a)	9,800	404,936	0.2
	Other Securities		4,822,552	2.3
			6,044,690	2.9
Building Materials	Other Securities		1,123,622	0.5
Building: Cement	Other Securities		26,180	0.0
Building: Heating & Plumbing	Other Securities		127,395	0.1

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Building: Miscellaneous	Other Securities		259,051	0.1
Building: Roofing & Wallboard	Other Securities		113,770	0.1
Cable Television Services	Other Securities		197,477	0.1
Casinos & Gambling	Other Securities		858,105	0.4
Chemicals	Energy Conversion Devices, Inc. (a)	6,800	500,752	0.2
	Hercules, Inc.	19,000	321,670	0.2
	Other Securities		2,794,698	1.4
			<u>3,617,120</u>	<u>1.8</u>
Coal	Other Securities		615,239	0.3
Commercial Information Services	Other Securities		349,999	0.2
Communications & Media	Other Securities		91,558	0.0
Communications Technology	Other Securities		5,008,403	2.4
Computer Services Software & Systems	Micros Systems, Inc. (a)	13,800	420,762	0.2
	Parametric Technology Corp. (a)	19,320	322,064	0.1
	Sybase, Inc. (a)	13,400	394,228	0.2
	Other Securities		9,173,548	4.5
			<u>10,310,602</u>	<u>5.0</u>
Computer Technology	Other Securities		2,011,104	1.0
Construction	EMCOR Group, Inc. (a)	11,400	325,242	0.2
	Other Securities		438,047	0.2
			<u>763,289</u>	<u>0.4</u>

Summary Schedule of Investments (continued)

Industry	Common Stocks	Shares	Value	Percent of Net Assets
Consumer Electronics	Take-Two Interactive Software, Inc. (a)	12,900	\$ 329,853	0.2%
	Other Securities		1,026,168	0.5
			1,356,021	0.7
Consumer Products	Tupperware Corp.	10,400	355,888	0.2
	Other Securities		660,673	0.3
			1,016,561	0.5
Containers & Packaging: Metals & Glass	Other Securities		343,718	0.2
Containers & Packaging: Paper & Plastic	Other Securities		102,223	0.0
Copper	Other Securities		202,860	0.1
Cosmetics	Other Securities		338,006	0.2
Diversified Financial Services	Other Securities		1,054,466	0.5
Diversified Materials & Processing	Acuity Brands, Inc.	6,800	326,944	0.2
	Olin Corp.	12,800	335,104	0.2
	Other Securities		1,294,854	0.6
			1,956,902	1.0
Drug & Grocery Store Chains	Other Securities		1,258,864	0.6
Drugs & Pharmaceuticals	Onyx Pharmaceuticals, Inc. (a)	9,420	335,352	0.1
	United Therapeutics Corp. (a)	3,900	381,225	0.2
	Other Securities		3,865,551	1.9
			4,582,128	2.2
Education Services	Other Securities		567,102	0.3
Electrical & Electronics	Other Securities		763,577	0.4
Electrical Equipment & Components	Other Securities		1,767,798	0.9
Electrical: Household Appliance	Other Securities		72,134	0.0
Electronics	Other Securities		940,547	0.5
Electronics: Instruments, Gauges & Meters	Other Securities		174,474	0.1

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Electronics: Medical Systems	Other Securities		1,899,483	0.9
Electronics: Other	Other Securities		14,600	0.0
Electronics: Semi-Conductors/ Components	Microsemi Corp. (a)	13,200	332,376	0.1
	Other Securities		3,413,408	1.7
			<u>3,745,784</u>	1.8
Electronics: Technology	Other Securities		1,175,358	0.6
Energy Equipment	Other Securities		165,164	0.1
Energy Miscellaneous	Penn Virginia Corp.	7,000	527,940	0.3
	Other Securities		1,696,854	0.8
			<u>2,224,794</u>	1.1
Engineering & Contracting Services	Other Securities		723,604	0.3
Entertainment	Other Securities		419,770	0.2
Finance Companies	Other Securities		253,318	0.1
Finance: Small Loan	Other Securities		181,593	0.1
Financial Data Processing Services & Systems	Other Securities		1,473,402	0.7
Financial Information Services	Other Securities		377,679	0.2
Financial Miscellaneous	Other Securities		1,366,394	0.7
Foods	Flowers Foods, Inc.	13,000	368,420	0.2
	Other Securities		2,247,681	1.1
			<u>2,616,101</u>	1.3
Forest Products	Other Securities		326,234	0.2

Summary Schedule of Investments (continued)

