Dear Shareholders:

Overview

Source Capital Inc.'s ("Source" or "Fund") net asset value (NAV) decreased 3.43% in 2022's third quarter and decreased 10.64% for the trailing twelve months, which is favorable when compared to its two relevant indices.

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

	Q3 2022	Trailing 12-month
Source Capital (NAV)	-3.43%	-10.64%
Balanced Indices		
60% MSCI ACWI NR USD/ 40% Bloomberg US Agg	-5.94%	-18.08%
60% S&P 500 / 40% Bloomberg US Agg	-4.75%	-14.85%
Equity Index		
MSCI ACWI NR USD	-6.82%	-20.66%

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

	Q3 2022
Equity	
*Common Stocks**	*40.7%*
Common Stocks –SPACs	*8.5%*
Total Equity	49.2%
Credit	
Public	*26.0%*
Private (Invested assets only)	*19.9%*
Total Credit	45.9%
Other	0.2%
Cash	4.7%
Total	**100%**

[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. 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, 2022.

* Includes a 0.2% allocation to the Altaba closed-end fund. 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 to 100% due to rounding.

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

Portfolio Discussion

Equity

The top equity 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, 2022**[3]

Contributors	Perf. Cont.	Avg. % of Port.	Detractors	Perf. Cont.	Avg. % of Port.
Glencore	0.53%	1.9%	Comcast	-1.65%	2.9%
Nexon	0.19%	0.6%	Citigroup	-0.90%	2.0%
Broadcom	0.17%	2.4%	Meta Platforms	-0.90%	1.0%
FirstEnergy	0.16%	1.0%	Charter	-0.79%	1.0%
Swire Pacific	0.16%	0.6%	Alphabet	-0.70%	2.6%
	1.22%	**6.3%**		**-4.95%**	**9.5%**

In the last twelve months, Source's top five performers contributed 1.22% to its return, while its bottom five detracted 4.95%.

The share prices of both **Meta** and **Alphabet** declined significantly over the past twelve months. We believe this is due to a combination of a weakening ad market, depreciation of foreign currencies, and increased competitive intensity. On the positive side, we anticipate each company to continue to generate significant amounts of free cash flow even during these challenging times, which we expect to be redeployed into a combination of growth projects and share buybacks.

We addressed the performance of **Glencore** and the **Comcast and Charter** cable investments in the Q2 2022 commentary which can be accessed in our archive.

Fixed Income

Traditional

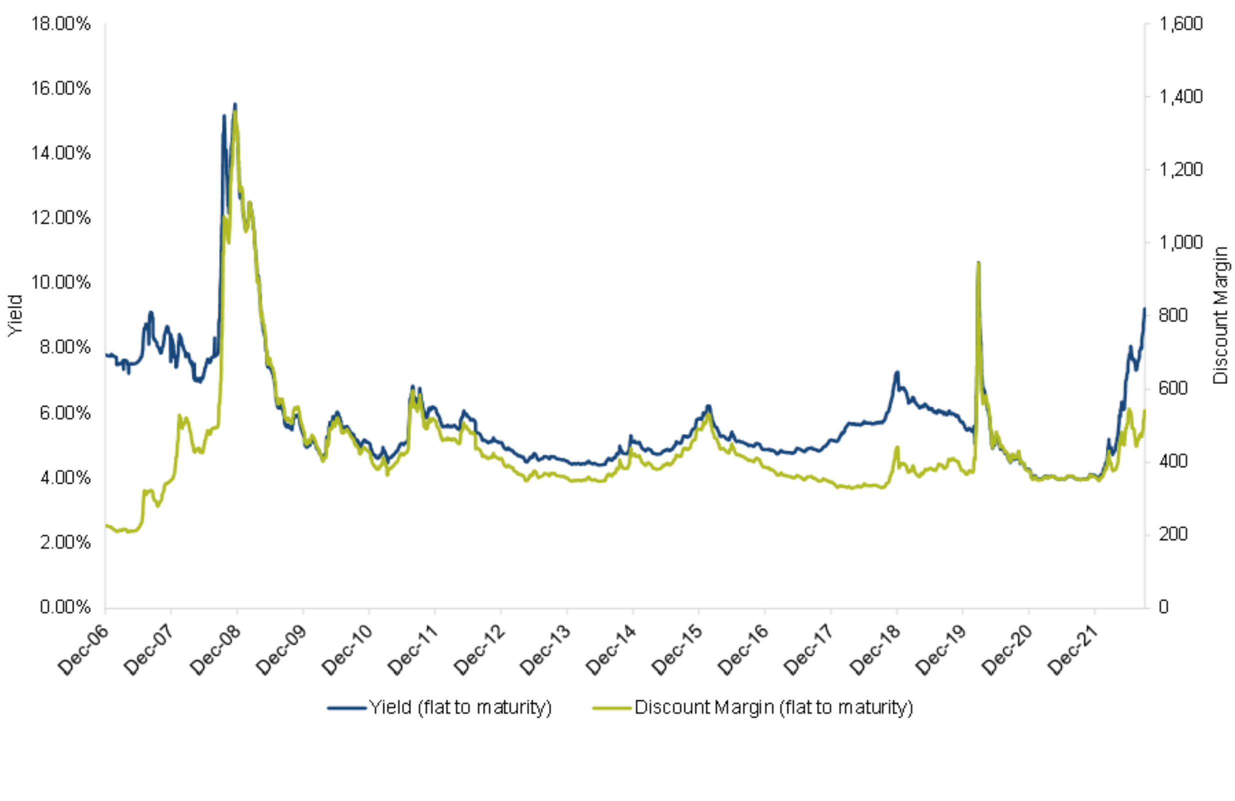
While credit markets have become cheaper, it's important to consider price relative to risk. The following chart shows the yield and spread on the BB component of the high-yield index excluding energy, an index we monitor because we believe it provides consistent data over time. Also shown below is a similar chart for the leveraged loan index. Overall yields are higher in both cases, mostly due to higher risk-free rates though spreads have increased meaningfully this year.

