

SOURCE CAPITAL INC /DE/
Form N-CSRS
September 06, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-1731

SOURCE CAPITAL, INC.
(Exact name of registrant as specified in charter)

11601 WILSHIRE BLVD., STE. 1200

LOS ANGELES, CALIFORNIA
(Address of principal executive offices)

90025
(Zip code)

Copy to:

J. RICHARD ATWOOD, PRESIDENT

SOURCE CAPITAL, INC.

11601 WILSHIRE BLVD., STE. 1200

LOS ANGELES, CALIFORNIA 90025
(Name and address of agent for service)

MARK D. PERLOW, ESQ.

DECHERT LLP

ONE BUSH STREET, STE. 1600

SAN FRANCISCO, CA 94104

Registrant's telephone number, including area code: (310) 473-0225

Date of fiscal year end: December 31

Date of reporting period: June 30, 2017

Item 1: Report to Shareholders.

SOURCE CAPITAL, INC.

SEMIANNUAL REPORT

for the six months ended June 30, 2017

**SOURCE CAPITAL, INC.
LETTER TO SHAREHOLDERS**

DEAR SHAREHOLDERS:**Performance**

During the second quarter of 2017, the net asset value per share of Source Capital, Inc. (the "Fund") increased 2.36% for the quarter and 6.61% year to date (both percentages including the reinvestment of the distributions paid during the period). These changes compare with returns of 3.09% for the quarter and 9.04% year to date for the S&P 500 Index, 1.45% for the quarter and 2.27% year to date for the Barclays U.S. Aggregate Bond Index, and 2.43% for the quarter and 6.48% year to date for the 60/40 blended S&P 500/Barclays U.S. Aggregate Bond benchmark during the same period.

Source Capital continues to maintain an approximately 60% allocation to equities and 40% allocation to fixed income. The Fund's top five winners and losers for the second quarter of 2017 are presented below. The winners contributed 2.18%, while the losers detracted -0.86%.¹

Winners	Performance Contribution	Losers	Performance Contribution
Oracle Corp.	0.68%	Arconic Inc.	-0.40%
Citigroup Inc.	0.47%	Cisco Systems Inc.	-0.18%
Aon plc	0.46%	General Electric Company	-0.14%
United Technologies Corp.	0.39%	Analog Devices Inc.	-0.09%
Thermo Fisher	0.18%	Alcoa Corp.	-0.05%

Financials

The Fund's investment in balance sheet intensive financials have performed positively over the past year. Earnings have improved and book value has increased but the largest driver has been an increase in valuation, as seen in the table below. In that time, the Price/Tangible Book ratio of our portfolio of financials has increased from 0.76x to 1.00x.

Source Capital Balance Sheet Intensive Financials²

	Q1 2016 P/TB	Q2 2017 P/TB	Q1 2017 TE/TA	2016 ROTE
Citigroup	0.67x	1.01x	11.3%	7.6%
Bank of America	0.84x	1.41x	9.0%	9.8%
AIG	0.84x	0.83x	15.2%	6.0%
Ally	0.69x	0.74x	8.1%	8.1%
Average	0.76x	1.00x	10.9%	7.9%

As we discussed more than a year ago, we thought it was reasonable to expect equity-like returns in all but extremely negative scenarios. Our companies still trade at a discount to historic norms based on tangible book value, as exhibited in the chart below, but can no longer be viewed as "dirt" cheap.

¹ Reflects the top contributors and top detractors to the Fund's net asset value performance based on contribution to return for the quarter, as qualified by this footnote.

² Balance sheet intensive financials only. P/TB = Price/Tangible Book. TE/TA = Tangible Equity/Tangible Assets. ROTE = Return on Tangible Equity and includes FPA adjustments. Q1 2016 P/TB = Q1 2016 Price/ Q1 2016 Tangible Book. Q2 2017 P/TB = Q2 2017 Price/ Q1 2017 Tangible Book. Q1 2017 TE/TA = Q1 2017 Tangible Equity/ Q1 2017 Tangible Assets. AIG figures are as of previous year-end except Q2 2017 which uses 6/30/2017 price divided by 12/31/2016 tangible book value (Bloomberg).

SOURCE CAPITAL, INC.

S&P 500 Financials Price/Tangible Book

The current investment case for these financials to continue to perform as desired increasingly relies on a continued favorable regulatory climate, our avoiding a recession, increasing capital return the recent CCA³ is a step in the right direction and, in some cases, higher interest rates and/or a steeper yield curve.

If our portfolio companies can improve ROTE to an average of 12% (less than their historical average) and trade at 1.20x their TBV (up slightly more than current TBVs and still a sizeable discount to historical multiples as depicted in the prior graph) our positions would offer decent returns over the next three years. Note, however, that a little more than a year ago, when these institutions were trading at just 0.76x book, we believed we were well-protected on the downside (and we had more upside). We don't have that same protection today.

³ Comprehensive Capital Analysis and Review: a federally- required stress test that is held annually to determine the financial resilience of the nation's large bank holding companies.

SOURCE CAPITAL, INC.

