

SOURCE CAPITAL INC /DE/  
Form N-CSRS  
September 06, 2018

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 811-01731

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

11601 WILSHIRE BLVD., STE. 1200

LOS ANGELES, CALIFORNIA  
(Address of principal executive offices)

(Name and address of agent for service)

J. RICHARD ATWOOD, PRESIDENT  
SOURCE CAPITAL, INC.  
11601 WILSHIRE BLVD., STE. 1200  
LOS ANGELES, CALIFORNIA 90025

90025  
(Zip code)

Copy to:

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 December 31  
end:

Date of reporting period: June 30, 2018

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**Item 1: Report to Shareholders.**

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**SOURCE CAPITAL, INC.**

**SEMIANNUAL REPORT**

for the six months ended June 30, 2018

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

**DEAR SHAREHOLDERS:****Performance**

During the second quarter of 2018, the net asset value per share return of Source Capital (or the "Fund") was 0.40%, and 0.23% on a market price basis (both percentages including the reinvestment of the distributions paid during the period). These changes compare with a 3.43% return for the S&P 500 Index, a -0.16% return for the Bloomberg Barclays U.S. Aggregate Bond Index and a 1.99% return for the 60/40 blended S&P 500/ Bloomberg Barclays U.S. Aggregate benchmark during the same period. For the calendar year to date period, the net asset value per share return of the Fund was -0.50%, and -1.29% on a market price basis (both percentages including the reinvestment of the distributions paid during the period). These changes compare with returns of 2.65%, -1.62% and 1.00% for the S&P 500 Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the 60/40 blended S&P 500/ Bloomberg Barclays U.S. Aggregate benchmark during the same period, respectively.<sup>1</sup>

The Fund's top five winners and losers for the second quarter of 2018 are presented below. The winners contributed 1.47%, while the losers detracted -1.56%.<sup>2</sup>

<b>Winners</b>	<b>Performance Contribution</b>	<b>Losers</b>	<b>Performance Contribution</b>
Facebook	0.36%	Arconic	-0.70%
Microsoft	0.30%	Mylan	-0.28%
Alphabet	0.30%	TE Connectivity	-0.28%
Baidu	0.27%	Bank of America	-0.17%
Kinder Morgan	0.24%	Oracle	-0.13%

**Equities**

Growth continued to outperform value year-to-date, hurting the Fund's performance relative to the broader benchmarks. The Russell 1000 Growth Index returned 7.25%, while the Russell 1000 Value Index declined -1.69% in the first half of the year.

One needn't look much further than the investments that had the greatest impact on the Fund's Q2 performance to drive this point home. The top four contributors are considered "growth" companies. The holdings that hurt Q2's performance largely fall in the "value" category.

For equities, our strategy is largely to purchase equity in undervalued businesses. If we have correctly assessed the opportunity, we believe our investments can deliver a better than market rate of return by virtue of a discounted valuation. The market will define some of these investments as value and others as growth.

Buying growing businesses with an adequate margin of safety is just as much a value investment as buying, say, a financial firm at a discount to tangible book value or a holding company at a discount to readily ascertainable net asset value. We've held all three types of investments in our portfolio over the past decade.

When analyzing businesses, we focus on the key performance indicators that we believe matter. Sometimes financial statements tell the story, and in those cases, investments typically appear "cheap" based on reported financial results. In other situations, information not in the financial statements might be most relevant, for instance, data like a company's position on the cost curve, its subscribers/user base, its total addressable market, its customer acquisition

cost, the lifetime value of a customer, or real asset marked-to-market. In these situations, our holding might appear "expensive" based on reported financial results, but not when one looks at these other factors. Our value approach is the same no matter what the ultimate driver of intrinsic value.

We suspect that balance sheet sources of value will prove a less fertile source of opportunities than in the past, given evolutionary changes in the economy and business models over the past thirty years. In the past few years, the team has spent much time building a base of knowledge in businesses that are capital light, demonstrate outstanding economics and are likely to offer substantial organic growth over the next decade. Some of these companies are too hard for us to underwrite and others trade at values that seem devoid of a margin of safety, but others, like Facebook, Expedia, JD.com and Baidu, have made it into our portfolio.

