Dear Shareholders:

Performance Overview

Source Capital Inc.'s ("Source" or "Fund") net asset value (NAV) gained 0.28% in the third quarter and 16.86% for the trailing twelve months, which is favorable when compared to its illustrative balanced indices shown below.

Performance Versus Indices[1]

	Q3 2023	Trailing 12-month
Source Capital (NAV)	0.28%	16.86%
Balanced Indices		
60% MSCI ACWI / 40% Bloomberg US Agg	-3.31%	12.50%
60% S&P 500 / 40% Bloomberg US Agg	-3.24%	13.01%
Equity Index		
MSCI ACWI	-3.40%	20.80%

The Fund's underlying exposure by asset class is captured in the following table:

Portfolio Exposure[2]

	Q3 2023
Equity	
*Common Stocks**	*41.4%*
Common Stocks –SPACs	*0.0%*
Total Equity	41.4%
Credit	
Public	*27.4%*
Private (Invested assets only)	*19.2%*
Total Credit	46.6%
Other	0.2%
Cash	11.8%
Total	**100.0%**

[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, 2023. 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.

* Includes a 0.1% allocation to the Altaba closed-end fund.

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

Portfolio discussion

Equity

Source's top five equity performers contributed 5.05% to its return in the previous twelve months, while its bottom five detracted 0.65%.

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

Trailing Twelve-Month Contributors and Detractors as of September 30, 2023[3]

Contributors	Perf. Cont.	Avg. % of Port.	Detractors	Perf. Cont.	Avg. % of Port.
Holcim	1.38%	2.6%	Int'l Flavors and Fragrances	-0.37%	1.6%
Comcast	1.12%	2.4%	EPIC Games	-0.15%	0.4%
Broadcom	1.09%	1.4%	Heineken	-0.07%	0.6%
Meta Platforms	0.76%	0.8%	JDE Peet's	-0.03%	1.1%
Alphabet	0.70%	2.0%	FirstEnergy	-0.03%	0.8%
	5.05%	**9.1%**		**-0.65%**	**4.4%**

Of the contributors and detractors listed, we haven't recently addressed **International Flavors & Fragrances (IFF)**. IFF missed financial targets and lowered guidance for 2023, which, along with the delays in the company's efforts to reduce its debt load, led to a significant decline in its stock price. We have added to our position, as we view much of the company's business as resilient and high quality, while the company's debt should prove manageable considering its low cost and long duration.

We have discussed most of the other positions in the last year, which you can find in our archived commentaries.

Fixed Income

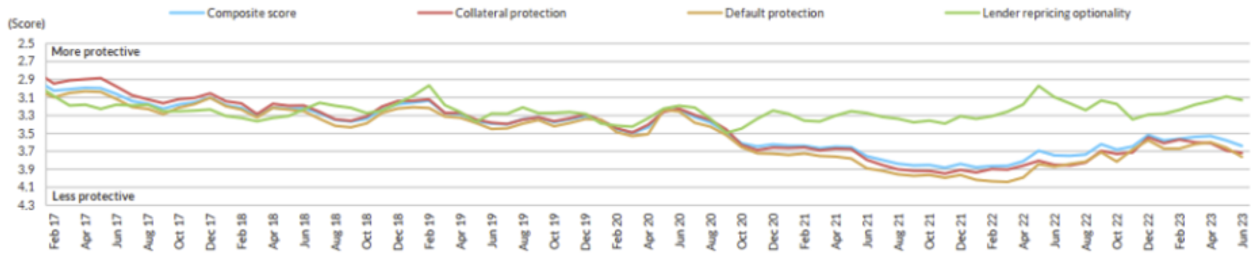
Traditional

Although we see compelling opportunity in longer-maturity, investment-grade bonds, we see little opportunity in lower- or high-yield rated debt. To understand whether the return on lower-rated debt is worth the risk, we must understand the risk. Rising interest rates have called into question companies' ability to sustain their capital structures due to decreasing debt service coverage ratios. Even if one believed that debt was well covered by enterprise or asset value, whether that debt will be paid depends on whether the owners of the equity want to pay it. Leveraged loans and high-yield bonds are supposed to have protections against companies impairing lenders by changing lenders' claim on assets or taking asset value away from lenders. The expensive debt market prior to 2022 was characterized by low yields and weak protections for lenders (i.e., debt investors), as shown in the charts below. In combination with defaults, these weak protections have led to lower recoveries on high-yield bonds and loans.