Financials 3-year Cumulative Return Potential⁴

We aren't finding much of anything that's so statistically inexpensive, which explains why we maintain a significant position in these financials although we have taken some money off the table. Our exposure to balance sheet intensive financials at quarter-end stands at 20.9%.

Open Market Repurchases

We started the second quarter with the market discount to net asset value of 11.56% and ended the quarter with the discount at 10.39%. We repurchased 1,307 shares in the second quarter of 2017 at an average discount of 10.62%. While the number of shares purchased was modest, it was accretive to shareholders by adding \$0.0007 per share to the Fund's NAV⁵.

As a reminder, Source Capital is authorized to make open-market repurchases of its common stock of up to 10% of the Fund's outstanding shares at such times as the Fund's shares trade at a greater than 10% discount to the Fund's net asset value, when in FPA's judgment such repurchases would benefit shareholders, 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 the managers' ability to raise cash to repurchase shares in a tax-efficient manner. There is no assurance that Source Capital will purchase shares at any specific discount levels or in any specific amounts.

Respectfully submitted,

Source Capital Portfolio Management Team

August 17, 2017

⁴ FPA estimates. This chart is for illustrative purposes only. It does not imply any future performance of the fund and past performance is no guarantee of future results. TBV (tangible book value) multiples are equal-weighted between the financials owned by Source (first chart in section) and not representative of the TBV for the positions in the Fund. Current Return on Tangible Equity as of YE 2016.

⁵ Subsequent to the printing of the First Quarter 2017 report, we corrected the disclosure regarding the repurchases during that quarter. We actually repurchased 15,604 shares in the first quarter of 2017 at an average discount of 12.41% and it was accretive to shareholders by adding \$ 0.009 per share to the Fund's NAV. These amounts were originally reported as 6,850 shares, 12.52% and \$0.004, respectively. You can view the updated First Quarter report at www.sourcecapitalinc.com.

SOURCE CAPITAL, INC.

Important Disclosures

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.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may vary from the performance quoted. 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 benchmark(s). Overall Fund performance, characteristics and volatility may differ from the benchmark(s) shown.

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 securities 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 security examples discussed. Please visit our website, www.sourcecapitalinc.com, for a complete list of portfolio holdings.

Investing in closed-end funds involves risk, including loss of principal. Closed-end fund shares may frequently trade at a discount or premium to their net asset value. In addition, 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.

Stock 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.

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. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds.

When interest rates go up, the value of fixed income securities, such as bonds, typically go down 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.

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.

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.

Index Definitions

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

The Barclays U.S. Aggregate Bond Index provides a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. 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 U.S. dollars and must be fixed rate, nonconvertible, and taxable.

60% S&P 500/40% Barclays Aggregate Index is a hypothetical combination of unmanaged indices comprised of 60% S&P 500 Index and 40% Barclays U.S. Aggregate Bond Index, representing the Fund's neutral mix of 60% stocks and 40% bonds.

Indices are unmanaged, do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. Investors cannot invest directly in an index.

SOURCE CAPITAL, INC.

FORWARD LOOKING STATEMENT DISCLOSURE

As managers, one of our responsibilities is to communicate with shareholders in an open and direct manner. Insofar as some of our opinions and comments in our letters to shareholders are based on our current expectations, they are considered "forward-looking statements," which may or may not be accurate over the long term. While we believe we have a reasonable basis for our comments and have confidence in our opinions, actual results may differ materially from those we anticipate. You can identify forward-looking statements by words such as "believe," "expect," "may," "anticipate," and other similar expressions when discussing prospects for particular portfolio holdings and/or the markets, generally. We cannot, however, assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. Further, information provided in this report should not be construed as a recommendation to purchase or sell any particular security.

**SOURCE CAPITAL, INC.
PORTFOLIO SUMMARY**

June 30, 2017
(Unaudited)

Common Stocks	61.1%
Infrastructure Software	9.0%
Diversified Banks	8.0%
Aircraft & Parts	6.7%
Internet Media	4.6%
Insurance Brokers	3.8%
P&C Insurance	3.8%
Consumer Finance	3.4%
Semiconductor Devices	3.0%
Communications Equipment	2.7%
Electrical Components	2.7%
Electrical Power Equipment	2.5%
Specialty Pharma	1.9%
Investment Companies	1.9%
Advertising & Marketing	1.6%
Life Science Equipment	1.5%
Base Metals	1.4%
Integrated Oils	1.0%
Household Products	0.7%
Food & Drug Stores	0.7%
Exploration & Production	0.2%
Bonds & Debentures	34.5%
Asset-Backed Securities	21.4%
Commercial Mortgage-Backed Securities	5.0%
Residential Mortgage-Backed Securities	4.9%
Corporate Bank Debt	1.3%
U.S. Treasuries	1.3%
Corporate Bonds & Notes	0.5%
Municipals	0.1%
Short-term Investments	5.4%
Other Assets And Liabilities, Net	(1.0)%
Net Assets	100.0%

SOURCE CAPITAL, INC.
PORTFOLIO OF INVESTMENTS

June 30, 2017
(Unaudited)