<sup>1</sup> Comparison to the S&P 500 Index and the Bloomberg Barclays U.S. Aggregate Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

<sup>2</sup> Reflects the top contributors and top detractors to the Fund's performance based on contribution to return for the quarter. Contribution is presented gross of investment management fees, transactions costs and Fund operating expenses, which if included, would reduce the returns presented.

**SOURCE CAPITAL, INC.**

Admittedly, no bright line divides growth and value. Lacking a more robust methodology, index funds place some companies into both buckets. A company with a low price-to-earnings ratio but a high price-to-book may find some portion of its market capitalization allocated to a value index and the remainder in a growth index.

With active and passive funds building ever larger exposure to growth stocks, the lack of oxygen left in the room for value stocks has triggered some wilting in price. That, along with somewhat higher volatility, has allowed us to initiate new positions.

Last year the U.S. market posted the lowest volatility on record, but 2018 has seen bigger ups and downs.<sup>3</sup> The S&P 500 has already declined more than 1% on four times as many trading days in 2018 than in all of last year; the MSCI ACWI, six times as many.

*Source: Bloomberg*

<sup>3</sup> The VIX Index

## **SOURCE CAPITAL, INC.**

When investors become fearful, we like to take advantage of indiscriminate selling. In the first half of the year, that allowed us to establish ten new long positions and exit five. This is more portfolio movement than we've had in years.

### **Fixed Income**

At mid-year, the investment community appears to be comfortable with a gradual increase in the Fed Funds rate. The Federal Reserve began tightening monetary policy via increases in the Fed Funds rate in December 2015. The next increase occurred at the end of 2016, followed by three increases in 2017 and a market expectation of three or four increases this year. The chart below compares the yield curves as of December 15, 2015 (green line) and June 30, 2018 (blue line).

*Source: Bloomberg.*

The chart shows that increasing rates on the short end of the curve have been accompanied by less significant increases in other parts of the curve, causing the yield curve to flatten significantly over the past two-and-a-half years.

One immediate impact of the Fed's tightening path is that it has introduced more yield into bond markets, particularly in the one- to five-year portion of the yield curve. As we have stated before, as long as rates are sufficient to compensate us for taking on duration risk, we are willing to do so.

### **Open Market Repurchases**

We started the quarter with the market discount to net asset value of 10.16% and ended the quarter with the discount at 10.35%. We repurchased 3,128 shares in the second quarter of 2018 at an average discount of 10.54%. While the number of shares repurchased was modest, it was accretive to shareholders by adding \$0.002 per share to the Fund's NAV.

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 its 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

July 2018

**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](http://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.

**SOURCE CAPITAL, INC.**

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.

*You can obtain additional information by visiting the website at [www.fpa.com](http://www.fpa.com), by email at [crm@fpa.com](mailto:crm@fpa.com), toll free by calling 1-800-279-1241 (option 1), or by contacting the Fund in writing.*

The discussion of Fund investments represents the views of the Fund's managers at the time of this report and are subject to change without notice. References to individual securities are for informational purposes only and should not be construed as recommendations to purchase or sell individual securities. While the Fund's managers believe that the Fund's holdings are value stocks, there can be no assurance that others will consider them as such. Further, investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods.

The Russell 2500 Index is an unmanaged index comprised of the 2,500 smallest companies in the Russell 3000 Index. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. The S&P 500 Index is an index of 500 companies with large market capitalization.