Industry	Common Stocks	Shares	Value	Percent of Net Assets
Forms & Bulk Printing Services	Other Securities		\$ 160,053	0.1%
Funeral Parlors & Cemeteries	Other Securities		104,400	0.0
Glass	Other Securities		79,184	0.0
Gold	Other Securities		475,823	0.2
Health Care Facilities	Psychiatric Solutions, Inc. (a)	9,400	355,696	0.2
	Other Securities		810,638	0.4
			1,166,334	0.6
Health Care Management Services	Other Securities		1,639,311	0.8
Health Care Services	Other Securities		1,359,255	0.6
Homebuilding	Other Securities		385,713	0.2
Hotel/Motel	Other Securities		122,441	0.1
Household Furnishings	Other Securities		520,534	0.2
Identification Control & Filter Devices	Other Securities		1,516,351	0.7
Industrial Products	Other Securities		56,850	0.0
Insurance: Life	Other Securities		674,410	0.3
Insurance: Multi-Line	Other Securities		1,979,305	1.0
Insurance: Property-Casualty	Aspen Insurance Holdings Ltd.	14,600	345,582	0.2
	Other Securities		3,148,310	1.5
			3,493,892	1.7
Investment Management Companies	Apollo Investment Corp.	23,876	342,143	0.2
	Other Securities		814,362	0.4
			1,156,505	0.6
Jewelry, Watches & Gemstones	Other Securities		303,170	0.1
Leisure Time	Other Securities		782,587	0.4

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Machine Tools	Other Securities		61,928	0.0
Machinery & Engineering	Other Securities		175,233	0.1
Machinery: Agricultural	Other Securities		250,372	0.1
Machinery: Construction & Handling	Other Securities		163,335	0.1
Machinery: Engines	Other Securities		186,305	0.1
Machinery: Industrial/Specialty	Nordson Corp.	5,700	415,473	0.2
	Woodward Governor Co.	9,900	353,034	0.2
	Other Securities		1,386,673	0.7
			<u>2,155,180</u>	<u>1.1</u>
Machinery: Oil Well Equipment & Services	Dril-Quip, Inc. (a)	5,200	327,600	0.2
	W-H Energy Services, Inc. (a)	5,200	497,848	0.2
	Other Securities		2,923,084	1.4
			<u>3,748,532</u>	<u>1.8</u>
Machinery: Specialty	Other Securities		190,627	0.1
Manufactured Housing	Other Securities		152,959	0.1
Manufacturing	Other Securities		204,526	0.1
Medical & Dental Instruments & Supplies	Owens & Minor, Inc.	6,900	315,261	0.1
	Other Securities		5,093,384	2.5
			<u>5,408,645</u>	<u>2.6</u>
Medical Services	Other Securities		814,893	0.4
Metal Fabricating	Other Securities		1,530,668	0.7

Summary Schedule of Investments (continued)

Industry	Common Stocks	Shares	Value	Percent of Net Assets
Metals & Minerals Miscellaneous	Compass Minerals International, Inc.	5,400	\$ 435,024	0.2%
	GrafTech International Ltd. (a)	17,400	466,842	0.2
	Other Securities		1,008,094	0.5
			1,909,960	0.9
Miscellaneous Business & Consumer Discretionary	Other Securities		41,920	0.0
Miscellaneous Consumer Staples	Other Securities		41,040	0.0
Miscellaneous Health Care	Other Securities		35,805	0.0
Miscellaneous Materials & Commodities	Other Securities		315,832	0.2
Miscellaneous Materials & Processing	Other Securities		198,741	0.1
Miscellaneous Producer Durables	Other Securities		96,975	0.0
Miscellaneous Technology	Other Securities		201,582	0.1
Multi-Sector Companies	Other Securities		615,956	0.3
Office Furniture & Business Equipment	Other Securities		635,918	0.3
Offshore Drilling	Other Securities		77,792	0.0
Oil: Crude Producers	Berry Petroleum Co. Class A	7,200	423,936	0.2
	Bill Barrett Corp. (a)	6,100	362,401	0.2
	Carrizo Oil & Gas, Inc. (a)	4,600	313,214	0.2
	Comstock Resources, Inc. (a)	7,700	650,111	0.3
	EXCO Resources, Inc. (a)	12,500	461,375	0.2
	Stone Energy Corp. (a)	4,800	316,368	0.2
	Swift Energy Co. (a)	5,200	343,512	0.2
	Other Securities		5,204,126	2.5
			8,075,043	4.0
Oil: Integrated Domestic	Other Securities		503,530	0.2
Oil: Integrated International	Other Securities		85,547	0.0
Paints & Coatings	Other Securities		338,540	0.2
Paper	Other Securities		799,337	0.4

