Dear Shareholders:

Overview

Source Capital Inc.'s ("Source" or "Fund") net asset value (NAV) declined -1.24% in 2021's third quarter but increased 21.13% for the trailing twelve months.

Source's performance and that of its underlying equity exposure are captured in the following table:

***Exhibit A:* Performance Versus Indices[1]**

	Q3 2021	Trailing 12-month
Source Capital (NAV)	-1.24%	21.13%
Source Capital – Equity (Gross)	-1.56%	26.08%
60% MSCI ACWI NR USD/ 40% BBg US Agg	-0.59%	15.52%
60% S&P 500 / 40% BBg US Agg	0.40%	16.92%

***Exhibit B:* Portfolio Exposure[2]**

	Q3 2021
Equity	
Common Stocks	*52.5%*
Common Stocks –SPACs	*7.0%*
Total Equity	59.5%
Credit	
Public	*19.7%*
Private (Invested assets only)	*12.2%*
Total Credit	31.9%
Other	0.1%
Cash	8.4%
Total	**100%**

Portfolio Discussion

Equity

Despite the S&P 500 eking out a gain this past quarter, most equity markets worldwide finished in the red, with China being a notable pocket of weakness. As noted in the table of the trailing twelve-month detractors, the Fund did not emerge unscathed, and the performance of its Chinese holdings of late mirrors the recent negativity in the press regarding China at large.

[1] Comparison to the indices is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index. No representation is being made that any account, product or strategy will or is likely to achieve profits, losses, or results similar to those shown. The *Equity (Gross)* return of the Fund is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. *Equity (Gross)* includes common and preferred stocks. Gross equity performance does not represent the return an investor in the Fund can or should expect to receive. Fund shareholders may only invest or redeem their shares at market value (NYSE: SOR), which may be higher or lower than the Fund's net asset value (NAV).

[2] Source: FPA, as of September 30, 2021, Portfolio composition will change due to ongoing management of the Fund. *Cash* includes the non-invested portion of private credit investments. Totals may not add up due to rounding.

Past results are no guarantee, nor are they indicative, of future results.

The top contributors to and detractors from the Fund's trailing twelve-month returns are listed below.

Exhibit C: Trailing Twelve Month Contributors and Detractors as of September 30, 2021[3]

Contributors	Perf. Cont.	Avg. % of Port.	Detractors	Perf. Cont.	Avg. % of Port.
Alphabet	2.22%	3.3%	McDermott (multiple issues)	-0.50%	0.3%
AIG	2.20%	2.7%	Alibaba/Altaba	-0.46%	1.1%
Glencore	1.43%	1.3%	Nexon	-0.36%	0.9%
Wells Fargo	1.39%	1.9%	JDE Peet's	-0.21%	0.3%
Citigroup	1.11%	2.2%	Softbank Group Corp	-0.12%	0.9%
	8.36%	**11.5%**		**-1.66%**	**3.6%**

We continue to believe that the risk/reward of the Fund's Chinese holdings is balanced in our favor at current valuations.[4] In a world where it is challenging to find high quality, growing companies at reasonable multiples, we think Alibaba, Baidu, and Prosus/Naspers (i.e., Tencent), all stick out like a sore thumb. That said, we are not oblivious to the fact that at present our own thumb is being hammered daily by an echo chamber of bad news that has left us somewhat bloodied. Nonetheless, we have used recent volatility to add to each of the Fund's Chinese positions during the quarter, though we have done so with a thimble rather than a bucket.

You can think of our timidness as respect for what we don't know. We don't think this puts us at a particular disadvantage in this instance, as after participating in numerous calls with industry experts and consuming endless research, it strikes us that nobody else knows either. The challenge in such a period is to try and separate the signal from the noise and focus on the long-term opportunity when much of the market is consumed with near-term uncertainty.

This strikes us as not dissimilar to other situations where the investment community has questioned the existential "investability" of certain securities or asset classes. With respect to China, we have given ourselves room to top up the Fund's positions should prices weaken further, but we remain mindful of limiting overall exposure, given a potentially wider range of outcomes than in other investments we currently own.