[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.

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

Exhibit C: Bloomberg US High-Yield BB excluding Energy[4]

Exhibit D: JP Morgan BB/B Leveraged Loan[5]



[4] Source: Bloomberg. As of September 30, 2022. YTW is Yield-to-Worst. Spread reflects the quoted spread of a bond that is relative to the security off which it is priced, typically an on the-run treasury.

[5] Source: Bloomberg. As of September 30, 2022. YTM is yield to maturity. Discount Margin to Maturity is the average expected return of a floating rate security that's earned in addition to the index underlying, or reference rate of, the security. The size of the discount margin depends on the price of the floating or variable rate security.

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

We have long viewed credit as an episodic asset class that is periodically attractive. On a prospective return or yield basis, today we view credit markets as certainly cheaper and more attractive than they have been in a long time, but not everything in credit is a buying opportunity if the potential for reward is outweighed by downside risk. We need sufficient absolute yield to own less than investment grade debt (often referred to as junk bonds) as that compensates us for the possibility of permanent impairment of capital associated with potential defaults. We also need sufficient spread because we need to be compensated for the extra credit risk we are taking over and above the risk of investment grade alternatives. The difficulty with junk debt these days is that the credit quality is concerning. We have observed increasing leverage at high-yield-rated borrowers and weaker protections for lenders (i.e., bond and loan investors like us), both symptoms of the historically expensive market in prior years. When we look at the risk versus reward equation, we see that the yield or reward is higher, but the risk is also higher which is why we think that higher yielding bonds, while more attractive than they have been in a long time, on the whole are not that attractive. Having said that, we don't like to paint markets with a broad brush, and we are vigilant in seeking attractively-priced investments in which to invest.

Convertible Bonds

Given attractive yields, the Fund continues to seek out opportunity within convertible bonds. Please refer to the discussion in Q2 2022's Source commentary.

Private Credit

The Fund's private credit holdings continue to ramp up with 29.7% exposure (committed + invested capital) at quarter-end, with a progression we are pleased to report: 28.1% Q2 2022, 24.7% year-end 2021, and 11.7% year-end 2020.

Corporate and Other Matters

Distribution and Yield

On August 8, 2022, the Fund's Board approved maintaining the Fund's regular monthly distribution at the current rate of 18.5 cents per share through November 2022.[6] This equates to an annualized 6.34% unlevered distribution rate based on the Fund's closing market price on September 30, 2022.

Share Buyback

Source's average discount to NAV declined modestly during the 3rd quarter of 2022 to 7.70% vs. 7.79% in the 2nd quarter. The Fund repurchased 12,785 shares during the 3rd quarter, representing 0.153% of the outstanding shares, at an average price of $37.32 per share and at an average discount to NAV of 8.47%.[7]

Discount to NAV

The Fund's discount to NAV closed at 8.57% on September 30, 2022, up from 7.09% at the end of the 2nd quarter of 2022. The average discount to NAV for the trailing twelve months was 6.87%.[8]

[6] For more information related to the Fund's distribution rate, please see the press release dated August 8, 2022 https://fpa.com/docs/default-source/funds/source-capital/literature/source-capital-press-release---august-2022.pdf?sfvrsn=1190909d_4. Dividends and other distributions are not guaranteed.

[7] For more information related to the Fund's share repurchase program, please see the press release dated January 4, 2022 (https://fpa.com/docs/default-source/fpa-news-documents/2022-01-04_source-capital-jan-2022-final.pdf?sfvrsn=4a01909d_6).

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

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

Closing

Individual stock price movement continues to generally be far greater than changes in underlying business fundamentals. We maintain focus on the latter, while seeking to take advantage of the former.

Respectfully submitted,

Source Capital Portfolio Management Team
November 15, 2022

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. 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. Due to this, an investment in a SPAC may include potential conflicts and the potential for misalignment of incentives in the structure of the SPAC. For more information relating to the risks of investing in SPACs please refer to the Fund's offering documents or FPA's Form ADV Part 2A.

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 developed and emerging markets.

Bloomberg Barclays US 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.

Bloomberg US High Yield Index ex. Energy measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds excluding Energy sector.

60% S&P 500/ 40% Bloomberg Barclays US Aggregate Bond Index is a hypothetical combination of unmanaged indices and comprises 60% S&P 500 Index and 40% Bloomberg Barclays US Aggregate Bond Index.

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

JPM Leveraged Loan Index is designed to mirror the investable universe of U.S. dollar institutional leveraged loans, including U.S. and international borrowers (issuers from developed countries are included; issuers from developing countries are excluded). The index is composed of all fully funded term loan facilities trading the syndicated loan market.

<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.

High Yield (HY) bond is a high paying bond with a lower credit rating (S&P and Fitch, BB+ and lower; Moody's, Ba1 or lower) than investment-grade corporate bonds, Treasury bonds and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.

Investment Grade (IG) is a rating (S&P and Fitch, BBB- and higher; Moody's Baa3 and higher) that indicates that a bond has a relatively low risk of default.

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.

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.

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

Yield is the discount rate that links the bond's cash flows to its current dollar price.

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.

 Past performance is no guarantee of future results.

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.