Source Capital, Inc.
First Quarter 2024 Commentary

Dear Shareholder:

Performance Overview

Source Capital Inc.'s ("Source" or "Fund") net asset value (NAV) gained 4.89% for the quarter and 17.41% for the trailing twelve months, which is in line with the illustrative balanced indices shown below.

Performance versus Illustrative Indices[1]

	Q1 2024	Trailing 12-month
Source Capital (NAV)	4.89%	17.41%
Balanced Indices		
60% MSCI ACWI / 40% Bloomberg US Agg	4.56%	14.27%
60% S&P 500 / 40% Bloomberg US Agg	5.94%	17.97%
Equity Index		
MSCI ACWI	8.20%	23.22%

We include the Fund's underlying exposure by asset class in the following table:

Portfolio Exposure[2]

	Q1 2024
Equity	
Common Stocks	*40.7%*
Common Stocks –SPACs	*0.0%*
Total Equity	40.7%
Credit	
Public	*26.9%*
Private (Invested assets only)	*16.2%*
Total Credit	43.1%
Other	0.0%
Cash	16.2%
Total	**100.0%**

[1] Comparison to the indices is for illustrative purposes only. An investor cannot invest directly in an index. 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 March 31, 2024. 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[3]

Equity

The stock market offers less opportunity today than it did at year-end 2022. The price/earnings ratios of the MSCI ACWI and S&P 500 are more than three and four points higher, respectively, than before 2023's market rally. We have taken advantage of the rising tide and reduced or sold some of the Fund's more expensive and lower-quality positions. We have also made a number of new investments that we will likely discuss in future commentaries, which we believe are both less expensive and of higher quality. We believe the portfolio's higher quality assets will serve us well as we move forward.

Broad exposure hasn't really changed year-over-year; however, that's not to say there hasn't been activity during that time. During the quarter, we exited two positions in their entirety – AIG and Heidelberg Materials.

Source's top five equity performers contributed 4.65% to its return in the previous twelve months, while its bottom five detracted 0.69%.

We list the top equity contributors to and detractors from the Fund's trailing twelve-month returns below.

Trailing Twelve-Month Contributors and Detractors as of March 31, 2024[4]

Contributors	Perf. Cont.	Avg. % of Port.	Detractors	Perf. Cont.	Avg. % of Port.
Holcim	1.11%	2.6%	JDE Peet's	-0.28%	1.0%
Meta Platforms	1.00%	1.1%	NEXON	-0.14%	0.4%
Broadcom	0.91%	1.1%	Charter Communications	-0.12%	0.6%
Alphabet	0.84%	2.1%	Entain	-0.08%	0.2%
Citigroup	0.80%	1.6%	Groupe Bruxelles Lambert	-0.08%	1.0%
	4.65%	**8.5%**		**-0.69%**	**3.2%**

We have discussed most of the contributors in the trailing twelve months. We have not, however, recently discussed JDE Peet's which had a meaningful impact to the Fund's trailing twelve-month return.[5]

JDE Peet's is the second largest coffee business in the world. Jacobs Douwe Egberts (JDE) combined with Peet's to explore IPO opportunities and ultimately went public in 2020. The company is currently navigating several issues, including the effects of the war on its Russian business, the lingering impact of the pandemic that curtailed out-of-home demand, and having to fight massive inflation in coffee prices.

[3] References to individual securities are for informational purposes only, are subject to change, and should not be construed as recommendation or a solicitation to buy or sell a particular security. Portfolio composition will change due to ongoing management of the Fund. Portfolio holdings for the Fund can be found at fpag.fpa.com.

[4] 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.

[5] The company data and statistics referenced in this section are sourced from company press releases and financial disclosures unless otherwise noted.

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While management has not navigated these challenges as well as we hoped, the controlling shareholder sees it similarly and has ousted the former CEO.[6] While its turnaround remains a work in progress, its stock does appear inexpensive on both a relative and absolute basis at just 12.5x 2024's estimated earnings.