While we like what we own today, we have selectively harvested gains as many of the Fund's positions have moved from obvious undervaluation during the midst of the pandemic to something that better resembles fair value at present. Nonetheless, with approximately 5% of the portfolio (excluding special purpose acquisition companies or SPACs) currently comprised of securities purchased in the past twelve months, there is certainly no buyers' strike going on in the respective home offices of your investment team.

Looking forward, we believe the Fund's top 20 equity holdings, most of which have now been held for several years, remain reasonably valued. This group accounts for approximately ~39% of the Fund's NAV, as of September 30, 2021, and we are content to maintain the Fund's exposure to these companies as we believe that they should continue to provide us with a fighting chance of delivering equity-like returns over the coming three to five years.

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[3] Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the trailing twelve months ("TTM"). Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. 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 TTM 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.

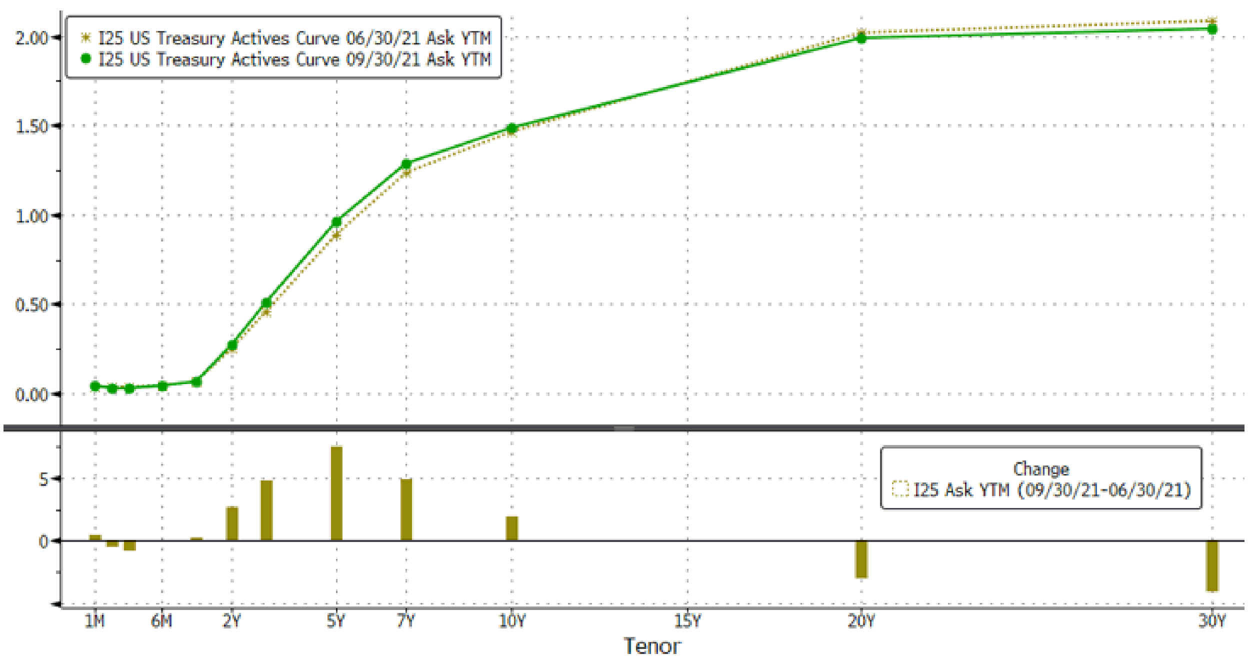
[4] https://fpa.com/funds/fpa-crescent-fund-webcast-archive.

Fixed income

Traditional

During the quarter, Treasury yields rose for one- to 10-year maturity bonds and declined for longer maturities as the yield curve flattened, driven by strong inflation data and expectations of tighter monetary policy. Recent commentary from the Federal Reserve suggests that the central bank may begin tapering asset purchases in November 2021 and may raise the Fed Funds rate more aggressively than previously anticipated, beginning with potentially one or more Fed Funds rate increases in 2022.[5] Despite the Fed's commentary, there remains uncertainty regarding the persistence of recent economic growth and inflation. On an absolute basis, the fixed income market is slightly more attractive owing to higher yields, but the higher yields are due to higher risk-free rates while credit spreads in both investment grade and high yield-rated debt are not meaningfully changed from their historically low levels. Though absolute yields are higher, historically high duration in the fixed income market coupled with the seeming inevitability of higher interest rates leaves fixed income investors exposed to inordinately high mark-to-market risk associated with short-term changes in yields. On the whole, due to an unattractive yield environment offering insufficient compensation for credit and/or duration risk, we believe the investment opportunity set is limited. As such, while we continue to search for credit investments (rated BBB or lower) that offer attractive risk-adjusted returns, absent those investments, we will deploy capital into high quality investments or retain cash for use in the future when better opportunities appear.

