Semi-Annual Report

FPA Capital Fund, Inc.

FPA
investors first

Distributor:

UMB DISTRIBUTION SERVICES, LLC

235 West Galena Street
Milwaukee, Wisconsin 53212

September 30, 2019

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, we intend to no longer mail paper copies of the Fund's shareholder reports, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on the FPA Funds website (fpa.com/funds), and you will be notified by mail each time a report is posted and provided with a website link to access the report. If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. If you prefer to receive shareholder reports and other communications electronically, you may update your mailing preferences with your financial intermediary, or enroll in e-delivery at fpa.com (for accounts held directly with the Fund).

You may elect to continue to receive paper copies of all future reports free of charge. If you invest through a financial intermediary, you may contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Fund, you may inform the Fund that you wish to continue receiving paper copies of your shareholder reports by contacting us at (800) 638-3060. Your election to receive reports in paper will apply to all funds held with the FPA Funds or through your financial intermediary.

FPA CAPITAL FUND, INC.
LETTER TO SHAREHOLDERS

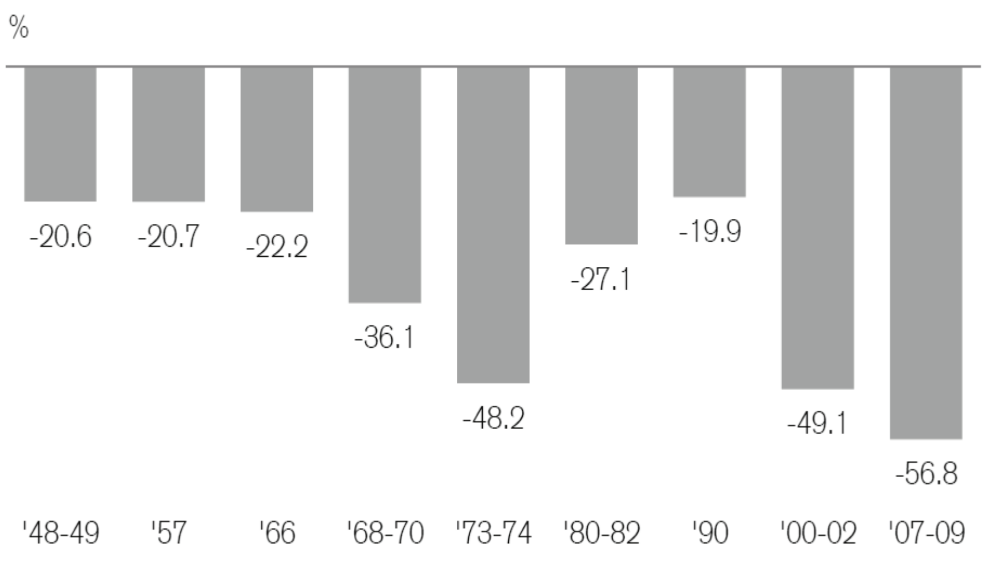
Agreement vs. Truth

I just read a beautifully-written book by Richard Powers called The Overstory. It is, by no means, a book about finance or investing. It is about trees, activism, and resistance. One partial sentence from the book has stayed with me: "[The] Overwhelming tendency to mistake agreement with truth."

One such agreement is around how low rates will reignite economic growth. But is that the truth? As I write this letter, more than $17 trillion dollars of global debt has negative yields.[1] What does that mean? My economics-related academic training is limited to a Bachelor's degree in economics and a couple economics classes in graduate school. Maybe that is the reason I am having a very difficult time making sense of what negative rates actually mean. In my view, negative rates force many investors to go further out on the risk curve, but I have not seen the evidence that they drive any meaningful economic growth. How do banks survive in a low/negative rate environment? Economic growth is somewhat predicated on banks being willing to extend credit, but does a bank want to lend at negative rates when they continue to carry all their fixed costs? I can envision a scenario where central banks continue (or rather are forced to continue) their aggressive monetary policies. And while stock market investors might relish these actions in the short term, unless these actions result in economic growth, their efforts will be fruitless.

There was a time when investors worried about an inverted yield curve and sub-50 ISM readings.[2] I do not know whether we are already in a recession or about to be in a recession, but we are in the longest postwar expansion cycle and we are in the middle of a trade war, so should investors not prepare for this risk? In case some of our readers were not investors during previous recessions, here is a summary of what has happened historically during the past 9 recessions:

S&P 500 Declines Around Recessions:[3]



Note: Declines represent peak-to-trough price contraction most closely associated with each recession.

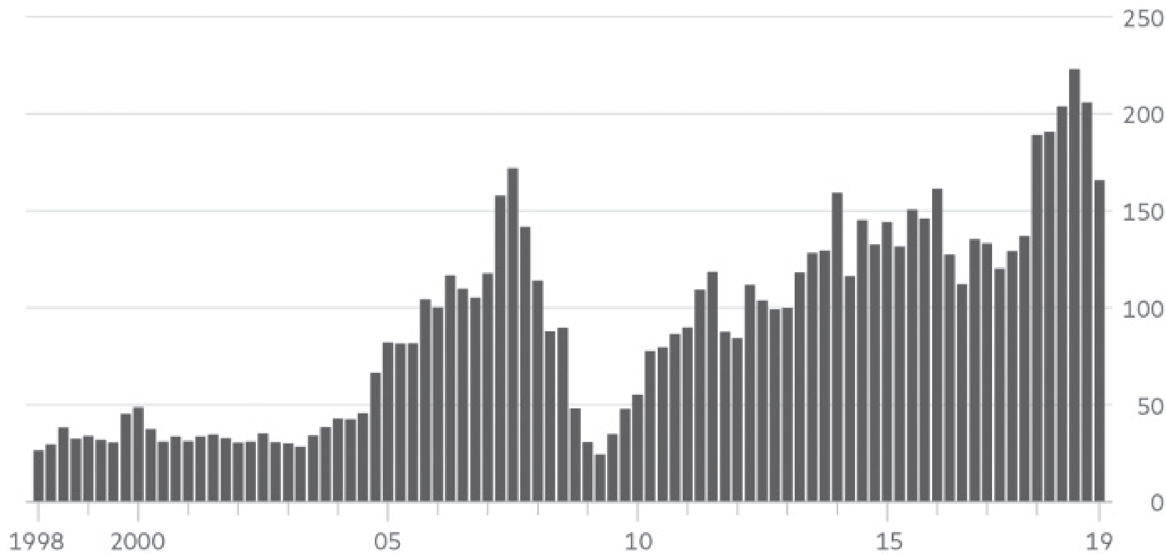
1 https://www.bloomberg.com/graphics/negative-yield-bonds/
2 https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1; ISM = Institute for Supply Management
3 Source: Standard & Poor's, Haver Analytics, Credit Suisse U.S. Equity Strategy — 09/11/2019

A Quick Update to Last Quarter's Letter

In our second quarter letter we posed the following question: what if corporations prioritize debt payment over stock buybacks? The quarterly share buyback activity is still well-above its 20-year average but it seems like there was a steep decline in the second quarter.