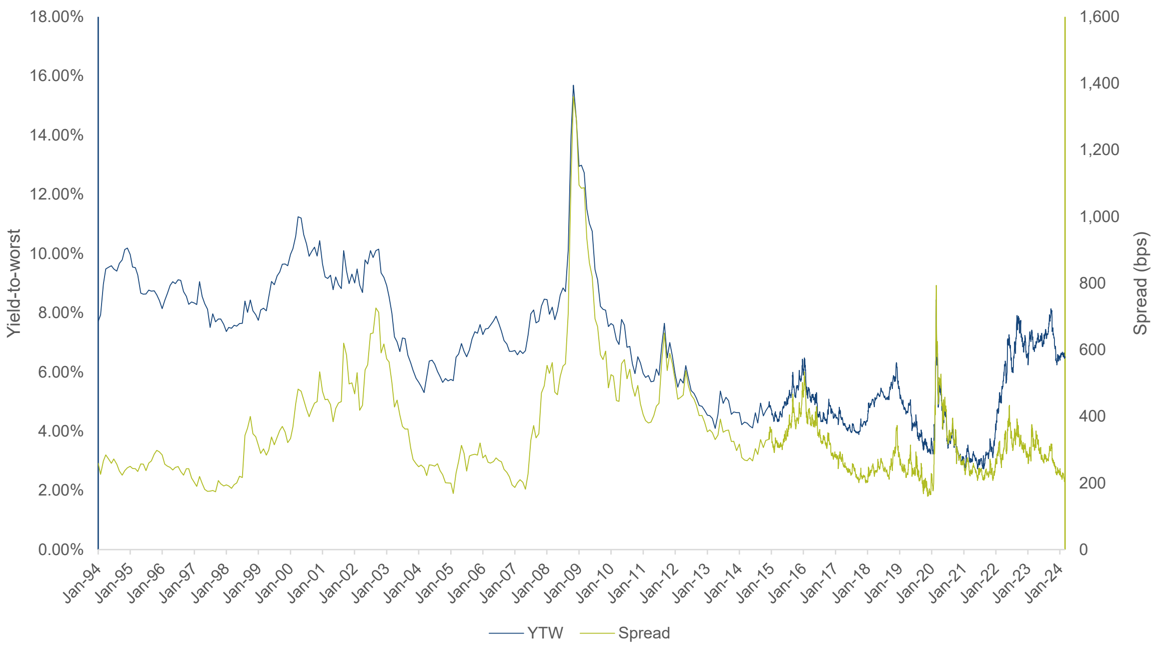
You can find the Fund's other positions addressed previously in our archived commentaries.

Fixed Income

Traditional

We do not generally see attractive investment opportunities in lower-rated debt. In the high yield market, for example, yields remain near 15-year highs, but spreads have retreated to the 16th percentile, as measured by the BB component of the Bloomberg U.S. High Yield index excluding energy, an index we believe provides the most consistent view of high yield market prices over time with fewer distortions caused by changes in the composition of the overall high yield index.

Bloomberg US Corporate High-Yield BB excluding Energy Yield-To-Worst (YTW) and Spread[7]



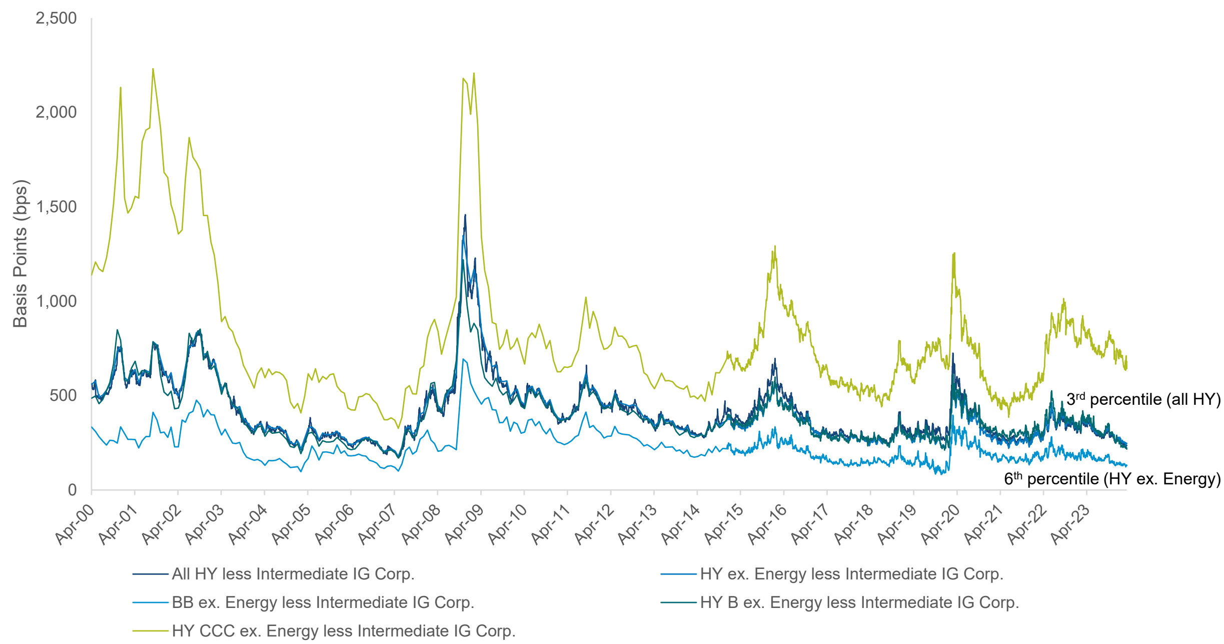
Further, the extra spread offered by high yield bonds in comparison to investment grade bonds has also compressed. For example, the spread on the aforementioned BB-rated High Yield Index, excluding energy, less the spread on investment grade corporate bonds has decreased to the sixth percentile.