***Exhibit D:* Treasury yield curve at the end of June and the end of September 2021[6]**



[5] Source: .CNBC (https://www.cnbc.com/2021/10/12/feds-bullard-says-bond-purchases-should-be-tapered-quickly-in-case-rate-hikes-are-needed.html)

[6] Source: Bloomberg. Chart data as of the dates shown.

Past performance is no guarantee, nor is it indicative, of future results.

***Exhibit E:* Bloomberg US Aggregate Bond Index as of September 30, 2021**[7]

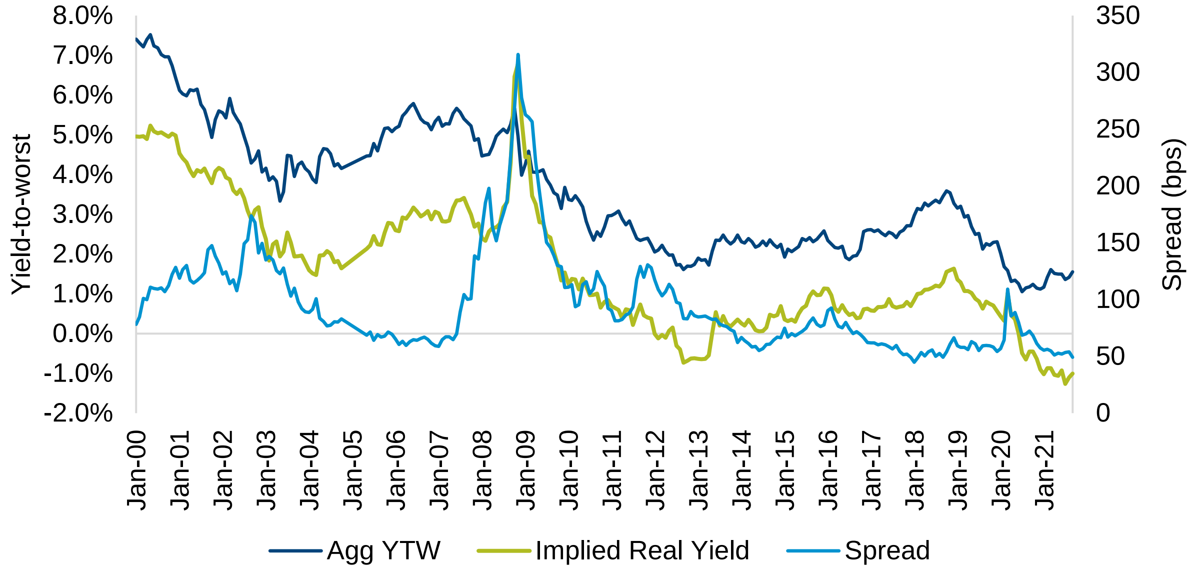
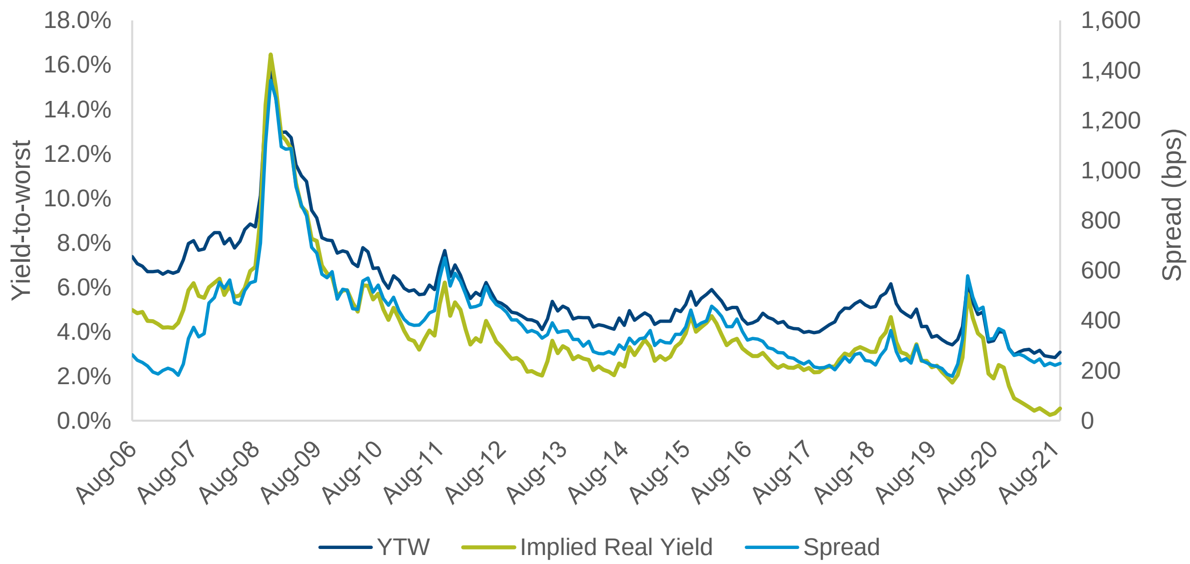