Buybacks:[4] US Companies Curtail Buyback Frenzy

Quarterly share repurchases by S&P 500 companies ($bn)
Q4 1998 — Q2 2019

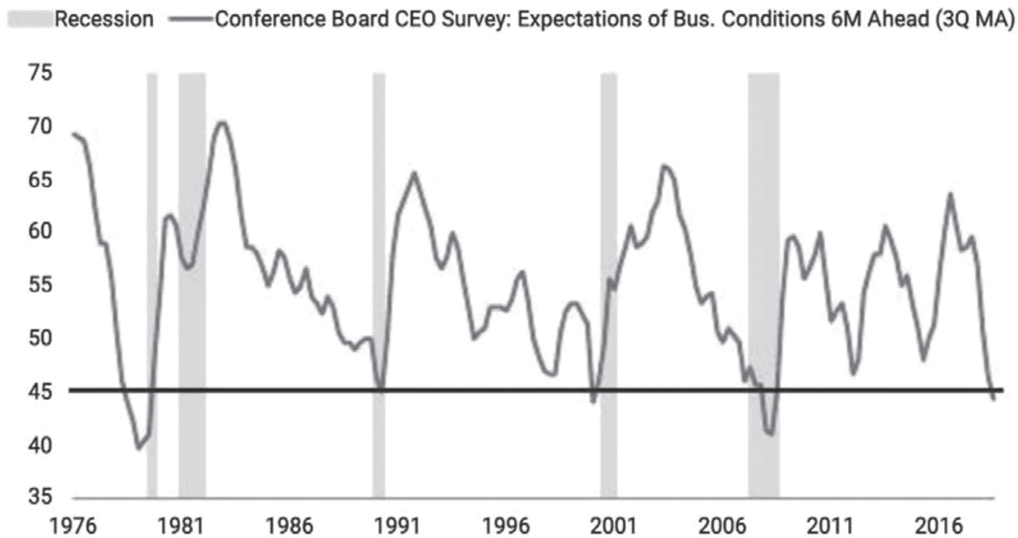


Q2 2019 are estimates based on 95% of companies reporting.

The decrease in the buyback activity matches with the declining confidence from the leaders of these firms — the fourth lowest level since mid-1970s. And just to hammer the point home, at these levels historically, we've either been in a recession or about to enter one.

[4] S&P Dow Jones Indices as depicted in Financial Times — 08/23/2019 — https://www.ft.com/content/8cb379a0-c509-11e9-a8e9-296ca66511c9

Conference Board CEO Sentiment Survey



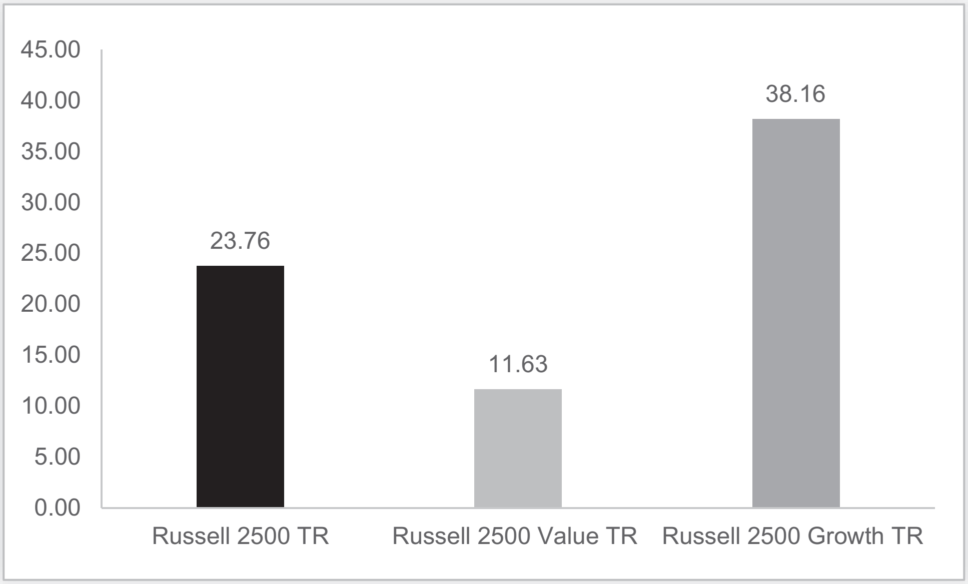
Source: Haver Analytics, Conference Board, Morgan Stanely Research as of 2Q 2019.MA=Moving Average

Q3 2019 Update[5]

Value stocks have been performing very poorly on a relative basis since the beginning of 2017. The cumulative return of Russell 2500 Index, since the beginning of 2017 is 23.76%. However, Russell 2500 Growth was up 38.16% during that period vs. Russell 2500 Values' paltry performance of only 11.63%. That is a major divergence of performance between value and growth. It has not been easy to be a value investor to say the least.

[5] In this *Q3 2019 Update* section, references to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the portfolio manager, the Adviser, or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at www.fpa.com.

Russell 2500 Index Returns (%)
2017 to Q3 2019



The Fund was down 1.58% in the third quarter of 2019 vs. down 1.28% for Russell 2500. Also importantly, the invested part of the portfolio performed well at around 20.11% (net) year to date compared to 17.72% for the Russell 2500.[6]

[6] Calculated as net performance/ (1 — average cash balance). **Past performance is no guarantee of future returns.** Comparison to an index is for illustrative purposes only. The Fund does not include outperformance of any index in its investment objectives.

Top 5 / Bottom 5 Contributors[7] — 3Q 2019

Top 5	Performance Contribution	Bottom 5	Performance Contribution
3Q19		**3Q19**	
Ambarella	0.85%	Cimarex Energy	-1.46%
Western Digital	0.73%	InterDigital	-0.92%
MKS Instruments	0.57%	Dana	-0.78%
Valmont Industries	0.20%	Cision	-0.36%
Allegiant Travel	0.19%	Ryder System	-0.35%
	2.54%		**-3.88%**

Ambarella, Inc. (AMBA)

Ambarella develops high-end image signal processing and computer vision (CV) chips. These chips are used in security cameras, drones, sport cams, and a growing array of automobile applications (e.g. dash cams, driver monitoring systems). The company has been shifting its business strategy to focus on CV applications primarily for security cameras, Advanced Driver Assistance Systems (ADAS), and Autonomous Vehicles (AV) and has been deemphasizing the consumer end-market.

Our investment thesis for Ambarella is that the stock is overlooked as the firm's legacy consumer business (e.g., GoPro, Drones) has been in decline while the firm's CV business has been driving expenses higher, with limited revenue to date. Our view is that the consumer business is now sufficiently small that further declines don't matter as much and that the CV opportunity, if successfully executed, could add billions of dollar to the firm's valuation. It is our view that this management team has a history of success in the video chip space and we think they are well positioned to be a major competitor in this space.

During 3Q19, we saw early signs that momentum is building for the firm's CV business. They announced that 40 customers across multiple end-markets are currently testing their latest CV chips and on the earnings call management expressed a high level of confidence in their future opportunity set. We expect this momentum to continue and have raised our internal valuation estimates.

Noble Energy (NBL)

Noble Energy is an exploration and production company with diversified operations: onshore in the US (DJ, Eagle Ford and Delaware basins) and offshore in Eastern Mediterranean and West Africa. The company just delivered

7 Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the quarter. Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The weights of the top 5 / bottom 5 contributors within the portfolio for the last three months as of September 30, 2019 were: Ambarella (2.3%), Western Digital (2.7%), MKS Instruments (2.7%), Valmont Industries (1.8%), Allegiant Travel (4.7%), Cimarex Energy (2.0%), InterDigital (4.6%), Dana (2.9%), Cision (1.3%), and Ryder System (1.9%). The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. A copy of the methodology used and a list of every holding's contribution to the overall Fund's performance during the quarter is available by contacting FPA Client Service at crm@fpa.com. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed. **Past performance is no guarantee, nor is it indicative, of future results.** Please see important disclosures at the end of this commentary.

positive second quarter results with production ahead of and costs lower than expectations, and also lowered capital expenditures for the full year due to US well cost improvements while raising mid-point of the production guidance.[8]

Our Core Thesis:[9]

- Free cash flow inflection in 2020 with the completion of a major gas project, Leviathan, and further acceleration in 2021 as it reaches full capacity.
- Lower total production decline rates expected to result in lower-than-industry capital expenditure needs to maintain production levels.[10]
- Gas operations in Israel (which were designed for easy expansion) and low cost discoveries near Cyprus and West Africa.
- Strong management team operationally with appropriate hedging policies and investor friendly capital allocation plans.
- Strong balance sheet with LTM EBITDAX leverage of 2.3x.[11]

Dana Incorporated (DAN)

Dana is a global auto part supplier primarily focused on driveline components (e.g., axles & drive shafts). The company serves three different end-markets: light vehicles, commercial vehicles, and off-highway vehicles. This is a name we know very well and have traded in and out of since 2015. However, the stock performed poorly in 3Q19. We used this period of weakness to add to our position and continue to believe our core thesis (discussed below) remains intact.