COMMON STOCKS	Shares	Fair Value
INFRASTRUCTURE SOFTWARE 9.0%		
Microsoft Corporation	166,630	\$ 11,485,806
Oracle Corporation	434,720	21,796,861
		\$33,282,667
DIVERSIFIED BANKS 8.0%		
Bank of America Corporation	567,370	\$ 13,764,396
Citigroup, Inc.	240,330	16,073,271
		\$29,837,667
AIRCRAFT & PARTS 6.7%		
Arconic, Inc.	411,206	\$ 9,313,816
United Technologies Corporation	126,930	15,499,422
		\$24,813,238
INTERNET MEDIA 4.6%		
Alphabet, Inc. (Class A)*	5,617	\$ 5,222,013
Alphabet, Inc. (Class C)*	5,632	5,117,967
Baidu, Inc. (ADR) (China)*	36,950	6,608,877
		\$16,948,857
INSURANCE BROKERS 3.8%		
Aon plc (Britain)	106,740	\$ 14,191,083
P&C INSURANCE 3.8%		
American International Group, Inc.	224,030	\$ 14,006,356
CONSUMER FINANCE 3.4%		
Ally Financial, Inc.	288,540	\$ 6,030,486
American Express Co.	78,380	6,602,731
		\$12,633,217
SEMICONDUCTOR DEVICES 3.0%		
Analog Devices, Inc.	93,070	\$ 7,240,846
QUALCOMM, Inc.	69,890	3,859,326
		\$11,100,172
COMMUNICATIONS EQUIPMENT 2.7%		
Cisco Systems, Inc.	324,260	\$ 10,149,338
ELECTRICAL COMPONENTS 2.7%		
TE Connectivity, Ltd. (Switzerland)	128,350	\$ 10,098,578
ELECTRICAL POWER EQUIPMENT 2.5%		
General Electric Co.	339,580	\$ 9,172,056
SPECIALTY PHARMA 1.9%		
Mylan NV*	182,880	\$ 7,099,402
INVESTMENT COMPANIES 1.9%		
Groupe Bruxelles Lambert SA (Belgium)	72,700	\$ 6,998,959
ADVERTISING & MARKETING 1.6%		
WPP plc (Britain)	288,280	\$ 6,060,089
LIFE SCIENCE EQUIPMENT 1.5%		
Thermo Fisher Scientific, Inc.	32,030	\$ 5,588,274

See notes to financial statements.

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SOURCE CAPITAL, INC.
PORTFOLIO OF INVESTMENTS (Continued)

June 30, 2017
(Unaudited)

	Shares or Principal Amount	Fair Value
COMMON STOCKS (Continued)		
BASE METALS 1.4%		
Alcoa Corporation	111,019	\$ 3,624,770
MMC Norilsk Nickel PJSC (ADR) (Russia)	111,630	1,540,494
		\$ 5,165,264
INTEGRATED OILS 1.0%		
Gazprom PJSC (ADR) (Russia)	323,590	\$ 1,280,769
Lukoil PJSC (ADR) (Russia)	37,100	1,806,770
Rosneft Oil Co. PJSC (GDR) (Russia)	145,630	791,499
		\$ 3,879,038
HOUSEHOLD PRODUCTS 0.7%		
Unilever NV (CVA) (Britain)	48,330	\$ 2,667,268
FOOD & DRUG STORES 0.7%		
Jardine Strategic Holdings, Ltd. (Hong Kong)	61,080	\$ 2,546,425
EXPLORATION & PRODUCTION 0.2%		
Occidental Petroleum Corporation	14,880	\$ 890,866
TOTAL COMMON STOCKS 61.1% (Cost \$188,688,908)		\$227,128,814
BONDS & DEBENTURES		
COMMERCIAL MORTGAGE-BACKED SECURITIES		
AGENCY 0.1%		
Government National Mortgage Association 2011-49 A 2.45% 7/16/2038	\$ 334,050	\$ 334,368
AGENCY STRIPPED 4.1%		
Government National Mortgage Association 2012-58 IO 0.757% 2/16/2053@	\$ 13,044,913	\$ 536,942
Government National Mortgage Association 2015-86 IO 0.775% 5/16/2052@	3,023,558	175,104
Government National Mortgage Association 2013-63 IO 0.777% 9/16/2051@	18,725,049	989,456
Government National Mortgage Association 2013-74 IO 0.783% 12/16/2053@	20,212,724	972,177
Government National Mortgage Association 2014-171 IO 0.788% 11/16/2055@	18,246,435	892,979
Government National Mortgage Association 2013-13 IO 0.798% 7/16/2047@	3,084,948	142,980
Government National Mortgage Association 2013-146 IO 0.805% 11/16/2048@	17,782,487	776,332
Government National Mortgage Association 2012-79 IO 0.808% 3/16/2053@	7,958,302	349,982
Government National Mortgage Association 2012-114 IO 0.816% 1/16/2053@	17,263,723	1,020,436