[6] Source: Financial Times March 8, 2024: JDE Peet's replaces CEO and chair with ex-M&S boss Luc Vandevelde.

[7] Source: Bloomberg. As of March 29, 2024. Please see Important Disclosures for definitions of key terms.

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

Bloomberg US High-Yield Index spread less Bloomberg Investment Grade Corporate spread[8]



Importantly, measures of the high yield market such as yield and spread do not account for changes in the underlying quality of bonds in the market at any given point in time. Suffice it to say, there has been a degradation in the quality of high yield bonds over the past few years (most notably via weaker structural protections for bondholders) which, all things being equal, makes high yield debt more expensive than the charts above would suggest. Given current prices in the high yield market, we generally find that, compared to investment grade bonds, the low spreads in the high yield market do not offer enough incremental compensation for the extra credit risk involved in high yield debt. We continue to research the high yield market for investment opportunities, but these days we generally do not find high yield debt appealing.

Private Credit

Source's allocation to private credit remains high. If all commitments were drawn today, that exposure would be 24.2%.

Corporate and Other Matters

Distribution

On April 16, 2024, the Fund's Board approved maintaining the Fund's regular monthly distribution of the current rate of 20.83 cents per share through August 2024.[9] This equates to an annualized 5.88% unlevered distribution rate based on the Fund's closing market price on March 29, 2024.

Share Buyback

The Fund repurchased 7,968 shares during the quarter, representing 0.10% of the outstanding shares, at an average price of $40.03 per share and an average discount to NAV of 8.69%.[10]

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[8] Source: Bloomberg. As of March 29, 2024. Please see Important Disclosures for definitions of key terms.

[9] For more information related to the Fund's distribution rate, please see the press releases dated January 23, 2024 and April 16, 2024 at: https://fpa.com/news-special-commentaries/fund-announcements. Dividends and other distributions are not guaranteed.

[10] For more information related to the Fund's share repurchase program, please see the press release dated January 2, 2024 (https://fpa.com/docs/default-source/funds/source-capital/press-releases---general-announcement/2024-01-02_source-capital-press-release_final.pdf?sfvrsn=37e59f9d_10).

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

Closing

Source Capital benefits from not having to provide the daily liquidity required in an open-end mutual fund, which adds investment options (e.g., private credit) to our already broad opportunity set. We hope this will provide a favorable investment experience and attractive risk-adjusted returns. We appreciate you joining us on this journey.

Respectfully submitted,

Source Capital Portfolio Managers

May 15, 2024

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.

Current performance information is updated monthly and is available by calling 1-800-982-4372 or by visiting 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 fpa.com, by email at crm@fpa.com, toll free by calling 1-800-982-4372 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-related and asset-backed securities are subject to prepayment risk, can be highly sensitive to changes in interest rates, and are subject to credit risk/risk of default on the underlying assets... 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 (IG). Credit ratings of BB and below are lower-rated securities (junk bonds). High-yielding, non-investment grade bonds (junk bonds) (HY) 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.

Distribution Rate

Distributions may include the net income from dividends and interest earned by fund securities, net capital gains, or in certain cases it may include a return of capital. The Fund may also pay a special distribution at the end of a calendar year to comply with federal tax requirements. All mutual funds, including closed-end funds, periodically distribute profits they earn to investors. By law, if a fund has net gains from the sale of securities, or if it earns dividends and interest from securities, it must pass substantially all of those earnings to its shareholders or it will be subject to corporate income taxes and excise taxes. These taxes would, in effect, reduce investors' total return. First Pacific Advisors, LP does not provide legal, accounting, or tax advice.

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.

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 High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

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

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

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

Bloomberg US Investment Grade Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

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.

Other Definitions

Discount to Net Asset Value (NAV) is a pricing situation when a closed-end 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.

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.

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.

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

Yield to Worst (YTW) 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.