

Highlights

Primary investment objective is to seek maximum total return for shareholders from both capital appreciation and investment income to the extent consistent with protection of invested capital.

- Generally, under normal conditions, 50-70% of the Fund's assets will be allocated to equities, and 30-50% allocated to fixed-income.
- The Fund will invest in public equities of large businesses from around the world (generally with market capitalizations in excess of \$10 billion).
- Absolute return focus - investments require a compelling risk/reward proposition on an absolute basis.
- Flexible approach - invest across capital structure, geographies, sectors and market caps. Allocation to fixed-income will increase in the absence of compelling equity opportunities.
- Deep research - independent, bottom-up, fundamental research process seeking to minimize risk.

Investment Team

Equity and Asset Allocation

Steven Romick, CFA

Joined FPA in 1996

Brian Selmo, CFA

Joined FPA in 2008

Mark Landecker, CFA

Joined FPA in 2009

Fixed Income

Thomas Atteberry, CFA

Joined FPA in 1997

Abhijeet Patwardhan

Joined FPA in 2010

Fund Facts (Common Stock)

| | |
|-----------------------------|---------------|
| Ticker Symbol | SOR |
| NAV | \$35.61 |
| Market Price | \$30.69 |
| % Premium (Discount) | -13.82 |
| Fund Assets | \$302 Million |
| Fund Inception ¹ | June 1, 1968 |

| | |
|--|------------------|
| Current Manager Inception ² | December 1, 2015 |
| Expense Ratio (as of most recent report) | 1.00% |
| Dividend Frequency | Quarterly |
| Distribution Rate (% NAV) | 2.73% |
| Distribution Rate (% market price) | 3.22% |
| Total % Portfolio Effectively Leveraged (annual) | 0.00% |

The Net Asset Value (NAV) is the market value of one share of the Fund. The NAV is calculated by subtracting the Fund's liabilities from the value of the Fund's total assets and dividing it by the number of the Fund's outstanding shares.

¹ Reflects the date when the Fund was first available for purchase under FPA management.

² Reflects the date the current portfolio manager began managing the Fund.

Performance

Historical (%)³

| Fund/Index | Since 12/1/15* | 1 Year | YTD | QTD | 10 Years** | 5 Years** |
|----------------------------|----------------|--------|--------|--------|------------|-----------|
| Source Capital | 1.78 | -11.60 | -19.39 | -19.39 | 7.51 | 0.73 |
| 60% S&P500/40% BBgBarc Agg | 6.26 | -0.39 | -10.88 | -10.88 | 8.08 | 5.63 |
| S&P 500 | 7.30 | -6.98 | -19.60 | -19.60 | 10.53 | 6.73 |

³ Periods over one year are annualized.

* On December 1, 2015, the Fund transitioned to a balanced strategy and the current portfolio managers assumed management of the Fund on that date.

** Performance prior to December 1, 2015 reflects the performance of the prior portfolio manager and investment strategy. Performance prior to December 1, 2015 is not indicative of performance for any subsequent periods.

Past performance is not indicative of future performance. Fund performance changes over time and current performance may be lower or higher than what is stated. Current performance information is updated monthly and is available by calling 1-800-982-4372. The returns shown for Source Capital are calculated at net asset value per share, including reinvestment of all distributions. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions, which would lower these figures. Since Source Capital is a closed-end investment company and its shares are bought and sold on the New York Stock Exchange, your performance may also vary based upon the market price of the common stock.

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, by email at crm@fpa.com, toll free by calling 1-800-982-4372, or by contacting the Fund in writing.

S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The index focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, but is also considered a proxy for the total market. Bloomberg Barclays U.S. Aggregate Bond Index provides a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the index must have at least 1 year remaining in maturity. In addition, the securities must be denominated in U.S. dollars and must be fixed rate, nonconvertible, and taxable. 60% S&P 500/40% Bloomberg Barclays U.S. Aggregate Bond Index is a hypothetical combination of unmanaged indices comprised of 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index, representing the Fund's neutral mix of 60% stocks and 40% bonds. An investor cannot invest directly in an index. Comparison to any index is for illustrative purposes only. Index returns do not reflect transactions costs, investment management fees or other commissions, fees and expenses that would reduce performance for an investor. The Fund does not include outperformance of any index or benchmark in its investment objectives.