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Government National Mortgage Association 2014-153 IO 0.83% 4/16/2056@	12,462,221	755,452
Government National Mortgage Association 2015-19 IO 0.879% 1/16/2057@	10,045,972	679,227
Government National Mortgage Association 2012-109 IO 0.894% 10/16/2053@	15,157,530	605,983
Government National Mortgage Association 2014-187 IO 0.933% 5/16/2056@	8,037,223	524,467
Government National Mortgage Association 2015-114 IO 0.969% 3/15/2057@	2,222,718	137,889
Government National Mortgage Association 2016-45 IO 1.004% 2/16/2058@	16,064,192	1,186,098
Government National Mortgage Association 2016-34 IO 1.007% 1/16/2058@	5,731,568	433,203
Government National Mortgage Association 2016-65 IO 1.009% 1/16/2058@	6,463,521	495,303
Government National Mortgage Association 2015-108 IO 1.035% 10/16/2056@	12,699,316	904,057
Government National Mortgage Association 2016-106 IO 1.069% 9/16/2058@	7,279,244	596,874
Government National Mortgage Association 2016-125 IO 1.07% 12/16/2057@	3,797,675	299,870
Government National Mortgage Association 2016-85 IO 1.121% 3/16/2057@	4,259,912	342,877
Government National Mortgage Association 2016-119 IO 1.127% 4/16/2058@	10,885,379	882,191
Government National Mortgage Association 2016-67 IO 1.166% 7/16/2057@	15,383,660	1,216,711
Government National Mortgage Association 2016-94 IO 1.17% 12/16/2057@	5,829,713	474,971
		\$ 15,391,561

See notes to financial statements.

SOURCE CAPITAL, INC.
PORTFOLIO OF INVESTMENTS (Continued)

June 30, 2017
(Unaudited)

BONDS & DEBENTURES <i>(Continued)</i>	Principal Amount	Fair Value
NON-AGENCY 0.8%		
A10 Term Asset Financing LLC 2016-1 A1 2.42% 3/15/2035**	\$ 175,248	\$ 174,898
Bear Stearns Commercial Mortgage Securities Trust 2005-PWR7 B 5.214% 2/11/2041@	146,868	146,853
Citigroup Commercial Mortgage Trust 2006-C4 B 6.203% 3/15/2049@	76,356	76,434
COMM Mortgage Trust 2014-FL5 B 3.309% 10/15/2031**, @	339,000	339,100
COMM Mortgage Trust 2014-FL5 C 3.309% 10/15/2031**, @	226,000	220,509
Credit Suisse Commercial Mortgage Trust Series 2016-MFF E 7.159% 11/15/2033**, @	813,000	819,101
Latitude Management Real Estate Capita 2016-CRE2 A 2.71% 11/24/2031**, @, ††	318,000	320,385
Morgan Stanley Capital I Trust 2006-HQ9 D 5.862% 7/12/2044@	260,000	259,971
Rialto Capital Management LLC 2014-LT5 B 5.00% 5/15/2024**	217,788	217,609
SCG Trust 2013-SRP1 AJ 3.109% 11/15/2026**, @	380,000	378,291
		\$ 2,953,151
TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES		\$18,679,080
RESIDENTIAL MORTGAGE-BACKED SECURITIES		
AGENCY COLLATERALIZED MORTGAGE OBLIGATION 2.5%		
Federal Home Loan Mortgage Corporation 3770 WA 4.00% 11/15/2028	\$ 353,150	\$ 358,193
Federal Home Loan Mortgage Corporation 3957 BV 4.00% 10/15/2029	429,854	431,990
Federal National Mortgage Association 2012-117 DA 1.50% 12/25/2039	273,802	268,206
Federal National Mortgage Association 2017-16 WB 2.25% 1/25/2045	584,329	578,195
Federal National Mortgage Association 2017-25 BE 2.25% 1/25/2046	1,286,453	1,271,972
Federal National Mortgage Association 2017-16 JA 3.00% 2/25/2043	903,674	919,899
Federal National Mortgage Association 2016-104 QA 3.00% 11/25/2043	1,334,152	1,355,695

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Federal National Mortgage Association 2014-4 KA 3.00% 1/25/2044	105,702	106,452
Federal National Mortgage Association 2017-5 JA 3.00% 2/25/2046	1,191,294	1,212,245
Federal National Mortgage Association 2017-45 KD 3.50% 2/25/2044	593,903	613,104
Federal National Mortgage Association 2017-52 KC 3.50% 4/25/2044	578,000	596,851
Federal National Mortgage Association 2017-28 A 3.50% 5/25/2045	728,689	753,119
Federal National Mortgage Association 2003-78 B 5.00% 8/25/2023	298,930	316,210
		\$ 8,782,131
AGENCY POOL FIXED RATE 0.9%		
Federal Home Loan Mortgage Corporation G13122 5.00% 4/1/2023	\$ 278,089	\$ 294,583
Federal Home Loan Mortgage Corporation G15744 5.00% 6/1/2026	429,801	448,126
Federal Home Loan Mortgage Corporation G13145 5.50% 4/1/2023	574,159	610,972
Federal National Mortgage Association MA1212 2.50% 10/1/2022	484,708	490,493
Federal National Mortgage Association AL8274 4.50% 12/1/2018	678,282	686,598
Federal National Mortgage Association 889109 5.00% 1/1/2023	212,800	223,753
Federal National Mortgage Association AE0286 5.00% 4/1/2025	308,993	327,479
Federal National Mortgage Association AL7725 5.00% 9/1/2025	691,951	725,011
Federal National Mortgage Association 256717 5.50% 5/1/2022	220,516	233,438
		\$ 4,040,453
NON-AGENCY COLLATERALIZED MORTGAGE OBLIGATION 1.5%		
BCAP LLC Trust 2010-RR8 2A6 2.708% 11/26/2036**, @	\$ 421,819	\$ 420,323
Nationstar HECM Loan Trust 2016-3A A 2.013% 8/25/2026**	63,974	64,641
Nationstar HECM Loan Trust 2016-1A A 2.981% 2/25/2026**, @	145,242	145,289
Nomura Resecuritization Trust 2016-1R 3A1 5.00% 9/28/2036**, @	160,661	166,308
RiverView HECM Trust 2007-1 A 1.72% 5/25/2047**, @	566,031	471,221
Towd Point Mortgage Trust 2016-3 A1 2.25% 4/25/2056**, @	645,996	644,523
Towd Point Mortgage Trust 2015-1 AES 3.00% 10/25/2053**, @	558,975	566,369
Towd Point Mortgage Trust 2015-4 A1 3.50% 4/25/2055**, @	930,695	953,327
	370,846	381,315