Our Core Thesis:

- Better business today than it was historically given the firm's new focus on profitability over market share and less concentrated end-market and geographic exposures.
- Management has improved operational focus by consolidating suppliers, closing plants, and moving up the value chain in terms of technological sophistication.
- Firm is becoming more powertrain agnostic with recent acquisitions increasing their exposure to Electric Vehicle (EV) components.
- A backlog of orders over the past few years have required upfront investments, depressing Free Cash Flow (FCF), but we believe these orders are poised to become meaningful contributors to FCF over the next several years and we expect both FCF and earnings to grind higher.

Following a slight earnings miss in 2Q19, the stock sold off materially and continued to drift lower over the next few weeks as macro risks appeared elevated and the herd stampeded out of cyclical stocks. We took a longer-term view and added to our position on the way down. We felt the sell-off was overdone and the stock was reflecting the near-certainty of a recession. We think the stock is inexpensive.

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[8] Based on Q2'2019 earnings call on August 2, 2019.

[9] Based on SEC filings and FPA estimates.

[10] 'Decline rate' is the annual reduction in the rate of production after a peak in production.

[11] LTM = Last twelve months; 'EBITDAX' is earnings before interest, taxes, depreciation, depletion, amortization and exploration expenses. 'EBITDAX Leverage' is Debt / EBITDAX.

Interdigital, Inc. (IDCC)

InterDigital monetizes intellectual property in the wireless tech space. The Company is not a basic patent portfolio manager or a patent troll, but rather is an inventor of patents with 340 engineers worldwide. IDCC spends significant sums on research & development and files patents on technology that is considered essential for the wireless device industry and in turn, demands licensing revenues. We like this business because:

Our Core Thesis:

- There has been tremendous growth in wireless communication and we expect that to continue. We see an investment in InterDigital like selling pickaxes to goldminers in that you don't have to pick a winner, just identify the general growth trend.
- They have contracts with the big two — Apple and Samsung (and many more).
- We see future growth opportunities from 5G and Internet of Things, two trends still in their infancy.
- Strong operating leverage: recurring revenue has been increasing at a greater pace than operating expenses.
- Solid balance sheet and a history of wise capital allocation.

IDCC already has 90% of non-Chinese wireless market under contract. Trade discussions between the US and China have created some short-term struggles, but based on IDCC management input, we believe that IDCC will have long-term success signing up Chinese clients. The market is worried about delays with any new contracts being signed by Chinese clients when the US is in the middle of a trade war, but we see this as an opportunity to add to our position at an attractive price, while we wait for what we believe to be the inevitable.

Conclusion

The FPA Capital Fund had another busy quarter. We initiated three new positions and eliminated three. Similar to what we communicated in our last letter, we still believe that the overall market is overpriced. We continue to invest in only our highest conviction ideas and strive for higher quality in our portfolio. To that end, our quality score for the portfolio increased by more than 35% in the past two years.[12]

Thank you for your support and the trust you placed in us.

Sincerely,

Arik Ahitov

[12] The FPA Capital team scores the Fund's portfolio holdings on a quality ranking on a scale of 0 (lowest quality) to 10 (highest quality). A company's quality score reflects the FPA Capital team's historic investment framework (e.g., market leadership, history of profitability, solid balance sheets, and strong management teams) as well as including industry-related aspects such as competitive strengths and weaknesses based on an internal attribution process. The portfolio quality score does not guarantee the Fund's future performance or success.

FORWARD LOOKING STATEMENT DISCLOSURE

As mutual fund managers, one of our responsibilities is to communicate with shareholders in an open and direct manner. Insofar as some of our opinions and comments in our letters to shareholders are based on our current expectations, they are considered "forward-looking statements" which may or may not prove to be accurate over the long term. While we believe we have a reasonable basis for our comments and we have confidence in our opinions, actual results may differ materially from those we anticipate. You can identify forward-looking statements by words such as "believe," "expect," "may," "anticipate," and other similar expressions when discussing prospects for particular portfolio holdings and/or the markets, generally. We cannot, however, assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. Further, information provided in this report should not be construed as a recommendation to purchase or sell any particular security.

FPA CAPITAL FUND, INC.
PORTFOLIO SUMMARY

September 30, 2019
(Unaudited)

Common Stocks		**60.9%**
Banks	8.9%	
Other Common Stocks	4.8%	
Exploration & Production	4.8%	
Communications Equipment	4.7%	
Technology Distributors	4.4%	
Airlines	4.4%	
Hotels, Restaurants & Leisure	4.2%	
Auto Parts	3.9%	
Consumer Goods — Rental	2.9%	
Containers & Packaging	2.7%	
Computer Hardware & Storage	2.1%	
Semiconductor Devices	2.0%	
Semiconductor Manufacturing	2.0%	
Apparel, Footwear & Accessory Design	1.9%	
Infrastructure Software	1.7%	
Agricultural Machinery	1.3%	
Logistics Services	1.1%	
Oil & Gas Services & Equipment	1.1%	
Fabricated Metal & Hardware	1.0%	
Managed Health Care	1.0%	
Bonds & Debentures		**25.7%**
Short-term Investments		**13.2%**
Other Assets And Liabilities, Net		**0.2%**
Net Assets		**100.0%**

FPA CAPITAL FUND, INC.
PORTFOLIO OF INVESTMENTS
September 30, 2019
(Unaudited)

COMMON STOCKS	Shares	Fair Value
BANKS — 8.9%		
Capitol Federal Financial, Inc.	533,350	$ 7,349,563
First Hawaiian, Inc.	200,439	5,351,721
Investors Bancorp, Inc.	780,928	8,871,342
		$ 21,572,626
EXPLORATION & PRODUCTION — 4.8%		
Noble Energy, Inc.	512,086	$ 11,501,452
COMMUNICATIONS EQUIPMENT — 4.7%		
InterDigital, Inc.	217,065	$ 11,389,401
TECHNOLOGY DISTRIBUTORS — 4.4%		
Arrow Electronics, Inc.(a)	85,726	$ 6,393,445
Avnet, Inc.	96,826	4,307,305
		$ 10,700,750
AIRLINES — 4.4%		
Allegiant Travel Co.	71,341	$ 10,676,894
HOTELS, RESTAURANTS & LEISURE — 4.2%		
Cheesecake Factory, Inc. (The)	156,885	$ 6,538,967
Vail Resorts, Inc.	15,270	3,474,841
		$ 10,013,808
AUTO PARTS — 3.9%		
Dana, Inc.	482,158	$ 6,962,362
Gentex Corp.	86,778	2,389,432
		$ 9,351,794
CONSUMER GOODS — RENTAL — 2.9%		
Aaron's, Inc.	108,523	$ 6,973,688
CONTAINERS & PACKAGING — 2.7%		
Graphic Packaging Holding Co.	445,140	$ 6,565,815
COMPUTER HARDWARE & STORAGE — 2.1%		
Western Digital Corporation	84,327	$ 5,029,262
SEMICONDUCTOR DEVICES — 2.0%		
Ambarella, Inc.(a)	77,044	$ 4,841,060

FPA CAPITAL FUND, INC.
PORTFOLIO OF INVESTMENTS (Continued)
September 30, 2019
(Unaudited)

