Source Capital, Inc. Announces Portfolio and Stock Repurchase Update

LOS ANGELES, October 13, 2020 – The portfolio managers for Source Capital, Inc. (the "Fund") continue to implement actions they believe will enhance value for stockholders over the long term. As discussed in the last press release dated September 16, 2020, the portfolio managers look to further increase the Fund's exposure to private credit and now target at least 12% to be invested in or committed to the private lending asset class by year-end 2020.[1] The portfolio managers for the Fund have successfully invested in private credit for certain of its FPA open-end mutual funds for more than a decade. Stockholders in Source can benefit from the Fund's closed-end fund (CEF) structure, which allows a much greater percentage of the portfolio to be invested in such higher yielding, less liquid assets because a CEF does not have the daily liquidity needs of an open-end mutual fund.

In furtherance of the goal to continue to enhance value for stockholders, the Fund will also seek to obtain a committed credit facility by early 2021.[2] The Fund had previously been managed with leverage from 1972 to 2012. The portfolio managers removed leverage in 2012, which was in the form of preferred stock with a high cost 8.7% dividend yield, when yields dropped to levels that made it less accretive. A more favorable spread exists today thanks to the low cost of debt capital and the opportunity to invest in higher yielding investments, which we believe justifies some leverage in the Fund.

On October 12, 2020, the Fund closed at a discount to NAV of 11.5%, less than the Fund's 52-week average discount of 13.6%. During the first week of the Fund's reinstated stock repurchase program (the "Program") that began October 5, the Fund repurchased shares at an average weighted discount to net asset value (NAV) of 10.3%. In order to facilitate the repurchase of a greater number of shares at accretive prices, the Program has been updated to lower the discount to NAV share repurchase threshold. Effective October 14, the Fund is authorized to make open-market repurchases of its common stock at such times as the Fund's shares trade at greater than a 5% discount[3] to the Fund's NAV, when in the portfolio managers' judgment such repurchases would benefit stockholders.[4]

Finally, the Fund will commence monthly, instead of quarterly, distributions on its common stock in January 2021.

The portfolio managers believe that these collective actions could increase the yield and enhance the risk/return profile of the Fund, and that they may enable the Fund's stock to trade more closely to its NAV over time, further enhancing long-term stockholder value.

The portfolio managers and other officers, Board of Directors, and FPA employees have increased their collective stake in the Fund this year and currently own over 84,000 shares, valued at over $3.1 million.

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[1] This target is increased from the 10% target communicated on September 16, 2020. There is no guarantee this target will be achieved.

[2] The Fund will seek to obtain a line of credit on sufficiently attractive terms, but there can be no assurances that it will be able to do so.

[3] Subject to various factors, including the limitations imposed by the federal securities laws governing the repurchase of an issuer's stock by the issuer and FPA's ability to raise cash to repurchase shares of the Fund's common stock in a tax-efficient manner. There is no assurance that the Fund will purchase shares at any specific discount levels or in any specific amounts.

[4] In addition to allowing repurchases when the common stock trades at a greater than 5% discount, the Fund's Board of Directors authorized the Program to extend through June 30, 2022. The Board may terminate the Program at any time based on their business judgment, and may or may not consider renewing the Program, which will depend, in part, on the costs and tax consequences to the Fund and its stockholders of completing the stock repurchases in 2020, 2021, and 2022.

About Source Capital, Inc.

Source Capital (https://fpa.com/funds/overview/source-capital) is a diversified, closed-end management investment company seeking maximum total return for stockholders from both capital appreciation and investment income to the extent consistent with protection of invested capital. Its shares are listed on the New York Stock Exchange under the symbol "SOR".

The Fund is managed by First Pacific Advisors, LP. FPA, a Los Angeles-based institutional money management firm, employs a disciplined approach to value investing, prudently seeking superior long-term returns while maintaining a focus on capital preservation. As of September 30, 2020, FPA manages approximately $24 billion across multiple strategies.

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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.

Investing in the Fund involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment.

Portfolio composition will change due to ongoing management of the Fund. References to individual investment instruments or sectors should not be construed as a recommendation by the Fund, the portfolio managers, or the Adviser, to purchase or sell such instruments or invest in such sectors, and any information provided is not a sufficient basis upon which to make an investment decision. It should not be assumed that future investments will be profitable or will equal the performance of the instrument or sector examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at www.fpa.com. **Past performance is no guarantee, nor is it indicative, of future results.**

Investments, including investments in closed-end funds, carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Value style investing presents the risk that the holdings or securities may never reach our estimate of intrinsic value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other style investing during given periods. Non-U.S. investing presents additional risks, such as the potential for adverse political, currency, economic, social or regulatory developments in a country, including lack of liquidity, excessive taxation, and differing legal and accounting standards. Non-U.S. securities, including American Depository Receipts (ADRs) and other depository receipts, are also subject to interest rate and currency exchange rate risks.

Fixed income securities are subject to interest rate, inflation and credit risks. 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 rise, the values of fixed income instruments fall, and vice versa.

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.

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.

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