**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, 2018  
(Unaudited)

<b>Common Stocks</b>		<b>64.3%</b>
Internet Media	8.5%	
Infrastructure Software	6.5%	
Diversified Banks	5.5%	
Aircraft & Parts	5.4%	
P&C Insurance	3.7%	
Semiconductor Devices	3.6%	
Cable & Satellite	3.6%	
Insurance Brokers	3.1%	
Consumer Finance	2.7%	
Electrical Components	2.5%	
Investment Companies	2.1%	
Internet Based Services	2.0%	
Generic Pharma	1.9%	
Cement & Aggregates	1.9%	
Advertising & Marketing	1.8%	
Banks	1.6%	
Midstream-Oil & Gas	1.5%	
Life Science Equipment	1.4%	
Packaged Food	1.2%	
Communications Equipment	1.2%	
Household Products	0.7%	
Integrated Oils	0.6%	
Food & Drug Stores	0.5%	
E-Commerce Discretionary	0.4%	
Base Metals	0.4%	
<b>Bonds &amp; Debentures</b>		<b>33.7%</b>
Asset-Backed Securities	18.9%	
Residential Mortgage-Backed Securities	6.4%	
Commercial Mortgage-Backed Securities	3.7%	
U.S. Treasuries	2.6%	
Corporate Bank Debt	1.1%	
Corporate Bonds & Notes	1.0%	
<b>Short-term Investments</b>		<b>2.7%</b>
<b>Other Assets And Liabilities, Net</b>		<b>(0.7)%</b>
<b>Net Assets</b>		<b>100.0%</b>

**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS**

June 30, 2018  
(Unaudited)

COMMON STOCKS	Shares	Fair Value
<b>INTERNET MEDIA 8.5%</b>		
Alphabet, Inc. (Class A)(a)	6,539	\$ 7,383,773
Alphabet, Inc. (Class C)(a)	6,581	7,342,093
Baidu, Inc. (ADR) (China)(a)	42,839	10,409,877
Facebook, Inc. (Class A)(a)	38,190	7,421,081
		\$32,556,824
<b>INFRASTRUCTURE SOFTWARE 6.5%</b>		
Microsoft Corporation	91,997	\$ 9,071,824
Oracle Corporation	357,877	15,768,061
		\$24,839,885
<b>DIVERSIFIED BANKS 5.5%</b>		
Bank of America Corporation	406,117	\$11,448,438
Citigroup, Inc.	142,450	9,532,754
		\$20,981,192
<b>AIRCRAFT &amp; PARTS 5.4%</b>		
Arconic, Inc.	533,257	\$ 9,070,702
United Technologies Corporation	92,528	11,568,776
		\$20,639,478
<b>P&amp;C INSURANCE 3.7%</b>		
American International Group, Inc.	264,180	\$14,006,824
<b>SEMICONDUCTOR DEVICES 3.6%</b>		
Analog Devices, Inc.	92,880	\$ 8,909,049
Broadcom, Inc.	20,126	4,883,373
		\$13,792,422
<b>CABLE &amp; SATELLITE 3.6%</b>		
Charter Communications, Inc. (Class A)(a)	21,472	\$ 6,295,805
Comcast Corp. (Class A)	221,715	7,274,469
		\$13,570,274
<b>INSURANCE BROKERS 3.1%</b>		
Aon plc (Britain)	86,962	\$11,928,578
<b>CONSUMER FINANCE 2.7%</b>		
Ally Financial, Inc.	224,180	\$ 5,889,209
American Express Co.	46,310	4,538,380
		\$10,427,589
<b>ELECTRICAL COMPONENTS 2.5%</b>		
TE Connectivity, Ltd. (Switzerland)	106,190	\$ 9,563,472
<b>INVESTMENT COMPANIES 2.1%</b>		
Groupe Bruxelles Lambert SA (Belgium)	77,290	\$ 8,152,217
<b>INTERNET BASED SERVICES 2.0%</b>		
Expedia, Inc.	62,170	\$ 7,472,212
<b>GENERIC PHARMA 1.9%</b>		
Mylan NV(a)	201,310	\$ 7,275,343
<b>CEMENT &amp; AGGREGATES 1.9%</b>		

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HeidelbergCement AG (Germany)	25,802	\$ 2,171,884
LafargeHolcim Ltd. (Switzerland)	103,294	5,046,313
		\$ 7,218,197



**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS (Continued)**

June 30, 2018  
(Unaudited)