***Exhibit F:* Bloomberg US High Yield BB excl. Energy as of September 30, 2021**[8]



Private credit

The Fund's private credit holdings continue to ramp. The Fund's exposure (committed + invested capital) increased to 19.9% at quarter end vs. 11.7% at the end of 2020.

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[7] Source: Bloomberg. Chart data is as of September 30, 2021. YTW is Yield-to-Worst. Implied Real Yield is an interest rate that has been adjusted to remove the effects of inflation to reflect the real cost of funds to the borrower and the real yield to the lender or to an investor. Spread refers to the difference in overall returns between two different classes of securities, or returns from the same class, but different representative securities. Please refer to the end of the presentation for Important Disclosures and Glossary of Terms.

[8] Source: Bloomberg. Chart data is as of September 30, 2021. YTW is Yield-to-Worst. Implied Real Yield is an interest rate that has been adjusted to remove the effects of inflation to reflect the real cost of funds to the borrower and the real yield to the lender or to an investor. High-yield bonds are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds. Spread refers to the difference in overall returns between two different classes of securities, or returns from the same class, but different representative securities. Please refer to the end of the presentation for Important Disclosures and Glossary of Terms.
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Corporate and other

Distribution and yield

On August 9, 2021, the Fund's Board declared monthly Fund distributions at the current rate of 18.5 cents per share through November 2021. This equates to an annualized 4.97% unlevered distribution rate based on the Fund's closing market price on September 30, 2021. We currently expect all of this year's distributions to be ordinary income and capital gains, rather than return of capital.

Share buyback

Source's discount remained relatively low, averaging 6.53% during the quarter vs. 8.38% in the prior quarter. As a result of that lower discount level, no shares were repurchased during the quarter.

Discount to NAV

The Fund's discount to NAV closed at 6.34% on September 30, 2021, down from 6.72% the end of Q2 2021, 8.40% at the end of Q1 2021 and 11.96% at year-end 2020. The average discount to NAV for Q3 was 6.53%, which compares favorably to the average discount of 9.50% for first two quarters of this year.[9]

Closing

If nothing else, the performance of the vast majority of the Fund's larger positions coming out of the pandemic serves as a useful reminder that when it comes to turning over the core holdings of the portfolio, sometimes the best thing to do is nothing at all.

Respectfully submitted,

Source Capital Portfolio Management Team

November 19, 2021

[9] Source: FPA. The averages are calculated using daily discount rates.

Past performance is no guarantee, nor is it indicative, of future results.

Important Disclosures

This Commentary is for informational and discussion purposes only and does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale with respect to any securities, products or services discussed, and neither does it provide investment advice. This Commentary does not constitute an investment management agreement or offering circular.

On December 1, 2015, a new portfolio management team assumed management of the Fund and the Fund transitioned to a balanced strategy. Performance prior to December 1, 2015 reflects the performance of the prior portfolio manager and investment strategy and is not indicative of performance for any subsequent periods.