Towd Point Mortgage Trust 2015-2 2A1
3.75% 11/25/2057**,@

See notes to financial statements.

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SOURCE CAPITAL, INC.
PORTFOLIO OF INVESTMENTS (Continued)

June 30, 2017
(Unaudited)

	Principal Amount	Fair Value
BONDS & DEBENTURES (Continued)		
VOLT XL LLC 2015-NP14 A1 4.375% 11/27/2045**,@@	\$ 600,356	\$ 600,734
VOLT XXV LLC 2015-NPL8 A1 3.50% 6/26/2045**,@@	456,919	456,996
VOLT XXXIII LLC 2015-NPL5 A1 3.50% 3/25/2055**,@@	634,211	634,317
		\$ 5,505,363
TOTAL RESIDENTIAL MORTGAGE-BACKED SECURITIES		
4.9% (Cost \$18,316,738)		\$18,327,947
ASSET-BACKED SECURITIES		
AUTO 6.4%		
Ally Auto Receivables Trust 2017-1 B 2.35% 3/15/2022	\$ 101,000	\$ 101,037
Ally Auto Receivables Trust 2017-1 C 2.48% 5/16/2022	191,000	191,180
AmeriCredit Automobile Receivables Trust 2013-1 D 2.09% 2/8/2019	1,144,909	1,144,952
AmeriCredit Automobile Receivables Trust 2017-1 C 2.71% 8/18/2022	203,000	203,874
BMW Vehicle Lease Trust 2017-1 A4 2.18% 6/22/2020	501,000	503,673
Capital Auto Receivables Asset Trust 2016-3 A3 1.54% 8/20/2020	252,000	251,715
Capital Auto Receivables Asset Trust 2015-2 A3 1.73% 9/20/2019	1,185,000	1,186,113
Capital Auto Receivables Asset Trust 2016-1 B 2.67% 12/21/2020	114,000	114,981
Credit Acceptance Auto Loan Trust 2015-1A A 2.00% 7/15/2022**	631,438	631,843
Credit Acceptance Auto Loan Trust 2016-2A A 2.42% 11/15/2023**	250,000	250,869
Credit Acceptance Auto Loan Trust 2017-2A A 2.55% 2/17/2026**	613,000	612,949
Credit Acceptance Auto Loan Trust 2014-2A B 2.67% 9/15/2022**	250,000	250,457
Credit Acceptance Auto Loan Trust 2016-3A B 2.94% 10/15/2024**	519,000	521,198
Credit Acceptance Auto Loan Trust 2015-2A B 3.04% 8/15/2023**	566,000	569,616
	601,000	606,336