	Shares or Principal Amount	Fair Value
<b>COMMON STOCKS (Continued)</b>		
<b>ADVERTISING &amp; MARKETING 1.8%</b>		
WPP plc (Britain)	436,170	\$ 6,867,332
<b>BANKS 1.6%</b>		
Wells Fargo & Co.	107,980	\$ 5,986,411
<b>MIDSTREAM-OIL &amp; GAS 1.5%</b>		
Kinder Morgan, Inc.	315,100	\$ 5,567,817
<b>LIFE SCIENCE EQUIPMENT 1.4%</b>		
Thermo Fisher Scientific, Inc.	26,680	\$ 5,526,495
<b>PACKAGED FOOD 1.2%</b>		
Mondelez International, Inc. (Class A)	116,310	\$ 4,768,710
<b>COMMUNICATIONS EQUIPMENT 1.2%</b>		
Cisco Systems, Inc.	106,511	\$ 4,583,168
<b>HOUSEHOLD PRODUCTS 0.7%</b>		
Unilever NV (CVA) (Britain)	47,620	\$ 2,657,354
<b>INTEGRATED OILS 0.6%</b>		
Lukoil PJSC (ADR) (Russia)	33,940	\$ 2,320,817
<b>FOOD &amp; DRUG STORES 0.5%</b>		
Jardine Strategic Holdings, Ltd. (Hong Kong)	56,030	\$ 2,043,974
<b>E-COMMERCE DISCRETIONARY 0.4%</b>		
JD.com, Inc. (ADR) (China)(a)	36,465	\$ 1,420,312
<b>BASE METALS 0.4%</b>		
Alcoa Corporation(a)	24,800	\$ 1,162,624
MMC Norilsk Nickel PJSC (ADR) (Russia)	11,860	212,887
		\$ 1,375,511
<b>TOTAL COMMON STOCKS 64.3% (Cost</b>		
<b>\$207,318,569)</b>		<b>\$245,542,408</b>
<b>BONDS &amp; DEBENTURES</b>		
<b>COMMERCIAL MORTGAGE-BACKED SECURITIES 3.7%</b>		
<b>AGENCY 0.0%</b>		
Government National Mortgage Association 2011-49 A 2.45% 7/16/2038	\$ 41,961	\$ 41,877
<b>AGENCY STRIPPED 2.2%</b>		
Government National Mortgage Association 2014-171 IO 0.675% 11/16/2055(b)	\$ 15,645,109	\$ 586,082
Government National Mortgage Association 2012-58 IO 0.714% 2/16/2053(b)	12,026,754	392,079
Government National Mortgage Association 2015-86 IO 0.772% 5/16/2052(b)	2,957,531	156,853
Government National Mortgage Association 2012-79 IO 0.772% 3/16/2053(b)	7,480,100	281,751
	17,533,301	897,526

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Government National Mortgage Association 2013-63 IO 0.79% 9/16/2051(b)		
Government National Mortgage Association 2013-74 IO 0.795% 12/16/2053(b)	18,883,769	891,206
Government National Mortgage Association 2014-153 IO 0.796% 4/16/2056(b)	11,842,812	639,025
Government National Mortgage Association 2012-109 IO 0.802% 10/16/2053(b)	12,919,770	437,527
Government National Mortgage Association 2012-114 IO 0.803% 1/16/2053(b)	16,351,676	820,228
Government National Mortgage Association 2013-146 IO 0.815% 11/16/2048(b)	16,474,681	624,844
Government National Mortgage Association 2015-19 IO 0.843% 1/16/2057(b)	7,579,380	431,431
Government National Mortgage Association 2014-187 IO 0.896% 5/16/2056(b)	7,453,215	431,710
Government National Mortgage Association 2015-114 IO 0.941% 3/15/2057(b)	2,113,804	125,668
Government National Mortgage Association 2015-108 IO 0.95% 10/16/2056(b)	8,568,783	519,430

**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS (Continued)**

June 30, 2018  
(Unaudited)