COMMON STOCKS — Continued	Shares or Principal Amount	Fair Value
SEMICONDUCTOR MANUFACTURING — 2.0%		
MKS Instruments, Inc.	52,445	$ 4,839,625
APPAREL, FOOTWEAR & ACCESSORY DESIGN — 1.9%		
Carter's, Inc.	51,378	$ 4,686,187
INFRASTRUCTURE SOFTWARE — 1.7%		
Cision Ltd.(a)	520,424	$ 4,002,061
AGRICULTURAL MACHINERY — 1.3%		
AGCO Corporation	40,877	$ 3,094,389
LOGISTICS SERVICES — 1.1%		
Ryder System, Inc.	50,024	$ 2,589,742
OIL & GAS SERVICES & EQUIPMENT — 1.1%		
Frank's International NV (Netherlands)(a)	545,088	$ 2,589,168
FABRICATED METAL & HARDWARE — 1.0%		
Valmont Industries, Inc.	17,181	$ 2,378,538
MANAGED HEALTH CARE — 1.0%		
Magellan Health, Inc.(a)	37,025	$ 2,299,252
OTHER COMMON STOCKS — 4.8%(a)(b)		$ 11,681,623
TOTAL COMMON STOCKS — 60.9% (Cost $134,498,182)		$146,777,135
BONDS & DEBENTURES		
U.S. TREASURIES — 25.7%		
U.S. Treasury Notes — 1.00% 11/15/2019	$10,000,000	$ 9,989,258
U.S. Treasury Notes — 1.125% 12/31/2019	7,500,000	7,484,692
U.S. Treasury Notes — 1.125% 3/31/2020	7,000,000	6,973,750
U.S. Treasury Notes — 1.25% 2/29/2020	10,000,000	9,972,559

FPA CAPITAL FUND, INC.
PORTFOLIO OF INVESTMENTS (Continued)
September 30, 2019
(Unaudited)

BONDS & DEBENTURES — Continued	Principal Amount	Fair Value
U.S. Treasury Notes — 1.375% 4/30/2020	$ 7,500,000	$ 7,478,101
U.S. Treasury Notes — 1.50% 10/31/2019	10,000,000	9,994,727
U.S. Treasury Notes — 2.00% 1/31/2020	10,000,000	10,002,051
TOTAL U.S. TREASURIES (Cost $61,874,125)		$ 61,895,138
TOTAL BONDS & DEBENTURES — 25.7% (Cost $61,874,125)		$ 61,895,138
TOTAL INVESTMENT SECURITIES — 86.6% (Cost $196,372,307)		$208,672,273
SHORT-TERM INVESTMENTS — 13.2%		
State Street Bank Repurchase Agreement — 0.25% 10/1/2019 (Dated 09/30/2019, repurchase price of $31,779,221, collateralized by $32,110,000 principal amount U.S. Treasury Notes — 1.75% 2022, fair value $32,419,155)	$31,779,000	$ 31,779,000
TOTAL SHORT-TERM INVESTMENTS (Cost $31,779,000)		$ 31,779,000
TOTAL INVESTMENTS — 99.8% (Cost $228,151,307)		$240,451,273
Other Assets and Liabilities, net — 0.2%		597,682
NET ASSETS — 100.0%		$241,048,955

(a) Non-income producing security.

(b) As permitted by U.S. Securities and Exchange Commission regulations, "Other" Common Stocks include holdings in their first year of acquisition that have not previously been publicly disclosed.

See accompanying Notes to Financial Statements.

FPA CAPITAL FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES

September 30, 2019
(Unaudited)

ASSETS	
Investment securities — at fair value (identified cost $196,372,307)	$208,672,273
Short-term investments — repurchase agreements	31,779,000
Cash	1,071
Receivable for:	
Investment securities sold	752,748
Dividends and interest	261,799
Capital Stock sold	3,450
Total assets	241,470,341
LIABILITIES	
Payable for:	
Advisory fees	133,711
Capital Stock repurchased	90,195
Accrued expenses and other liabilities	197,480
Total liabilities	421,386
NET ASSETS	$241,048,955
SUMMARY OF SHAREHOLDERS' EQUITY	
Capital Stock — par value $0.01 per share; authorized 100,000,000 shares; outstanding 7,921,910 shares	$ 79,219
Additional Paid-in Capital	235,579,974
Distributable earnings	5,389,762
NET ASSETS	$241,048,955
NET ASSET VALUE	
Offering and redemption price per share	$30.43

See accompanying Notes to Financial Statements.

FPA CAPITAL FUND, INC.
STATEMENT OF OPERATIONS
For the Six Months Ended September 30, 2019
(Unaudited)

INVESTMENT INCOME	
Dividends	$ 1,733,926
Interest	791,976
Total investment income	2,525,902
EXPENSES	
Advisory fees	863,119
Director fees and expenses	92,840
Transfer agent fees and expenses	63,442
Legal fees	54,735
Reports to shareholders	41,202
Audit and tax services fees	28,602
Custodian fees	15,271
Filing fees	15,187
Administrative services fees	7,391
Other professional fees	6,674
Other	6,335
Total expenses	1,194,798
Net investment income	1,331,104
NET REALIZED AND UNREALIZED GAIN (LOSS)	
Net realized gain on:	
Investments	(5,797,364)
Net change in unrealized appreciation (depreciation) of:	
Investments	(839,658)
Net realized and unrealized loss	(6,637,022)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	$(5,305,918)

See accompanying Notes to Financial Statements.

FPA CAPITAL FUND, INC.
STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended September 30, 2019 (Unaudited)	Year Ended March 31, 2019
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income	$ 1,331,104	$ 2,501,182
Net realized gain (loss)	(5,797,364)	18,637,349
Net change in unrealized appreciation (depreciation)	(839,658)	(28,123,529)
Net decrease in net assets resulting from operations	(5,305,918)	(6,984,998)
Distributions to shareholders	(2,165,314)	(12,466,718)
Capital Stock transactions:		
Proceeds from Capital Stock sold	906,635	3,942,335
Proceeds from shares issued to shareholders upon reinvestment of dividends and distributions	1,849,575	10,426,382
Cost of Capital Stock repurchased	(29,588,752)	(72,830,501)
Net decrease from Capital Stock transactions	(26,832,542)	(58,461,784)
Total change in net assets	(34,303,774)	(77,913,500)
NET ASSETS		
Beginning of period	275,352,729	353,266,229
End of period	$241,048,955	$275,352,729
CHANGE IN CAPITAL STOCK OUTSTANDING		
Shares of Capital Stock sold	29,783	123,687
Shares issued to shareholders upon reinvestment of dividends and distributions	60,510	369,414
Shares of Capital Stock repurchased	(978,358)	(2,264,994)
Change in Capital Stock outstanding	(888,065)	(1,771,893)

See accompanying Notes to Financial Statements.

FPA CAPITAL FUND, INC.
FINANCIAL HIGHLIGHTS

Selected Data for Each Share of Capital Stock Outstanding Throughout Each Period

	Six Months Ended September 30, 2019 (Unaudited)	Year Ended March 31, 2019	2018	2017	2016	2015
Per share operating performance:						
Net asset value at beginning of period	$31.29	$33.42	$36.39	$32.41	$37.66	$47.46
Income from investment operations:						
Net investment income*	0.16	0.26	0.05	0.05	0.12	0.03
Net realized and unrealized gain (loss) on investment securities	(0.76)	(1.05)	(1.47)	5.80	(4.92)	(5.02)
Total from investment operations	(0.60)	(0.79)	(1.42)	5.85	(4.80)	(4.99)
Less distributions:						
Dividends from net investment income	(0.08)	(0.25)	—	(0.10)	(0.12)	—
Distributions from net realized capital gains	(0.18)	(1.09)	(1.55)	(1.77)	(0.33)	(4.81)
Total distributions	(0.26)	(1.34)	(1.55)	(1.87)	(0.45)	(4.81)
Redemption fees	—	—	—**	—**	—**	—**
Net asset value at end of period	$30.43	$31.29	$33.42	$36.39	$32.41	$37.66
Total investment return***	(1.92)%	(1.92)%	(4.05)%	18.09%	(12.74)%	(11.49)%
Ratios/supplemental data:						
Net assets, end of period (in $000's)	$241,049	$275,353	$353,266	$789,441	$759,467	$1,076,477
Ratio of expenses to average net assets:	0.93%†	0.89%	0.83%	0.80%	0.77%	0.83%
Ratio of net investment income to average net assets:	1.04%†	0.78%	0.15%	0.14%	0.34%	0.08%
Portfolio turnover rate	75%†	82%	66%	23%	45%	38%

* Per share amount is based on average shares outstanding.