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Plastics	Other Securities		49,036	0.0
Pollution Control & Environmental Services	Other Securities		791,512	0.4
Power Transmission Equipment	Other Securities		260,586	0.1
Printing & Copying Services	Other Securities		379,626	0.2
Production Technology Equipment	Other Securities		2,202,116	1.1
Publishing: Miscellaneous	Other Securities		380,006	0.2
Publishing: Newspapers	Other Securities		363,899	0.2
Radio & TV Broadcasters	Other Securities		462,240	0.2
Railroad Equipment	Westinghouse Air Brake Technologies Corp.	8,100	393,822	0.2
	Other Securities		149,654	0.1
			543,476	0.3
Railroads	Other Securities		168,399	0.1
Real Estate	Other Securities		518,089	0.2
Real Estate Investment Trusts (REITs)	Anthracite Capital, Inc. (b)	9,600	67,584	0.0
	Realty Income Corp.	17,100	389,196	0.2
	Senior Housing Properties Trust	16,300	318,339	0.2
	Other Securities		9,380,658	4.6
			10,155,777	5.0
Recreational Vehicles & Boats	Other Securities		318,196	0.2
Rental & Leasing Services: Commercial	Other Securities		240,846	0.1
Rental & Leasing Services: Consumer	Other Securities		586,566	0.3

SMALL CAP PREMIUM & DIVIDEND INCOME FUND INC.

JUNE 30, 2008

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Summary Schedule of Investments (continued)

Industry	Common Stocks	Shares	Value	Percent of Net Assets
Restaurants	Other Securities		\$ 2,091,853	1.0%
Retail	Aéropostale, Inc. (a)	11,400	357,162	0.2
	Other Securities		5,056,825	2.4
			5,413,987	2.6
Savings & Loan	Other Securities		1,819,796	0.9
Scientific Equipment & Suppliers	Other Securities		328,196	0.2
Securities Brokerage & Services	Other Securities		962,835	0.5
Services: Commercial	Waste Connections, Inc. (a)	11,200	357,616	0.2
	Watson Wyatt Worldwide, Inc.	7,200	380,808	0.2
	Other Securities		5,314,921	2.6
			6,053,345	3.0
Shipping	Other Securities		1,752,843	0.9
Shoes	Other Securities		1,283,951	0.6
Steel	Other Securities		558,152	0.3
Sugar	Other Securities		29,507	0.0
Telecommunications Equipment	Polycom, Inc. (a)	14,800	360,528	0.2
	Other Securities		914,240	0.4
			1,274,768	0.6
Textile Products	Other Securities		135,198	0.1
Textiles Apparel Manufacturers	The Warnaco Group, Inc. (a)	7,600	334,932	0.2
	Other Securities		1,195,322	0.6
			1,530,254	0.8
Tires & Rubber	Other Securities		241,468	0.1
Tobacco	Other Securities		445,249	0.2
Toys	Other Securities		410,650	0.2

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Transportation Miscellaneous	Other Securities		547,508	0.3
Truckers	Other Securities		1,164,481	0.6
Utilities: Cable TV & Radio	Other Securities		42,720	0.0
Utilities: Electrical	ITC Holdings Corp.	8,300	424,213	0.2
	Westar Energy, Inc.	17,900	385,029	0.2
	Other Securities		2,660,462	1.3
			3,469,704	1.7
Utilities: Gas Distributors	Nicor, Inc.	7,700	327,943	0.2
	Piedmont Natural Gas Co.	12,300	321,768	0.1
	Other Securities		1,369,395	0.7
			2,019,106	1.0
Utilities: Miscellaneous	Other Securities		237,510	0.1
Utilities: Telecommunications	TW Telecom, Inc. (a)	24,830	398,025	0.2
	Other Securities		1,726,477	0.8
			2,124,502	1.0
Utilities: Water	Other Securities		432,565	0.2
Wholesalers	Other Securities		425,365	0.2
	Total Common Stocks			
	(Cost \$200,131,506)		176,794,352	86.3

Summary Schedule of Investments (continued)

Industry	Investment Companies	Shares	Value	Percent of Net Assets
	BlackRock Kelso Capital Corp. (b)	1,400	\$ 13,244	0.0%
	Other Securities		225,567	0.1
	Total Investment Companies (Cost \$360,552)		238,811	0.1

	Short-Term Securities	Face Amount		
Time Deposits	State Street Bank & Trust Co., 1%, 7/01/08	\$ 27,559,147	27,559,147	13.5
	Total Short-Term Securities (Cost \$27,559,147)		27,559,147	13.5
	Total Investments Before Options Written (Cost \$228,051,205*)		204,592,310	99.9

	Options Written	Number of Contracts		
Call Options Written	Russell 2000 Index, expiring July 2008 at USD 750	1,000	(82,500)	(0.1)
	Russell 2000 Index, expiring July 2008 at USD 760	750	(33,750)	0.0
	Total Options Written (Premiums Received \$1,627,209)		(116,250)	(0.1)
Total Investments, Net of Options Written (Cost \$226,423,996)			204,476,060	99.8
Other Assets Less Liabi				