<b>BONDS &amp; DEBENTURES (Continued)</b>	Amount	Principal Fair Value
Government National Mortgage Association 2016-65 IO 1.006% 1/16/2058(b)	\$ 6,353,818	\$ 482,592
Government National Mortgage Association 2016-106 IO 1.032% 9/16/2058(b)	6,417,176	505,012
Government National Mortgage Association 2016-125 IO 1.062% 12/16/2057(b)	3,717,698	293,947
		\$ 8,516,911
<b>NON-AGENCY 1.5%</b>		
Aventura Mall Trust M 2013-AVM A 3.867% 12/5/2032(b)(c)	\$ 970,000	\$ 986,902
Bear Stearns Commercial Mortgage Securities Trust 2005-PWR7 B 5.214% 2/11/2041(b)	129,224	129,609
Citigroup Commercial Mortgage Trust 2006-C4 B 6.395% 3/15/2049(b)	3,415	3,428
COMM Mortgage Trust 2014-FL5 B, 1M LIBOR + 2.150% 3.183% 10/15/2031(b)(c)	339,000	338,647
COMM Mortgage Trust 2014-FL5 C, 1M LIBOR + 2.150% 3.183% 10/15/2031(b)(c)	226,000	224,308
Credit Suisse Commercial Mortgage Trust Series 2016-MFF E, 1M LIBOR + 6.000% 8.073%		
11/15/2033(b)(c)	878,000	887,253
DBUBS Mortgage Trust 2011-LC2A A4 4.537% 7/10/2044(c)	1,082,918	1,117,309
JP Morgan Chase Commercial Mortgage Securities Trust 2010-C1 A3 5.058% 6/15/2043(c)	191,000	197,186
Latitude Management Real Estate Capita 2016-CRE2 A, 1M LIBOR + 1.700% 3.784% 11/24/2031(b)(c)	444,000	448,535
Madison Avenue Trust M 2013-650M A 3.843% 10/12/2032(c)	277,000	280,428
Rialto Real Estate Fund LP 2015-LT7 B 5.071% 12/25/2032(c)	70,023	70,023
Wells Fargo Commercial Mortgage Trust 2015-C26 A2 2.663% 2/15/2048	198,000	197,151
WFRBS Commercial Mortgage Trust 2013-UBS1 A3 3.591% 3/15/2046	737,000	745,054
		\$ 5,625,833
<b>TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES</b>		
(Cost \$14,512,313)		\$14,184,621

**RESIDENTIAL MORTGAGE-BACKED SECURITIES 6.4%****AGENCY COLLATERALIZED MORTGAGE OBLIGATION 2.0%**

Federal Home Loan Mortgage Corporation 4302 AE 2.00% 11/15/2029	\$ 437,980	\$ 430,254
Federal Home Loan Mortgage Corporation 4664 TA 3.00% 9/15/2037	176,591	176,380
Federal Home Loan Mortgage Corporation 4504 DN 3.00% 10/15/2040	359,080	358,075
Federal Home Loan Mortgage Corporation 3862 MB 3.50% 5/15/2026	455,000	461,786
Federal National Mortgage Association 2012-117 DA 1.50% 12/25/2039	170,919	162,890
Federal National Mortgage Association 2014-89 LB 2.00% 6/25/2042	125,379	122,390
Federal National Mortgage Association 2017-30 G 3.00% 7/25/2040	271,903	269,063
Federal National Mortgage Association 2013-93 PJ 3.00% 7/25/2042	54,538	54,290
Federal National Mortgage Association 2017-16 JA 3.00% 2/25/2043	789,804	784,058
Federal National Mortgage Association 2018-16 HA 3.00% 7/25/2043	626,287	622,948
Federal National Mortgage Association 2016-104 QA 3.00% 11/25/2043	1,200,805	1,190,198
Federal National Mortgage Association 2014-4 KA 3.00% 1/25/2044	86,797	85,239
Federal National Mortgage Association 2011-98 VE 3.50% 6/25/2026	329,000	330,958
Federal National Mortgage Association 2011-80 KB 3.50% 8/25/2026	327,000	331,782
Federal National Mortgage Association 2017-45 KD 3.50% 2/25/2044	554,014	556,486
Federal National Mortgage Association 2017-52 KC 3.50% 4/25/2044	551,317	553,766
Federal National Mortgage Association 2017-59 DC 3.50% 5/25/2044	771,957	775,399
Federal National Mortgage Association 2003-78 B 5.00% 8/25/2023	218,868	228,544
		\$ 7,494,506