Current performance information is updated monthly and is available by calling 1-800-982-4372 or by visiting www.fpa.com. Performance data quoted represents past performance, which is no guarantee of future results. Current performance may vary from the performance quoted. 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.

The Fund is managed according to its investment strategy which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the comparative indices. Overall Fund performance, characteristics and volatility may differ from the comparative indices shown.

There is no guarantee the Fund's investment objectives will be achieved. 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 1-800-279-1241 (option 1), or by contacting the Fund in writing.

The views expressed herein and any forward-looking statements are as of the date of this publication and are those of the portfolio management team. Future events or results may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments. This information and data has been prepared from sources believed reliable, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

Portfolio composition will change due to ongoing management of the Fund. References to individual financial instruments or sectors are for informational purposes only and should not be construed as recommendations by the Fund or the portfolio managers. It should not be assumed that future investments will be profitable or will equal the performance of the financial instrument or sector examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained atwww.fpa.com.

Investing in closed-end funds involves risk, including loss of principal. Closed-end fund shares may frequently trade at a discount (less than) or premium (more than) to their net asset value. If the Fund's shares trade at a premium to net asset value, there is no assurance that any such premium will be sustained for any period of time and will not decrease, or that the shares will not trade at a discount to net asset value thereafter.

Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. 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.

The Fund may purchase foreign securities, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; these risks may be heightened when investing in emerging markets. 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.

The return of principal in a fund that invests in fixed income securities is not guaranteed. The Fund's investments in fixed income securities have the same issuer, interest rate, inflation and credit risks that are associated with underlying bonds owned by the Fund. 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 go up, the value of fixed income securities, such as bonds, typically go down (and vice versa) and investors may lose principal value. Credit risk is the risk of loss of principle 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. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds.

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. The Fund may experience increased costs, losses and delays in liquidating underlying securities should the seller of a repurchase agreement declare bankruptcy or default.

The ratings agencies that provide ratings are Standard and Poor's, Moody's, and Fitch. Credit ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings of BB and below are lower-rated securities (junk bonds). High-yielding, non-investment grade bonds (junk bonds) involve higher risks than investment grade bonds. Bonds with credit ratings of CCC or below have high default risk.

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.

The Fund may use leverage. While the use of leverage may help increase the distribution and return potential of the Fund, it also increases the volatility of the Fund's net asset value (NAV), and potentially increases volatility of its distributions and market price. There are costs associated with the use of leverage, including ongoing dividend and/or interest expenses. There also may be expenses for issuing or administering leverage. Leverage changes the Fund's capital structure through the issuance of preferred shares and/or debt, both of which are senior to the common shares in priority of claims. If short-term interest rates rise, the cost of leverage will increase and likely will reduce returns earned by the Fund's common stockholders.

Value style investing presents the risk that the holdings or securities may never reach their full market 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 styles of investing during given periods.

Investing in Special Purpose Acquisition Companies ("SPACS") involves risks. Because SPACs and similar entities have no operating history or ongoing business other than seeking acquisitions, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. Some SPACs may pursue acquisitions only within certain industries or regions, which may increase the volatility of their prices. SPACs are not required to provide the depth of disclosures or undergo the rigorous due diligence of a traditional initial public offering (IPO). Investors in SPACs may become exposed to speculative investments, foreign or domestic, in higher risk sectors/industries. SPAC investors generally pay certain fees and give the sponsor certain incentives (e.g., discounted ownership stakes) not found in traditional IPOs. Certain conflicts of interest may arise between investors and sponsors because of these fees and incentives. Other risks of investing in SPACS include, but is not limited to: (i) a significant portion of the monies raised by the SPAC for the purpose of identifying and effecting an acquisition or merger may be expended during the search for a target transaction; (ii) an attractive acquisition or merger target may not be identified at all and the SPAC will be required to return any remaining monies to shareholders; (iii) any proposed merger or acquisition may be unable to obtain the requisite approval, if any of SPAC shareholders; (iv) an acquisition or merger once effected may prove unsuccessful and an investment in the SPAC may lose value; (v) the warrants or other rights with respect to the SPAC held by the Fund may expire worthless or may be repurchased or retired by the SPAC at an unfavorable price; (vi) the Fund will be delayed in receiving any redemption or liquidation proceeds from a SPAC to which it is entitled; (vii) an investment in a SPAC may be diluted by additional later offerings of interests in the SPAC or by other investors exercising existing rights to purchase shares of the SPAC; (viii) no or only a thinly traded market for shares of or interests in a SPAC may develop, leaving the Fund unable to sell its interest in a SPAC or to sell its interest only at a price below what the Fund believes is the SPAC interest's intrinsic value; and (ix) the values of investments in SPACs may be highly volatile and may depreciate significantly over time.

