



## **Source Capital, Inc. Announces Reinstatement of Stock Repurchase Program and Update on Portfolio**

LOS ANGELES, September 16, 2020 – The Board of Directors of Source Capital, Inc. (NYSE: SOR), (the “Fund”) reinstated the Fund’s stock repurchase program (the “Program”), which was initially approved by the Board on November 16, 2015 and terminated on November 11, 2019. The Program will be effective as of October 5, 2020 through December 31, 2021.<sup>1</sup>

Under the Program, the Fund is authorized to make open-market repurchases of its common stock of up to 10% of the Fund’s outstanding shares at such times as the Fund’s shares trade at a greater than 10% discount to the Fund’s net asset value, when in FPA’s judgment such repurchases would benefit shareholders.<sup>2</sup>

Shareholders previously approved changes in the Fund’s fundamental investment guidelines intended to improve investment flexibility and seek to drive increased total return that, among other benefits, allow the portfolio managers to materially increase the Fund’s exposure to private loans.<sup>3</sup> The portfolio managers will seek opportunities in private lending that they believe can deliver high single-digit to low double-digit rates of return with more attractive risk/reward characteristics when compared to the unsecured corporate high-yield or leveraged loan markets that yield less than 6%.<sup>4</sup> The portfolio managers have exhibited an expertise in underwriting and investing in private loans since 2009. The Fund’s exposure to these investments has risen to 6.2% of assets (including committed capital),<sup>4</sup> up from less than 1% of assets at December 31, 2019. A higher yielding credit portfolio should also foster, over time, a higher distribution yield to shareholders. The portfolio managers have targeted to have more than 10% of assets either invested in or committed to the private lending asset class by year-end 2020.

Steven Romick, co-portfolio manager of the Fund, commented, “The COVID pandemic has slowed our allocation to private loans as we believed it was prudent to re-underwrite opportunities to the new economic environment. The updated guidelines give us additional flexibility, and we expect our exposure to this asset class to continue to grow, which could increase the Fund’s yield without sacrificing its risk/reward profile and eventually help to reduce the Fund’s discount to net asset value. We optimistically look forward to the future as both your portfolio managers and co-investors.”

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<sup>1</sup> The Board may terminate the Program at any time in their business judgement, and may consider renewing the Program for calendar year 2022, which will depend, in part, on the costs and tax consequences to the Fund and its stockholders of completing the stock repurchases in 2020 and 2021.

<sup>2</sup> Subject to various factors, including the limitations imposed by the federal securities laws governing the repurchase of an issuer’s stock by the issuer and FPA’s ability to raise cash to repurchase shares of the Fund’s common stock in a tax-efficient manner. There is no assurance that the Fund will purchase shares at any specific discount levels or in any specific amounts.

<sup>3</sup> Approved by shareholders on 5/22/2020.

<sup>4</sup> As of 6/30/2020.

## About Source Capital, Inc.

Source Capital (<https://fpa.com/funds/overview/source-capital>) is a diversified, closed-end management investment company seeking maximum total return for shareholders from both capital appreciation and investment income to the extent consistent with protection of invested capital. Its shares are listed on the New York Stock Exchange under the symbol "SOR".

The Fund is managed by First Pacific Advisors, LP. FPA, a Los Angeles-based institutional money management firm, employs a disciplined approach to value investing, prudently seeking superior long-term returns while maintaining a focus on capital preservation. As of June 30, 2020, FPA manages approximately \$24 billion across multiple strategies.

For investor questions, please contact:

Ryan Leggio, Partner

[rleggio@fpa.com](mailto:rleggio@fpa.com)

310-996-5484

**You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. You can obtain additional information by visiting the website at [www.fpa.com](http://www.fpa.com), by email at [crm@fpa.com](mailto:crm@fpa.com), toll free by calling 1-800-279-1241 (option 1), or by contacting the Fund in writing.**

Investing in the Fund involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment.

Portfolio composition will change due to ongoing management of the Fund. References to individual investment instruments or sectors should not be construed as a recommendation by the Fund, the portfolio managers, or the Adviser, to purchase or sell such instruments or invest in such sectors, and any information provided is not a sufficient basis upon which to make an investment decision. It should not be assumed that future investments will be profitable or will equal the performance of the instrument or sector examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at [www.fpa.com](http://www.fpa.com). **Past performance is no guarantee, nor is it indicative, of future results.**

Fixed income instruments are subject to interest rate, inflation and credit risks. Such investments may be secured, partially secured or unsecured and may be unrated, and whether or not rated, may have speculative characteristics. The market price of the Fund's fixed income investments will change in response to changes in interest rates and other factors. Generally, when interest rates rise, the values of fixed income instruments fall, and vice versa.

Private placement securities are securities that are not registered under the federal securities laws, and are generally eligible for sale only to certain eligible investors. Private placements may be illiquid, and thus more difficult to sell, because there may be relatively few potential purchasers for such investments, and the sale of such investments may also be restricted under securities laws.

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