**AGENCY POOL FIXED RATE 1.9%**

Federal Home Loan Mortgage Corporation J16678 3.00% 9/1/2026	\$ 143,596	\$ 143,798
Federal Home Loan Mortgage Corporation G16406 3.00% 1/1/2028	592,696	592,972
Federal Home Loan Mortgage Corporation G16473 3.50% 1/1/2028	960,997	975,212
Federal Home Loan Mortgage Corporation G13122 5.00% 4/1/2023	196,636	203,696
Federal Home Loan Mortgage Corporation G15744 5.00% 6/1/2026	193,845	199,226
	403,375	418,833

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Federal Home Loan Mortgage Corporation

G13145 5.50% 4/1/2023

Federal National Mortgage Association

MA1212 2.50% 10/1/2022

331,222

328,851

**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS (Continued)**

June 30, 2018  
(Unaudited)

<b>BONDS &amp; DEBENTURES (Continued)</b>	Amount	Principal Fair Value
Federal National Mortgage Association AR6882 2.50% 2/1/2028	\$ 102,924	\$ 101,231
Federal National Mortgage Association AJ6973 3.00% 11/1/2026	46,973	47,081
Federal National Mortgage Association AJ9387 3.00% 12/1/2026	23,641	23,696
Federal National Mortgage Association AU3826 3.00% 12/1/2026	704,285	704,582
Federal National Mortgage Association AL1345 3.00% 2/1/2027	43,476	43,576
Federal National Mortgage Association AB4673 3.00% 3/1/2027	47,835	47,945
Federal National Mortgage Association AK9467 3.00% 3/1/2027	50,547	50,664
Federal National Mortgage Association AL4693 3.00% 8/1/2028	42,086	42,183
Federal National Mortgage Association AB2446 3.50% 3/1/2026	276,566	280,981
Federal National Mortgage Association MA3075 3.50% 7/1/2027	871,344	884,709
Federal National Mortgage Association MA3132 3.50% 9/1/2027	195,101	198,216
Federal National Mortgage Association MA3251 3.50% 1/1/2028	230,895	234,581
Federal National Mortgage Association CA1631 3.50% 10/1/2028	221,579	225,116
Federal National Mortgage Association BM1231 3.50% 11/1/2031	474,089	481,658
Federal National Mortgage Association 889109 5.00% 1/1/2023	141,075	145,289
Federal National Mortgage Association AE0286 5.00% 4/1/2025	220,327	228,438
Federal National Mortgage Association AL7725 5.00% 9/1/2025	376,555	388,201
Federal National Mortgage Association 256717 5.50% 5/1/2022	118,988	122,986
		\$ 7,113,721
<b>NON-AGENCY COLLATERALIZED MORTGAGE OBLIGATION 2.5%</b>		
CIM Trust 2017-7 A, VRN 3.00% 4/25/2057(b)(c)	\$ 827,036	\$ 811,610
CIM Trust 2018-R3 A1, VRN 5.00% 12/25/2057(b)(c)	1,222,664	1,262,897