** Rounds to less than $0.01 per share.

*** Return is based on net asset value per share, adjusted for reinvestment of distributions, and does not reflect deduction of the sales charge.

† Annualized.

See accompanying Notes to Financial Statements.

FPA CAPITAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS

September 30, 2019
(Unaudited)

NOTE 1 — Significant Accounting Policies

FPA Capital Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as a diversified, open-end investment company. The Fund's primary investment objective is long-term capital growth. Current income is a factor, but a secondary consideration. The Fund qualifies as an investment company pursuant to Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) No. 946, Financial Services — Investment Companies. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

A. Security Valuation

The Fund's investments are reported at fair value as defined by accounting principles generally accepted in the United States of America, ("U.S. GAAP"). The Fund generally determines its net asset value as of approximately 4:00 p.m. New York time each day the New York Stock Exchange is open. Further discussion of valuation methods, inputs and classifications can be found under Disclosure of Fair Value Measurements.

B. Securities Transactions and Related Investment Income

Securities transactions are accounted for on the date the securities are purchased or sold. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income and expenses are recorded on an accrual basis.

C. Use of Estimates

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

D. Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820) — Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments eliminate certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. The new guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. An entity is permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. The Adviser is currently evaluating the impact of this new guidance on the Fund's financial statements.

NOTE 2 — Risk Considerations

Investing in the Fund may involve certain risks including, but not limited to, those described below.

Market Risk: Because the values of the Fund's investments will fluctuate with market conditions, so will the value of your investment in the Fund. You could lose money on your investment in the Fund or the Fund could underperform other investments.

Common Stocks and Other Securities: The prices of common stocks and other securities held by the Fund may decline in response to certain events taking place around the world, including; those directly involving companies whose securities are owned by the Fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations. In addition, the Adviser's emphasis on a value-oriented investment approach generally results in the Fund's portfolio being invested primarily in medium or smaller sized companies. Smaller companies may be subject to a greater degree of change in earnings and business prospects than larger, more established companies, and smaller companies are often more reliant on key products or personnel than larger companies. Also, securities of smaller companies are traded in lower volumes than those issued by larger companies and may be more volatile than those of larger companies. In light of these characteristics of smaller companies and their securities, the Fund may be subjected to greater risk than that assumed when investing in the equity securities of larger companies.

Covered Call Options: In an effort to increase potential income, the Fund may write (i.e. sell) covered call options listed on a national securities exchange. When the Fund writes a listed call option, the purchaser has the right to buy a security from the Fund at a fixed exercise price any time before the option contract expires, regardless of changes in the market price of the underlying security. The Fund writes options only on securities it owns (covered options) and must retain ownership of the underlying security while the option is outstanding. Until the option expires, the Fund cannot profit from a rise in the market price of the underlying security over the exercise price, except insofar as the premium which the Fund receives, net of commissions, represents a profit. The premium paid to the Fund is the consideration for undertaking this obligation. If a covered call option written by the Fund expires unexercised, the Fund realizes a capital gain on the expiration date equal to the premium received at the time the option was written. Prior to the earlier of exercise or expiration, an option may be closed out by an offsetting purchase of an option of the same series (type, underlying security, exercise price and expiration). There can be no assurance, however, that a closing purchase transaction can be effected when the Fund desires. The Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or a capital loss if the cost of the closing option is more than the premium received from writing the option.

Repurchase Agreements: Repurchase agreements permit the Fund to maintain liquidity and earn income over periods of time as short as overnight. Repurchase agreements held by the Fund are fully collateralized by U.S. Government securities, or securities issued by U.S. Government agencies, or securities that are within the three highest credit categories assigned by established rating agencies (Aaa, Aa, or A by Moody's or AAA, AA or A by Standard & Poor's) or, if not rated by Moody's or Standard & Poor's, are of equivalent investment quality as determined by the Adviser. Such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its fair value equals or exceeds the current fair value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation.

The Fund may enter into repurchase agreements, under the terms of a Master Repurchase Agreement ("MRA"). The MRA permits the Fund, under certain circumstances including an event of default (such as bankruptcy or insolvency), to offset payables and/or receivables under the MRA with collateral held and/or posted to the counterparty and create one single net payment due to or from the Fund. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of a MRA counterparty's bankruptcy or insolvency. Pursuant to the terms of the MRA, the Fund receives securities as collateral with a fair value in excess of the repurchase price to be received by the Fund upon the maturity of the repurchase transaction. Upon a bankruptcy or insolvency of the MRA counterparty, the Fund recognizes a liability with respect to such excess collateral to reflect the Fund's obligation under bankruptcy law to return the excess to the counterparty. Repurchase agreements outstanding at the end of the period are listed in the Fund's Portfolio of Investments.

NOTE 3 — Purchases and Sales of Investment Securities

Cost of purchases of investment securities (excluding short-term investments) aggregated $64,421,131 for the period ended September 30, 2019. The proceeds and cost of securities sold resulting in net realized losses of $5,797,364 aggregated $104,791,720 and $110,589,084, respectively, for the period ended September 30, 2019. Realized gains or losses are based on the specific identification method.

NOTE 4 — Federal Income Tax

No provision for federal income tax is required because the Fund has elected to be taxed as a "regulated investment company" under the Internal Revenue Code (the "Code") and intends to maintain this qualification and to distribute each year to its shareholders, in accordance with the minimum distribution requirements of the Code, its taxable net investment income and taxable net realized gains on investments.

The cost of investment securities held at September 30, 2019, was $0 for federal income tax purposes. Gross unrealized appreciation and depreciation for all investment at September 30, 2019, for federal income tax purposes was $0 and $0, respectively resulting in net unrealized appreciation of $0. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the year, the Fund did not incur any interest or penalties. The statute of limitations remains open for the last 3 years, once a return is filed. No examinations are in progress at this time.

NOTE 5 — Advisory Fees and Other Affiliated Transactions

Pursuant to an Investment Advisory Agreement, advisory fees were paid by the Fund to First Pacific Advisors, LP (the "Adviser"). Under the terms of this Agreement, the Fund pays the Adviser a monthly fee calculated at the annual rate of 0.75% of the first $50 million of the Fund's average daily net assets and 0.65% of the average daily net assets in excess of $50 million. The Agreement obligates the Adviser to reduce its fee to the extent necessary to reimburse the Fund for any annual expenses (exclusive of interest, taxes, the cost of any supplemental statistical and research information, and extraordinary expenses such as litigation) in excess of 1½% of the first $30 million and 1% of the remaining average net assets of the Fund for the year.

For the period ended September 30, 2019, the Fund paid aggregate fees and expenses of $92,840 to all Directors who are not affiliated persons of the Adviser. Certain officers of the Fund are also officers of the Adviser.

NOTE 6 — Disclosure of Fair Value Measurements

The Fund uses the following methods and inputs to establish the fair value of its assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve.

Equity securities are generally valued each day at the official closing price of, or the last reported sale price on, the exchange or market on which such securities principally are traded, as of the close of business on that day. If there have been no sales that day, equity securities are generally valued at the last available bid price. Securities that are unlisted and fixed-income and convertible securities listed on a national securities exchange for which the over-the-counter ("OTC") market more accurately reflects the securities' value in the judgment of the Fund's officers, are valued at the most recent bid price. Short-term corporate notes with maturities of 60 days or less at the time of purchase are valued at amortized cost.