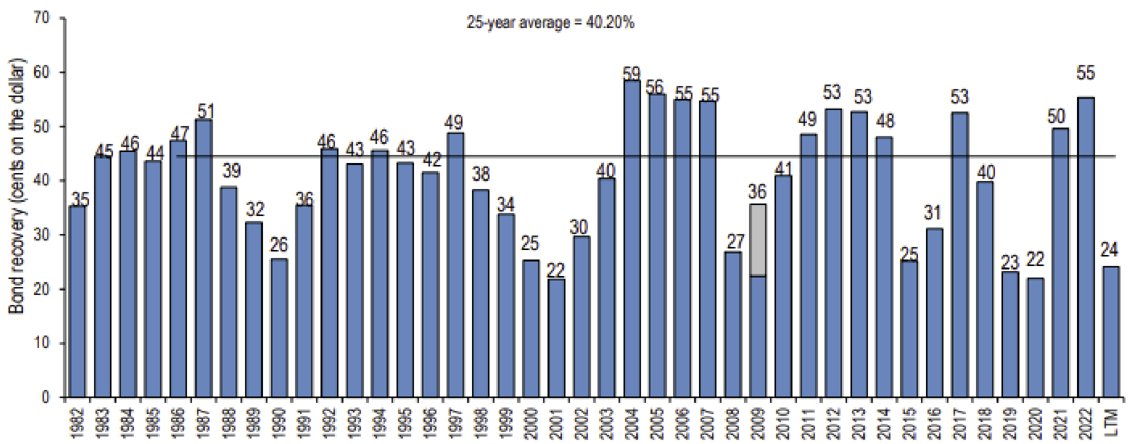
[3] Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the trailing twelve months ("TTM"). Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns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

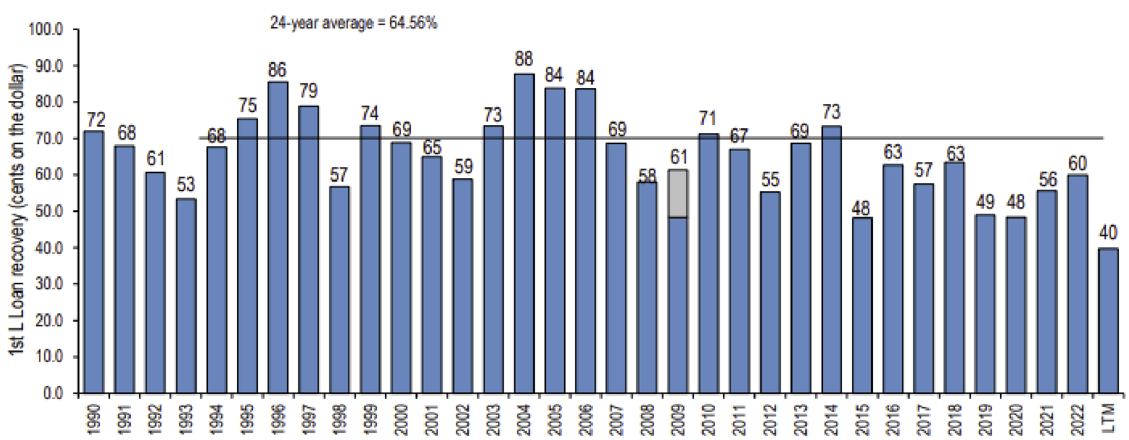
Past results are no guarantee, nor are they indicative, of future results.