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Credit Acceptance Auto Loan Trust 2016-2A B 3.18% 5/15/2024**		
Credit Acceptance Auto Loan Trust 2016-3A C 3.60% 4/15/2025**	339,000	342,553
DT Auto Owner Trust 2016-4A B 2.02% 8/17/2020**	366,000	365,381
DT Auto Owner Trust 2017-1A C 2.70% 11/15/2022**	503,000	503,602
Exeter Automobile Receivables Trust 2016-3A A 1.84% 11/16/2020**	430,809	429,595
Exeter Automobile Receivables Trust 2017-1A B 3.00% 12/15/2021**	237,000	237,800
First Investors Auto Owner Trust 2014-1A A3 1.49% 1/15/2020**	99,282	99,267
First Investors Auto Owner Trust 2016-2A A2 1.87% 11/15/2021**	148,000	147,733
First Investors Auto Owner Trust 2016-1A A1 1.92% 5/15/2020**	378,850	378,973
First Investors Auto Owner Trust 2016-1A A2 2.26% 4/15/2021**	1,096,000	1,099,109
First Investors Auto Owner Trust 2017-1A B 2.67% 4/17/2023**	115,000	115,206
First Investors Auto Owner Trust 2017-1A C 2.95% 4/17/2023**	219,000	219,636
Ford Credit Auto Owner Trust 2013-C C 1.91% 3/15/2019	456,000	456,257
GM Financial Automobile Leasing Trust 2016-3 C 2.38% 5/20/2020	208,000	207,665
GM Financial Automobile Leasing Trust 2017-2 B 2.43% 6/21/2021	597,000	595,430
GM Financial Automobile Leasing Trust 2017-1 B 2.48% 8/20/2020	1,320,000	1,328,539
GM Financial Automobile Leasing Trust 2017-1 C 2.74% 8/20/2020	597,000	598,920
Hyundai Auto Lease Securitization Trust 2016-C B 1.86% 5/17/2021**	359,000	356,077
Nissan Auto Lease Trust 2017-A A3 1.91% 4/15/2020	567,000	566,210
Prestige Auto Receivables Trust 2016-1A A3 1.99% 6/15/2020**	1,256,000	1,258,725
Prestige Auto Receivables Trust 2016-2A B 2.19% 11/15/2022**	673,000	669,562
Prestige Auto Receivables Trust 2016-2A C 2.88% 11/15/2022**	242,000	243,674
Santander Drive Auto Receivables Trust 2013-3 C 1.81% 4/15/2019	196,324	196,374
Santander Drive Auto Receivables Trust 2015-2 B 1.83% 1/15/2020	842,295	842,514
Santander Drive Auto Receivables Trust 2014-2 C 2.33% 11/15/2019	904,932	906,498
	209,000	209,008

Santander Drive Auto Receivables Trust 2017-1 C 2.58% 5/16/2022		
Santander Drive Auto Receivables Trust 2016-2 C 2.66% 11/15/2021	131,000	130,874
Santander Drive Auto Receivables Trust 2013-5 D 2.73% 10/15/2019	439,000	442,105
Santander Drive Auto Receivables Trust 2013-A C 3.12% 10/15/2019**	395,630	396,209
Westlake Automobile Receivables Trust 2016-3A B 2.07% 12/15/2021**	1,349,000	1,347,410
Westlake Automobile Receivables Trust 2016-1A B 2.68% 9/15/2021**	1,300,000	1,303,638

See notes to financial statements.

SOURCE CAPITAL, INC.
PORTFOLIO OF INVESTMENTS (Continued)

June 30, 2017
(Unaudited)

BONDS & DEBENTURES <i>(Continued)</i>	Principal Amount	Fair Value
Westlake Automobile Receivables Trust 2017-1A C 2.70% 10/17/2022**	\$ 411,000	\$ 411,625
World Omni Automobile Lease Securitization Trust 2017-A A4 2.32% 8/15/2022	149,000	149,485
World Omni Automobile Lease Securitization Trust 2017-A B 2.48% 8/15/2022	276,000	276,927
		\$23,973,374
COLLATERALIZED LOAN OBLIGATION 4.7%		
Adams Mill CLO Ltd. 2014-1A B2R 1.00% 7/15/2026**, ††	\$ 250,000	\$ 250,000
BlueMountain CLO Ltd. 2013-4A 3.36% 4/15/2025**	250,000	250,367
Cerberus Loan Funding XVIII LP 2017-1A A 2.91% 4/15/2027**, @	1,138,000	1,137,998
Cerberus Onshore II CLO-2 LLC 2014-1A A 3.058% 10/15/2023**, @	46,032	46,045
Cerberus Onshore II CLO-2 LLC 2014-1A B 3.722% 10/15/2023**, @	250,000	250,208
CIFC Funding 2013-III Ltd. 2013-3A A2BR 3.40% 10/24/2025**	250,000	250,081
CIFC Funding 2013-IV Ltd. 2013-4A A2R 2.72% 11/27/2024**	403,000	402,380
Elm Trust 2016-1A A2 4.163% 6/20/2025**	356,000	360,728
Flagship VII Ltd. 2013-7A A2R 2.70% 1/20/2026**	475,000	475,055
Fortress Credit Opportunities III CLO LP 2014-3A A1TR 2.80% 4/28/2026**	1,322,000	1,325,043
Fortress Credit Opportunities V CLO Ltd. 2014-5A A1FR 3.40% 10/15/2026**	683,000	682,653
Fortress Credit Opportunities V CLO Ltd. 2014-5A A2R 3.75% 10/15/2026**	178,000	177,924
Fortress Credit Opportunities VII CLO, Ltd. 2016-7I E 8.424% 12/15/2028@	561,000	564,715
Halcyon Loan Advisors Funding 10/25 1 1.00% 10/22/2025**, ††	491,000	491,000
ICG US CLO Ltd. 2014-3A A1BR 2.97% 1/25/2027**	933,000	931,018
Jamestown CLO III Ltd. 2013-3A A1BR 2.753% 1/15/2026**	451,000	451,556
MidOcean Credit CLO I 2012-1A A2R 3.658% 1/15/2024**, @	504,000	511,102