Securities for which representative market quotations are not readily available or are considered unreliable by the Adviser are valued as determined in good faith under procedures adopted by the authority of the Fund's Board of Directors. Various inputs may be reviewed in order to make a good faith determination of a security's value. These inputs include, but are not limited to, the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; significant events occurring after the close of trading in the security; and changes in overall market conditions. Fair valuations and valuations of investments that are not actively trading involve judgment and may differ materially from valuations of investments that would have been used had greater market activity occurred.

The Fund classifies its assets based on three valuation methodologies. Level 1 values are based on quoted market prices in active markets for identical assets. Level 2 values are based on significant observable market inputs, such as quoted prices for similar assets and quoted prices in inactive markets or other market observable inputs as noted above including spreads, cash flows, financial performance, prepayments, defaults, collateral, credit enhancements, and interest rate volatility. Level 3 values are based on significant unobservable inputs that reflect the Fund's determination of assumptions that market participants might reasonably use in valuing the assets. The valuation levels are not necessarily an indication of the risk associated with investing in those securities. The following table presents the valuation levels of the Fund's investments as of September 30, 2019:

Investments	Level 1	Level 2	Level 3	Total
Common Stocks				
Banks	$ 21,572,626	—	—	$ 21,572,626
Exploration & Production	11,501,452	—	—	11,501,452
Communications Equipment	11,389,401	—	—	11,389,401
Technology Distributors	10,700,750	—	—	10,700,750
Airlines	10,676,894	—	—	10,676,894
Hotels, Restaurants & Leisure	10,013,808	—	—	10,013,808
Auto Parts	9,351,794	—	—	9,351,794
Consumer Goods — Rental	6,973,688	—	—	6,973,688
Containers & Packaging	6,565,815	—	—	6,565,815
Computer Hardware & Storage	5,029,262	—	—	5,029,262
Semiconductor Devices	4,841,060	—	—	4,841,060
Semiconductor Manufacturing	4,839,625	—	—	4,839,625
Apparel, Footwear & Accessory Design	4,686,187	—	—	4,686,187
Infrastructure Software	4,002,061	—	—	4,002,061
Agricultural Machinery	3,094,389	—	—	3,094,389
Logistics Services	2,589,742	—	—	2,589,742
Oil & Gas Services & Equipment	2,589,168	—	—	2,589,168
Fabricated Metal & Hardware	2,378,538	—	—	2,378,538
Managed Health Care	2,299,252	—	—	2,299,252

Investments	Level 1	Level 2	Level 3	Total
Other Common Stocks	$ 11,681,623	—	—	$ 11,681,623
U.S. Treasuries	—	$61,895,138	—	61,895,138
Short-Term Investment	—	31,779,000	—	31,779,000
	$146,777,135	$93,674,138	—	$240,451,273

Transfers of investments between different levels of the fair value hierarchy are recorded at fair value as of the end of the reporting period. There were no transfers between Levels 1, 2, or 3 during the period ended September 30, 2019.

NOTE 7 — Collateral Requirements

FASB Accounting Standards Update No. 2011-11, Disclosures about Offsetting Assets and Liabilities, requires disclosures to make financial statements that are prepared under U.S. GAAP more comparable to those prepared under International Financial Reporting Standards. Under this guidance the Fund discloses both gross and net information about instruments and transactions eligible for offset such as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the Fund discloses collateral received and posted in connection with master netting agreements or similar arrangements.

The following table presents the Fund's repurchase agreements by counterparty net of amounts available for offset under an ISDA Master agreement or similar agreements and net of the related collateral received or pledged by the Fund as of September 30, 2019, are as follows:

		Gross Amounts Not Offset in the Statement of Assets and Liabilities		
Counterparty	Gross Assets (Liabilities) in the Statement of Assets and Liabilities	Collateral (Received)	Assets (Liabilities) Available for Offset	Net Amount of Assets (Liabilities)*
State Street Bank and Trust Company:				
Repurchases Agreement	$31,799,000	$(31,779,000)**	—	—

* Represents the net amount receivable from the counterparty in the event of default.

** Collateral with a value of $32,419,155 has been received in connection with a master repurchase agreement. Excess of collateral received from the individual master repurchase agreement is not shown for financial reporting purposes.

FPA CAPITAL FUND, INC.
SHAREHOLDER EXPENSE EXAMPLE

September 30, 2019 (Unaudited)

Fund Expenses

Mutual fund shareholders generally incur two types of costs: (1) transaction costs, and (2) ongoing costs, including advisory and administrative fees; shareholder service fees; and other Fund expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of $1,000 invested at the beginning of the year and held for the entire year.

Actual Expenses

The information in the table under the heading "Actual Performance" provides information about actual account values and actual expenses. You may use the information in this column, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first column in the row entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical Performance (5% return before expenses)" provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical Performance (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher. Even though the Fund does not charge transaction fees, if you purchase shares through a broker, the broker may charge you a fee. You should evaluate other mutual funds' transaction fees and any applicable broker fees to assess the total cost of ownership for comparison purposes.

	Actual Performance	Hypothetical Performance (5% return before expenses)
Beginning Account Value March 31, 2019	$1,000.00	$1,000.00
Ending Account Value September 30, 2019	$ 980.80	$1,020.35
Expenses Paid During Period*	$ 4.61	$ 4.70

* Expenses are equal to the Fund's annualized expense ratio of 0.93%, multiplied by the average account value over the period and prorated for the six-months ended September 30, 2019 (183/366 days).

FPA CAPITAL FUND, INC.
APPROVAL OF INVESTMENT ADVISORY AGREEMENT
(Unaudited)

Approval of the Advisory Agreement. At a meeting of the Board of Directors held on August 12, 2019, the Directors approved the continuation of the advisory agreement between the Fund and the Adviser (the "Advisory Agreement") for an additional one-year period through September 30, 2020, on the recommendation of the Independent Directors, who met in executive session on August 12, 2019 prior to the Board meeting to review and discuss the proposed continuation of the Advisory Agreement. The Board had also met on July 8, 2019, with the Independent Directors meeting separately prior to the Meeting in executive session with the management of the Adviser and then separately with independent counsel to evaluate the renewal of the Advisory Agreement. Prior to their July 8 meeting, the Independent Directors, through their independent counsel, had requested and received extensive materials prepared in connection with the review of the Advisory Agreements. The materials provided a broad range of information regarding the Fund, including a description of, among other matters, the terms of the Advisory Agreement; the services provided by the Adviser; the experience of the relevant investment personnel; the Fund's performance in absolute terms and as compared to the performance of peers and appropriate benchmark(s); the fees and expenses of the Fund in absolute terms and as compared to peers; and the profitability of the Adviser from serving as adviser to the Fund. Following their review at the July 8 meeting, the Independent Directors requested (through their independent counsel) and received supplemental information and responses to a number of questions relating to the materials provided by the Adviser.

In addition, the Board met regularly throughout the year and received information on a variety of topics that were relevant to its annual consideration of the renewal of the Advisory Agreement including, among other matters, Fund investment performance, compliance, risk management, liquidity, valuation, trade execution and other matters relating to Fund operations. The Independent Directors also had met with management of the Adviser (including key investment personnel) at their quarterly meetings as well as with management at other times between the quarterly meetings throughout the year. The materials specifically provided in connection with the annual review of the Advisory Agreement supplement the information received throughout the year.

At their regular Board meetings and executive sessions, the Independent Directors were also assisted by independent legal counsel. In addition to the materials provided by the Adviser, the Independent Directors received a legal memorandum from independent counsel that outlined, among other matters: the duties of the Independent Directors and relevant requirements under the 1940 Act; the general principles under state law relevant to considering the approval of advisory contracts; an adviser's fiduciary duty with respect to advisory agreements and compensation; the standards used by courts in determining whether investment advisers and investment company boards of trustees have fulfilled their duties; and factors to be considered by the Independent Directors when voting on advisory agreements. During executive session, independent legal counsel reviewed with the Independent Directors these duties, standards and factors summarized in the legal memorandum described above. The following paragraphs summarize the material information and factors considered by the Board and the Independent Directors, as well as the Directors' conclusions relative to such factors.