Covenant Review's Documentation Score Three-Month Rolling Average[4]



Recoveries[5]





While yields on high-yield rated debt are at 10-to-15-year highs, we think the extra compensation to own high-yield rated debt instead of investment grade debt is generally not attractive compared to the significant incremental credit risk associated with high-yield rated debt.[6] As always, we are bottom-up investors, so we continue to hunt for attractively priced investment opportunities in lower-rated debt, but we generally end up concluding that the price isn't right yet.

---

[4] Chart covers the period February 2017 through June 2023. Source: Fitch Ratings; North American and EMEA Leveraged Finance Chart Book: 1H23 – Limited Activity Amid Rates, Default Concerns; August 3, 2023. Chart Source: Covenant Review. Note: Covenant Review's Documentation Scoring. The score, sub scores and qualitative scores will be expressed as follows: 1, Most Protective; 2, Fairly Protective; 3, Flexible; 4, Deficient; 5, Seriously Deficient. Analysis includes the US 1st Lien institutional loan universe.

[5] Source: J.P. Morgan; Moody's Investors Service; S&P/HIS Markit; Pitchbook Data, Inc.; US High Yield and Leveraged Loan Strategy (JPM); October 9, 2023.

[6] Source: Bloomberg. As of September 30, 2023. 'High yield rated debt' is represented by the Bloomberg US Corporate High-Yield BB excluding Energy index. 'Yields' on such debt refer to Yield-to-Worst.

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

Private Credit

Source's allocation to private credit remains high. If all commitments were drawn today, that exposure would be 28.3%. The Fund's investments in private partnerships and individual loans have a targeted net yield of at least 8%, which should benefit Source's distributable yield.

Corporate and Other Matters

Distribution and Yield

On August 14, 2023, the Fund's Board approved maintaining the Fund's regular monthly distribution of the current rate of 20.83 cents per share through November 2023.[7] This equates to an annualized 6.48% unlevered distribution rate based on the Fund's closing market price on September 30, 2023.

Share Buyback

The Fund repurchased 26,346 shares during the quarter, representing 0.32% of the outstanding shares, at an average price of $38.80 per share and an average discount to NAV of 9.02%.[8]

Closing

Geopolitical instability has the world wobbling on its axis. Our thoughts are with you and yours both here and abroad.

Respectfully submitted,

Source Capital Portfolio Management Team

November 10, 2023

[7] For more information related to the Fund's distribution rate, please see the press release dated August 14, 2023 https://fpa.com/docs/default-source/funds/source-capital/press-releases---distributions/source-capital-press-release---august-2023-clean.pdf?sfvrsn=67959f9d_6. Dividends and other distributions are not guaranteed.

[8] 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).

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 instruments is not guaranteed. The Fund's investments in fixed income instruments have the same issuer, interest rate, inflation and credit risks that are associated with underlying fixed income instruments 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 instruments, 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 an instrument, 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. Net Return indicates that this series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate applicable to non-resident individuals who do not benefit from double taxation treaties.

60% S&P 500 / 40% Bloomberg 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 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.

Consumer Price Index (CPI) is an unmanaged index representing the rate of the inflation of U.S. consumer prices as determined by the U.S. Department of Labor Statistics. The CPI is presented to illustrate the Fund's purchasing power against changes in the prices of goods as opposed to a benchmark, which is used to compare the Fund's performance. There can be no guarantee that the CPI will reflect the exact level of inflation at any given time.

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

<u>Other Definitions</u>

After-tax free cash flow or Cash flow after taxes (CFAT) is a measure of financial performance that shows a company's ability to generate cash flow through its operations. It is calculated by adding back non-cash charges such as amortization, depreciation, restructuring costs, and impairment to net income.

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).

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.

Inflation is the decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period.

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.

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.

Yield to Worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures.

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, or by contacting the Fund in writing.