Portfolio Information

| | |
|--|-----------|
| Number of Equity Holdings | 39 |
| Number of Fixed Income Holdings (excl. cash & equivalents) | 263 |
| Turnover (as of most recent report) | 29% |
| Active Share ⁴ | 86.9% |
| Effective Maturity ⁵ | 2.1 years |
| Effective Duration ⁵ | 1.4 years |
| Yield-to-Worst ⁶ | 6.57% |

Sector Breakdown (GICS)⁷

| | |
|------------------------|-------|
| Communication Services | 14.6% |
| Financials | 10.3% |
| Information Technology | 9.3% |
| Consumer Discretionary | 7.7% |
| Industrials | 5.8% |
| Materials | 4.1% |
| Energy | 1.4% |
| Health Care | 0.8% |
| Real Estate | 0.6% |
| Consumer Staples | 0.0% |
| Utilities | 0.0% |

Top 10 Holdings⁸

| | |
|--------------------------|--------------|
| Alphabet | 4.7% |
| Comcast | 2.8% |
| Broadcom | 2.7% |
| Analog Devices | 2.5% |
| AIG | 2.2% |
| Charter Communications | 2.2% |
| LafargeHolcim | 2.1% |
| Facebook | 2.1% |
| Groupe Bruxelles Lambert | 2.0% |
| Naspers | 1.9% |
| Total | 25.2% |

Totals might not add up due to rounding.

Fund Risks

Investing in closed-end funds involves risk, including loss of principal. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. It is important to remember that there are risks inherent in any investment and there is no assurance that any investment or asset class will provide positive performance over time. Value style investing presents the risk that the holdings or securities may never reach our estimate of intrinsic value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other style investing during given periods. Non-U.S. investing presents additional risks, such as the potential for adverse political, currency, economic, social or regulatory developments in a country, including lack of liquidity, excessive taxation, and differing legal and accounting standards. Non-U.S. securities, including American Depository Receipts (ADRs) and other depository receipts, are also subject to interest rate and currency exchange rate risks.

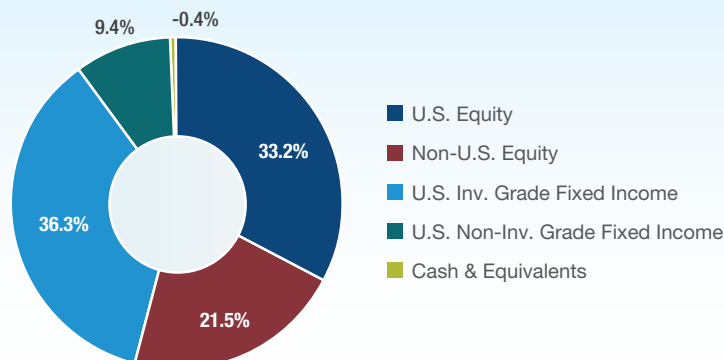
Fixed income securities are subject to interest rate, inflation and credit risks. Lower rated bonds, convertible securities, and other types of debt obligations involve greater risks than higher rated bonds. The return of principal for a bond is not guaranteed. Mortgage securities and collateralized mortgage obligations (CMOs) are subject to prepayment risk and the risk of default on the underlying mortgages or other assets; such derivatives may increase volatility. Convertible securities are generally not investment grade and are subject to greater credit risk than higher-rated investments. High yield securities can be volatile and subject to much higher instances of default.

Interest rate risk is when interest rates go up, the value of fixed income securities, such as bonds, typically go down and investors may lose principal value. Credit risk is the risk of loss of principal due to the issuer's failure to repay a loan. Generally, the lower the quality rating of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. If an issuer defaults the security may lose some or all its value.

Portfolio composition will change due to ongoing management of the Fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, FPA, or the portfolio managers. 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.

Please consult your tax advisor regarding higher capital gains distributions due to a change in portfolio strategy.

Asset Allocation



Quality⁵

| | Source Capital | Index ⁹ |
|--------------|----------------|--------------------|
| AAA | 67.8% | 73.1% |
| AA | 6.6% | 3.3% |
| A | 4.8% | 11.2% |
| BBB | 0.2% | 12.3% |
| BB and Below | 9.2% | 0.0% |
| Not Rated | 11.3% | 0.0% |

As of March 31, 2020, the Fund's 30-Day standardized SEC yield ("SEC Yield") was 2.26%. The SEC Yield calculation begins with the Fund's dividend payments for the last 30 days, subtracts Fund expenses and uses this number to estimate returns for a year. Subsidized yield reflects fee waivers and/or expense reimbursements in effect during the period, while unsubsidized yield does not adjust for these items. Without waivers and/or reimbursements, yields would be reduced. The SEC Yield calculation is based on the price of the Fund at the beginning of the month. The SEC Yield reflects prospective data and thus assumes payments collected by the Fund may fluctuate.

⁴ Active Share is defined as the percentage of the Fund's equity portfolio that differs from the Fund's illustrative benchmark index.

⁵ Fixed Income only. Average effective maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security. Effective duration provides a measure of a fund's interest-rate sensitivity, the longer a fund's duration, the more sensitive the fund is to shifts in interest rates.

⁶ Fixed Income only. Yield-to-Worst is the lowest possible yield on a callable bond.

⁷ Equities only. Sector classification scheme for equities reflects GICS (Global Industry Classification Standard).

⁸ Excludes undisclosed holdings and represents net exposure. Equities only.

⁹ Bloomberg Barclays US Aggregate Bond Index. The Barclays Capital Family of Indices rating rules use the median if more than two ratings are available. Lower of the two is used if only two ratings are available.