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Nelder Grove CLO Ltd. 2014-1A AFR 3.00% 8/28/2026**	250,000	250,176
NewMark Capital Funding CLO, Ltd. 2014-2A AFR 3.077% 6/30/2026**	250,000	250,322
NewMark Capital Funding CLO, Ltd. 2014-2A BFR 3.669% 6/30/2026**	278,000	279,740
Northwoods Capital X Ltd. 2013-10A A2R 2.649% 11/4/2025**	797,000	796,998
Northwoods Capital X Ltd. 2013-10A B2R 3.442% 11/4/2025**	250,000	250,887
Oaktree CLO Ltd. 2014-2A A1BR 2.953% 10/20/2026**	293,000	293,565
Ocean Trails CLO V 2014-5A C2R 4.70% 10/13/2026**	186,000	186,464
OHA Loan Funding LLC 2014-1A A2R 2.95% 10/20/2026**	569,000	569,114
Peaks CLO 1, Ltd. 2014-1A C 4.658% 6/15/2026**, @	344,000	344,381
Peaks CLO, 1 Ltd. 2014-1A A 2.908% 6/15/2026**, @	839,000	840,034
Saranac CLO I Ltd. 2013-1A B 3.217% 10/26/2024**, @	340,000	341,289
Saranac CLO II Ltd. 2014-2A A2 2.922% 2/20/2025**, @	320,000	320,618
Senior Credit Fund SPV LLC 2016-1A 3.033% 12/19/2025††	925,000	925,000
SILVERMORE CLO Ltd. SMORE 2014 1A A1R 144A 1.00% 5/15/2026††	670,000	670,000
Symphony CLO XII Ltd. 2013-12A B2R 3.389% 10/15/2025**	427,000	427,668
Telos CLO, Ltd. 2014-5A A 2.708% 4/17/2025**, @	828,000	830,698
Washington Mill CLO Ltd. 2014-1A A2R 2.90% 4/20/2026**	250,000	250,039
Washington Mill CLO Ltd. 2014-1A B2R 3.60% 4/20/2026**	317,000	317,084
West CLO Ltd. 2013-1A A1BR 2.745% 11/7/2025**	418,000	418,102
West CLO Ltd. 2013-1A A2BR 3.393% 11/7/2025**	250,000	248,689
Zais CLO 2 Ltd. 2014-2A A1BR 2.92% 7/25/2026**	250,000	250,237
		\$17,618,978
CREDIT CARD 1.6%		
Cabela's Credit Card Master Note Trust 2016-1 A1 1.78% 6/15/2022	\$ 1,343,000	\$ 1,340,827
Capital One Multi-Asset Execution Trust 2016-A6 A6 1.82% 9/15/2022	1,051,000	1,051,929
Capital One Multi-Asset Execution Trust 2017-A1 A1 2.00% 1/17/2023	1,321,000	1,324,988
	1,152,000	1,159,829

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Discover Card Execution Note Trust 2014-A4

A4 2.12% 12/15/2021

Synchrony Credit Card Master Note Trust

2015-3 A 1.74% 9/15/2021

1,012,000

1,012,842

Synchrony Credit Card Master Note Trust

2016-3 B 1.91% 9/15/2022

104,000

103,399

\$ 5,993,814

See notes to financial statements.

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SOURCE CAPITAL, INC.
PORTFOLIO OF INVESTMENTS (Continued)

June 30, 2017
(Unaudited)

BONDS & DEBENTURES <i>(Continued)</i>	Principal Amount	Fair Value
EQUIPMENT 5.5%		
ARI Fleet Lease Trust 2015-A A2 1.11% 11/15/2018**	\$ 297,131	\$ 296,662
ARI Fleet Lease Trust 2016-A A2 1.82% 7/15/2024**	371,404	371,223
Ascentium Equipment Receivables LLC 2015-2A B 2.62% 12/10/2019**	1,256,000	1,258,758
Ascentium Equipment Receivables Trust 2016-1A A2 1.75% 11/13/2018**	657,304	657,349
Avis Budget Rental Car Funding AESOP LLC 2014-2A A 2.50% 2/20/2021**	172,000	171,556
Avis Budget Rental Car Funding AESOP LLC 2015-1A A 2.50% 7/20/2021**	1,282,000	1,276,211
Avis Budget Rental Car Funding AESOP LLC 2015-2A A 2.63% 12/20/2021**	616,000	612,225
CCG Receivables Trust 2015-1 A2 1.46% 11/14/2018**	220,039	219,711
Chesapeake Funding II LLC 2016-2A A1 1.88% 6/15/2028**	743,003	742,148
Chesapeake Funding II LLC 2016-1A A1 2.11% 3/15/2028**	1,160,034	1,162,776
Coinstar Funding LLC Series 2017-1A A2 5.216% 4/25/2047**	228,000	230,436
Enterprise Fleet Financing LLC 2014-2 A2 1.05% 3/20/2020**	151,384	151,257
Enterprise Fleet Financing LLC 2015-1 A2 1.30% 9/20/2020**	381,085	380,821
Enterprise Fleet Financing LLC 2016-2 A2 1.74% 2/22/2022**	453,584	453,068
Enterprise Fleet Financing LLC 2016-1 A2 1.83% 9/20/2021**	930,387	930,373
Enterprise Fleet Financing LLC 2017-2 A2 1.97% 1/20/2023**	384,000	383,980
Enterprise Fleet Financing LLC 2017-1 A3 2.60% 7/20/2022**	275,000	275,196
GreatAmerica Leasing Receivables Funding LLC Series 2016-1 A3 1.73% 6/20/2019**	1,000,000	999,505
GreatAmerica Leasing Receivables Funding LLC Series 2017-1 A4 2.36% 1/20/2023**	177,000	176,973
GreatAmerica Leasing Receivables Funding LLC Series 2017-1 C 2.89% 1/22/2024**	250,000	250,080