Nature, Extent and Quality of Services. The Board and the Independent Directors considered information provided by the Adviser in response to their requests, as well as information provided throughout the year regarding: the Adviser and its staffing in connection with the Fund, including the Fund's portfolio manager and the two analysts supporting him; the scope of services provided by the Adviser, including portfolio supervision and supervision of other service providers performed by the Adviser. The Board and the Independent Directors noted the experience, length of service and reputation of the Fund's portfolio manager, Arik A. Ahitov, who has served as portfolio manager of the Fund since February 2014 and previously served as an associate portfolio manager of the Fund from July 2013 to February 2014. They also noted that FPA recently had a transition in the management of the Fund: Arik Ahitov became the Fund's sole portfolio manager effective October 1, 2017, at which time Dennis Bryan stepped down from his former role as a portfolio manager and became a strategic adviser to Mr. Ahitov and the investment team. The Board and the Independent Directors concluded that the nature, extent and quality of services provided by the Adviser have benefited and should continue to benefit the Fund and its shareholders.

Investment Performance. The Board and the Independent Directors reviewed the overall investment performance of the Fund. The Directors also received information from an independent consultant, Broadridge, regarding the Fund's performance relative to a peer group of midcap core funds selected by Broadridge (the "Peer Group"). The Board and the Independent Directors noted that the Fund outperformed its Peer Group for the one-year period ending March 31, 2019, underperformed its Peer Group for the one-, three-, five- and 10-year periods ending March 31, 2019, and underperformed the Fund's benchmark, Russell 2000 Index, for the one-, three-, five- and 10-year period ended March 31, 2019. They also noted that Broadridge had given the Fund a "Neutral" Analyst Rating. The Board and the Independent Directors considered the Fund's investment results in light of the Fund's objectives and the recent transition, and they concluded that the Adviser's continued management of the Fund should benefit the Fund and its shareholders.

Advisory Fees and Fund Expenses; Comparison with Peer Group and Institutional Fees. The Board and the Independent Directors considered information provided by the Adviser regarding the Fund's advisory fees and total expense levels. The Board and the Independent Directors reviewed comparative information regarding fees and expenses for the Peer Group. The Directors noted that the Fund's fees and expenses were at the lower end of the range for the Peer Group. The Board and the Independent Directors also noted that the overall expense ratio of the Fund was relatively low compared to the Peer Group. The Board and the Independent Directors considered the fees charged by the Adviser for advising institutional accounts and sub-advising another mutual fund managed in a similar style, as well as the Adviser's discussion of the differences between the services provided by the Adviser to the Fund and those provided by the Adviser to the sub-advised fund and institutional accounts. The Board and the Independent Directors concluded that the continued payment of advisory fees and expenses by the Fund to the Adviser was fair and reasonable and should continue to benefit the Fund and its shareholders.

Adviser Profitability and Costs. The Board and the Independent Directors considered information provided by the Adviser regarding the Adviser's costs in providing services to the Fund, the profitability of the Adviser and the benefits to the Adviser from its relationship to the Fund. They reviewed and considered the Adviser's representations regarding its assumptions and methods of allocating certain costs, such as personnel costs, which constitute the Adviser's largest operating cost, overhead and trading costs with respect to the provision of investment advisory services. The Independent Directors discussed with the Adviser the general process through which individuals' compensation is determined and then reviewed by the management committee of the Adviser, as well as the Adviser's methods for determining that its compensation levels are set at appropriate levels to attract and retain the personnel necessary to provide high quality professional investment advice. In evaluating the Adviser's profitability, they excluded certain distribution and marketing-related expenses. The Board and the Independent Directors recognized that the Adviser is entitled under the law to earn a reasonable level of profits for the services that it provides to the Fund. The Board and the Independent Directors concluded that the Adviser's level of profitability from its relationship with the Fund did not indicate that the Adviser's compensation was unreasonable or excessive.

Economies of Scale and Sharing of Economies of Scale. The Board and the Independent Directors considered whether there have been economies of scale with respect to the management of the Fund, whether the Fund has appropriately benefited from any economies of scale, and whether the fee rate is reasonable in relation to the Fund's asset levels and any economies of scale that may exist. The Board and the Independent Directors considered the Adviser's representation that its internal costs of providing investment management services to the Fund have significantly increased in recent years as a result of a number of factors, including the Adviser's substantial investment in additional professional resources and staffing. The Board and the Independent Directors considered both quantitative and qualitative information regarding the Adviser's representation that it has also made significant investments in: (1) the portfolio managers, analysts, traders and other investment personnel who assist with the management of the Fund; (2) new compliance, operations, and administrative personnel; (3) information technology, portfolio accounting and trading systems; and (4) office space, each of which enhances the quality of services provided to the Fund. The Board and the Independent Directors also considered that the Adviser had agreed to forgo the reimbursement for providing certain financial services that it had previously received from the Fund. The Board and the Independent Directors also considered the Adviser's willingness to close funds, including the Fund, to new investors when it believed that the Fund had limited capacity to grow or that it otherwise would benefit fund shareholders. The Board and the Independent Directors also noted that, even though the Fund is currently closed to new investors and it continues to experience outflows of investment capital, the Adviser has continued to make investments in personnel servicing the Fund and enhancements to the services it provides to the Fund.

The Independent Directors noted that the fee rate contained a breakpoint as the Fund's assets increased. They considered that many mutual funds have breakpoints in the advisory fee structure as a means by which to share in the benefits of potential economies of scale as a fund's assets grow. They also considered that not all funds have breakpoints in their fee structures and that breakpoints are not the exclusive means of sharing potential economies of scale. The Board and the Independent Directors considered the Adviser's statement that it believes that additional breakpoints would not be appropriate for the Fund at this time given the ongoing investments the Adviser is making in its business for the benefit of the Fund, uncertainties regarding the direction of the economy, rising inflation, increasing costs for personnel and systems, and the limited prospect for growth in the Fund's assets given the limited availability of shares of the Fund to new shareholders, all of which could negatively impact the profitability of the Adviser. The Board and the Independent Directors concluded that the Fund is benefitting from the ongoing investments made by the Adviser in its team of personnel serving the Fund and in the Adviser's service infrastructure, and that in light of these investments, additional breakpoints in the Fund's advisory fee structure were not warranted at current asset levels.

Ancillary Benefits. The Board and the Independent Directors considered other actual and potential benefits to the Adviser from managing the Fund, including the acquisition and use of research services with commissions generated by the Fund, in concluding that the contractual advisory and other fees are fair and reasonable for the Fund. They noted that the Adviser does not have any affiliates that benefit from the Adviser's relationship to the Fund.

Conclusions. The Board and the Independent Directors determined that the Fund continues to benefit from the services of the Adviser's portfolio management and research team. In addition, the Board and the Independent Directors agreed that the Fund continues to receive high quality services from the Adviser. The Board and the Independent Directors concluded that the current advisory fee rate is reasonable and fair to the Fund and its shareholders in light of the nature and quality of the services provided by the Adviser and the Adviser's profitability and costs. The Board and the Independent Directors also noted their intention to continue monitoring the factors relevant to the Adviser's compensation, such as the performance of the Fund, changes in the Fund's asset levels, changes in portfolio management personnel and the cost and quality of the services provided by the Adviser to the Fund. On the basis of the foregoing, and without assigning particular weight to any single factor, none of which was dispositive, the Board and the Independent Directors concluded that it would be in the best interests of the Fund to continue to be advised and managed by the Adviser and determined to approve the continuation of the current Advisory Agreement for another one-year period through September 30, 2020.