Distribution Rate

Distributions may include ordinary income, net capital gains and/or returns of capital. Generally, a return of capital would occur when the amount distributed by the Fund includes a portion of (or is comprised entirely of) your investment in the Fund in addition to (or rather than) your pro-rata portion of the Fund's net income or capital gains. The Fund's distributions in any period may be more or less than the net return earned by the Fund on its investments, and therefore should not be used as a measure of performance or confused with "yield" or "income." A return of capital is not taxable; rather it reduces a shareholder's tax basis in his or her shares of the Fund. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a separate written Section 19 notice. Such notices are provided for informational purposes only, and should not be used for tax reporting purposes. Final tax characteristics of all Fund distributions will be provided on Form 1099-DIV, which is mailed after the close of the calendar year.

The Fund's distribution rate may be affected by numerous factors, including changes in realized and projected market returns, Fund performance, and other factors. There can be no assurance that a change in market conditions or other factors will not result in a change in the Fund's distribution rate at a future time.

Index Definitions

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund may be less diversified than the indices noted herein, and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the Fund's investment strategy. Indices are unmanaged and do not reflect any commissions, transaction costs, or fees and expenses which would be incurred by an investor purchasing the underlying securities and which would reduce the performance in an actual account. You cannot invest directly in an index. The Fund does not include outperformance of any index in its investment objectives.

S&P 500 Index includes a representative sample of 500 hundred 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.

MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets.

Bloomberg Barclays U.S. Aggregate Bond Index provides a measure of the performance of the US investment grade bonds market, which includes investment grade US 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 US 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 and comprises 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

60% MSCI ACWI/ 40% Bloomberg Barclays U.S. Aggregate Bond Index is a hypothetical combination of unmanaged indices and comprises 60% MSCI ACWI Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

<u>Other Definitions</u>

Credit Spread is the difference in yield between a U.S. Treasury bond and another debt security of the same maturity but different credit quality

Discount to Net Asset Value (NAV) is a pricing situation when an exchange-trade fund (ETF) or mutual fund's market trading price is lower than its daily net asset value (NAV).

Effective Duration (years) is the duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Market Capitalization refers to the total dollar market value of a company's outstanding shares of stock. Commonly referred to as "market cap," it is calculated by multiplying the total number of a company's outstanding shares by the current market price of one share.

Market Cycles, also known as stock market cycles, is a wide term referring to trends or patterns that emerge during different markets or business environments.

Net Asset Value (NAV) represents the net value of a mutual fund and is calculated as the total value of the fund's assets minus the total value of its liabilities, and is shown as a per share price.

Net Equity Exposure includes long equity securities minus short-sales and preferred securities.

Net Risk Exposure is a measure of the extent to which a fund's trading book is exposed to market fluctuations. In regards to the Fund, it is the percent of the portfolio exposed to Risk Assets.

Nominal yield is s the coupon rate on a bond.

Risk Assets is any asset that carries a degree of risk. Risk asset generally refers to assets that have a significant degree of price volatility, such as equities, commodities, high-yield bonds, real estate and currencies, but does not include cash and cash equivalents.

Real yield is the nominal yield of a bond minus the rate of inflation

Standard Deviation is a measure of the dispersion of a set of data from its mean.

Yield to Maturity is the rate of return anticipated on a bond if held until the end of its lifetime. YTM is considered a long-term bond yield expressed as an annual rate. The YTM calculation takes into account the bond's current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupon payments are reinvested at the same rate as the bond's current yield.

Volatility is a statistical measure of the dispersion of returns for a given security or market index. In most cases, the higher the volatility, the riskier the security. Volatility is often measured as either the standard deviation or variance between returns from that same security or market index.

You can obtain additional information by visiting the website at www.fpa.com, by email at crm@fpa.com, toll free by calling 1-800-279-1241 (option 1), or by contacting the Fund in writing.