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Hertz Fleet Lease Funding LP 2016-1 A2 1.96% 4/10/2030**	1,314,266	1,312,587
Hertz Fleet Lease Funding LP 2017-1 A2 2.13% 4/10/2031**	548,000	548,054
Leaf Receivables Funding 10 LLC 2015-1 B 2.42% 1/15/2021**	834,000	830,585
Leaf Receivables Funding 11 LLC 2016-1 A2 1.72% 7/15/2018**	265,846	265,876
Leaf Receivables Funding 12 LLC 2017-1 A3 2.07% 8/15/2020**, ††	203,000	202,596
Leaf Receivables Funding 12 LLC 2017-1 A4 2.43% 7/15/2021**, ††	149,000	148,622
NextGear Floorplan Master Owner Trust 2015-2A A 2.38% 10/15/2020**	517,000	519,353
NextGear Floorplan Master Owner Trust 2017-1A A2 2.54% 4/18/2022**	620,000	619,773
Prop Series 2017-1A 5.30% 3/15/2042††	1,071,455	1,082,169
Verizon Owner Trust 2016-2A A 1.68% 5/20/2021**	240,000	239,321
Verizon Owner Trust 2017-2A A 1.92% 12/20/2021**	707,000	707,334
Verizon Owner Trust 2017-1A A 2.06% 9/20/2021**	269,000	270,105
Verizon Owner Trust 2016-2A B 2.15% 5/20/2021**	269,000	269,192
Verizon Owner Trust 2017-2A B 2.22% 12/20/2021**	645,000	645,137
Verizon Owner Trust 2017-1A B 2.45% 9/20/2021**	918,000	922,326
Volvo Financial Equipment LLC Series 2016-1A A2 1.44% 10/15/2018**	525,938	525,947
Volvo Financial Equipment LLC Series 2017-1A A4 2.21% 11/15/2021**	159,000	159,106
		\$20,268,391
OTHER 3.2%		
Conn's Receivables Funding LLC 2016-A B 8.96% 8/15/2018**	\$ 419,711	\$ 420,276
New Residential Advance Receivables Trust 2015-ON1 2016-T4 AT4 3.107% 12/15/2050**, ††	1,345,000	1,335,719
New Residential Advance Receivables Trust Advance Receivables Backed 2016-T1 AT1 2.751% 6/15/2049**	679,500	678,331
New Residential Advance Receivables Trust Advance Receivables Backed Notes 2016-T2 AT2 2.575% 10/15/2049**	1,362,000	1,353,189
New Residential Advance Receivables Trust Advance Receivables Backed Notes 2017-T1 AT1 3.214% 2/15/2051**, ††	1,262,000	1,256,700
Ocwen Master Advance Receivables Trust 2016-T1 AT1 2.521% 8/17/2048**	1,343,000	1,340,902

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Oportun Funding III LLC 2016-B A 3.69% 7/8/2021**	264,000	264,410
Oportun Funding IV LLC 2016-C A 3.28% 11/8/2021**	261,000	259,134
Panhandle-Plains Student Finance Corporation 2001-1 A2 2.617% 12/1/2031@,††	700,000	695,625
PFS Financing Corporation 2014-BA A 1.759% 10/15/2019**,@	1,450,000	1,451,405
PFS Financing Corporation 2016-A A 2.359% 2/18/2020**,@	1,516,000	1,521,098
Progreso Receivables Funding IV LLC 2015-B A 3.00% 7/28/2020**	500,000	499,996

See notes to financial statements.

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SOURCE CAPITAL, INC.
PORTFOLIO OF INVESTMENTS (Continued)

June 30, 2017
(Unaudited)

	Principal Amount	Fair Value
BONDS & DEBENTURES (Continued)		
Unison Ground Lease Funding LLC 2013-1 B 5.78% 3/15/2043**,††	\$ 349,000	\$ 346,148
WCP ISSUER LLC 2013-1 B 6.657% 8/15/2043**,††	409,000	422,939
		\$11,845,872
TOTAL ASSET-BACKED SECURITIES		
21.4% (Cost \$79,543,607)		\$79,700,429
CORPORATE BONDS & NOTES		
CONSUMER, CYCLICAL 0.1%		
Continental Airlines 2000-1 Class B Pass Through Trust 8.388% 5/1/2022	\$ 753	\$ 841
Northwest Airlines 1999-2 Class C Pass Through Trust 8.304% 9/1/2010††	232,812	83,230
US Airways 1998-1B Pass Through Trust 7.35% 7/30/2019	53,755	53,788
		\$ 137,859
ENERGY 0.1%		
PHI, Inc. 5.25% 3/15/2019	\$	