FPA CAPITAL FUND, INC.
DIRECTOR AND OFFICER INFORMATION

(Unaudited)

Sandra Brown, Mark L. Lipson, Alfred E. Osborne, Jr., A. Robert Pisano, and Patrick B. Purcell are all Directors of the Fund who are not "interested persons" of the Fund, as that term is defined in the 1940 Act (collectively, the "Independent Directors"). Directors serve until their resignation, removal or retirement. The Statement of Additional Information includes additional information about the Directors and is available, without charge, upon request by calling (800) 982-4372.

Name, Address[(1)] and Year of Birth	Position(s) Held with the Fund	Year First Elected as Director of the Fund	Principal Occupation(s) During the Past Five Years	Number of FPA Funds Overseen by Director	Other Directorships Held by Director During the Past Five Years
Independent Directors					
Sandra Brown, 1955	Director	2016	Consultant (since 2009). Formerly, CEO and President of Transamerica Financial Advisers, Inc. (1999-2009); President, Transamerica Securities Sales Corp. (1998-2009); Vice President, Bank of America Mutual Fund Administration (1990-1998). Director/Trustee of FPA Capital, Inc., FPA Funds Trust, FPA New Income, Inc., FPA Paramount Fund, Inc., FPA U.S. Value Fund, Inc. and Source Capital, Inc. (since October 2016).	8	None
Mark L. Lipson, 1949	Director & Chairman	2015	Registered Investment Adviser, ML2 Advisors, LLC (since 2014). Formerly Managing Director, Bessemer Trust (2007-2014) and US Trust (2003-2006); Chairman and CEO of the Northstar Mutual Funds (1993-2001); and President and CEO of the National Mutual Funds (1988-1993). Director/Trustee of FPA Capital, Inc., FPA Funds Trust, FPA New Income, Inc., FPA Paramount Fund, Inc., FPA U.S. Value Fund, Inc. and Source Capital, Inc. (since October 2015).	8	None
Alfred E. Osborne, Jr., 1944	Director	1999	Senior Associate Dean (since July 2019), Professor and Faculty Director (since July 2018), Interim Dean (July 2018-June 2019), Price Center for Entrepreneurship and Innovation at the John E. Anderson School of Management at UCLA. Dr. Osborne has been at UCLA since 1972. Director/Trustee of FPA Capital Fund, Inc. and FPA New Income, Inc. (since 1999), of FPA Funds Trust (since 2002), of FPA Paramount Fund, Inc., FPA U.S. Value Fund, Inc. and Source Capital, Inc. (since 2013).	8	Kaiser Aluminum, and Wedbush, Inc.

FPA CAPITAL FUND, INC.
DIRECTOR AND OFFICER INFORMATION (Continued)
(Unaudited)

Name, Address[1] and Year of Birth	Position(s) Held with the Fund	Year First Elected as Director of the Fund	Principal Occupation(s) During the Past Five Years	Number of FPA Funds Overseen by Director	Other Directorships Held by Director During the Past Five Years
A. Robert Pisano, 1943	Director	2013	Consultant (since 2012). Formerly, President and Chief Operating Officer of The Motion Picture Association of America, Inc. (October 2005-2011). Formerly, National Executive Director and Chief Executive Officer of The Screen Actors Guild (2001-2005). Director/Trustee of FPA Paramount Fund, Inc. and FPA U.S. Value Fund, Inc. (since 2012), and of FPA Capital, Inc., FPA Funds Trust, FPA New Income, Inc. and Source Capital, Inc. (since 2013).	8	Resources Global Professionals
Patrick B. Purcell, 1943	Director	2006	Retired (since 2000). Formerly, Consultant to Paramount Pictures 1998-2000; Executive Vice President, Chief Financial and Administrative Officer of Paramount Pictures (1983-1998). Director/Trustee of FPA Capital, Inc., FPA Funds Trust and FPA New Income, Inc. (since 2006), of Source Capital, Inc. (since 2010), of FPA U.S. Value Fund, Inc. and FPA Paramount Fund, Inc. (since 2012).	8	None
"Interested" Director[2]					
J. Richard Atwood, 1960	Director	2016	Director and President of FPA GP, Inc., the General Partner of the Adviser (since October 2018). Director/Trustee of each FPA Fund (since 2016). President of each FPA Fund (since 2015). Formerly, Managing Partner of FPA (2006-2018). Formerly, until 2015, Treasurer of each FPA Fund for more than the past five years.	8	None

(1) The address of each Director is 11601 Wilshire Boulevard, Suite 1200, Los Angeles, California 90025.
(2) "Interested person" within the meaning of the 1940 Act by virtue of their affiliation with the Fund's Adviser.

FPA CAPITAL FUND, INC.
DIRECTOR AND OFFICER INFORMATION (Continued)
(Unaudited)

Officers of the Fund. Officers of the Fund are elected annually by the Board.

Name, Address[(1)] and Year of Birth	Position with Fund	Year First Elected as Officer of the Fund	Principal Occupation(s) During the Past Five Years
Arik A. Ahitov, 1975	Vice President and Portfolio Manager	2013	Partner of the Adviser (since January 2015). Managing Director of the Adviser (January 2013 to December 2014), Vice President of the Adviser (October 2010 to December 2012). Formerly, Vice President of Shamrock Capital Advisors, LLC from September 2004 to September 2010.
J. Richard Atwood, 1960	President	1997	Director and President of FPA GP, Inc., the General Partner of FPA (since October 2018). Director/Trustee of each FPA Fund (since May 2016). President of each FPA Fund (since February 2015). Formerly, Managing Partner of FPA (2006-2018). Formerly, until February 2015, Treasurer of each FPA Fund for more than the past five years.
Karen E. Richards, 1969	Chief Compliance Officer	2019	Chief Compliance Officer of FPA (since August 2018). Formerly, Deputy Chief Compliance Officer of First Republic Investment Management, LLC (from February 2016 to March 2018), and Vice President, Senior Compliance Officer of Pacific Investment Management Company (from June 2010 to January 2016).
E. Lake Setzler III, 1967	Treasurer	2006	Senior Vice President (since January 2013) and Controller of FPA; and Treasurer of each FPA Fund (since February 2015). Formerly, until February 2015, Assistant Treasurer of each FPA Fund (February 2006 to February 2015).
Rebecca D. Gilding, 1979	Secretary	2019	Vice President and Counsel, State Street Bank and Trust Company (since April 2016). Formerly, Assistant Vice President and Associate Counsel, Brown Brothers Harriman & Co. (September 2013 to April 2016).

(1) The address for each Officer (except Ms. Gilding) is 11601 Wilshire Boulevard, Suite 1200, Los Angeles, California 90025. Ms. Gilding address is State Street Bank and Trust Company, One Lincoln Street, Boston, Massachusetts 02111.

FPA CAPITAL FUND, INC.

(Unaudited)

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TICKER SYMBOL: FPPTX
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This report has been prepared for the information of shareholders of FPA CAPITAL FUND, INC., and is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus. The financial information included in this report has been taken from the records of the Fund without examination by independent auditors.

A description of the policies and procedures that the Adviser uses to vote proxies related to the Fund's portfolio securities is set forth in the Fund's Statement of Additional Information which is available without charge, upon request, on the Fund's website at www.fpa.com or by calling (800) 982-4372 and on the Securities and Exchange Commission's website at www.sec.gov.

The Fund's complete proxy voting record for the 12 months ended June 30, 2019 is available without charge, upon request by calling (800) 982-4372 and on the SEC's website at www.sec.gov.

The Fund's schedule of portfolio holdings, filed the first and third quarter of the Fund's fiscal year on Form N-Q with the SEC, is available on the SEC's website at www.sec.gov. To obtain Form N-Q from the Fund, shareholders can call (800) 982-4372.

Additional information about the Fund is available online at www.fpa.com. This information includes, among other things, holdings, top sectors, and performance, and is updated on or about the 15th business day after the end of each quarter.