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Citigroup Mortgage Loan Trust, Inc. 2014-A A 4.00% 1/25/2035(b)(c)	242,119	245,434
Finance of America Structured Securities Trust 2017-HB1 M1 2.84% 11/25/2027(b)(c)(d)	379,000	375,642
Mill City Mortgage Loan Trust 2018-2 A1, VRN 3.50% 5/25/2058(b)(c)(d)	1,162,000	1,157,085
Nationstar HECM Loan Trust 2017-2A M1 2.815% 9/25/2027(b)(c)	316,000	312,346
Nomura Resecuritization Trust 2016-1R 3A1 5.00% 9/28/2036(b)(c)	131,768	133,809
Towd Point Mortgage Trust 2016-3 A1 2.25% 4/25/2056(b)(c)	488,024	477,037
Towd Point Mortgage Trust 2015-5 A1B, VRN 2.75% 5/25/2055(b)(c)	207,267	204,383
Towd Point Mortgage Trust 2015-1 AES 3.00% 10/25/2053(b)(c)	362,785	360,050
Towd Point Mortgage Trust 2015-3 A1B, VRN 3.00% 3/25/2054(b)(c)	347,184	344,595
Towd Point Mortgage Trust 2018-1 A1, VRN 3.00% 1/25/2058(b)(c)	891,252	877,558
Towd Point Mortgage Trust 2018-2 A1, VRN 3.25% 3/25/2058(b)(c)	1,226,901	1,223,586
Towd Point Mortgage Trust 2015-2 2A1 3.75% 11/25/2057(b)(c)	964,399	968,145
Towd Point Mortgage Trust 2015-4 A1 3.50% 4/25/2055(b)(c)	756,580	756,641
VOLT XL LLC 2015-NP14 A1 4.375% 11/27/2045(c)(e)	224,211	224,399
		\$ 9,735,217
<b>TOTAL RESIDENTIAL MORTGAGE-BACKED SECURITIES</b> (Cost \$24,620,030)		\$24,343,444
<b>ASSET-BACKED SECURITIES 18.9%</b>		
<b>AUTO 5.7%</b>		
Ally Auto Receivables Trust 2017-1 B 2.35% 3/15/2022	\$ 101,000	\$ 99,029
Ally Auto Receivables Trust 2017-1 C 2.48% 5/16/2022	191,000	187,705
American Credit Acceptance Receivables Trust 2017-4 B 2.61% 5/10/2021(c)	216,000	215,131
AmeriCredit Automobile Receivables Trust 2017-4 A3 2.04% 7/18/2022	402,000	396,044
AmeriCredit Automobile Receivables Trust 2017-1 C 2.71% 8/18/2022	203,000	200,459
BMW Vehicle Lease Trust 2017-1 A4 2.18% 6/22/2020	501,000	497,180
BMW Vehicle Lease Trust 2017-2 A4 2.19% 3/22/2021	247,000	243,731
Capital Auto Receivables Asset Trust 2016-1 B 2.67% 12/21/2020	114,000	113,744
	225,000	221,621

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CarMax Auto Owner Trust 2017-4 A3 10/17/2022	2.11%		
CarMax Auto Owner Trust 2018-1 A3 11/15/2022	2.48%	474,000	469,684
CarMax Auto Owner Trust 2018-2 A3 1/17/2023	2.98%	536,000	535,705
Credit Acceptance Auto Loan Trust 2017-2A A 2.55% 2/17/2026(c)		1,351,000	1,336,278



**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS (Continued)**

June 30, 2018  
(Unaudited)

<b>BONDS &amp; DEBENTURES (Continued)</b>	Amount	Principal Fair Value
Credit Acceptance Auto Loan Trust 2017-3A A 2.65% 6/15/2026(c)	\$ 445,000	\$ 439,877
Credit Acceptance Auto Loan Trust 2016-3A B 2.94% 10/15/2024(c)	548,000	541,017
Credit Acceptance Auto Loan Trust 2016-2A B 3.18% 5/15/2024(c)	601,000	598,899
Credit Acceptance Auto Loan Trust 2017-3A B 3.21% 8/17/2026(c)	941,000	926,540
DT Auto Owner Trust 2017-4A B 2.44% 1/15/2021(c)	274,000	272,473
DT Auto Owner Trust 2017-1A C 2.70% 11/15/2022(c)	503,000	500,404
DT Auto Owner Trust 2017-4A C 2.86% 7/17/2023(c)	236,000	234,607
Exeter Automobile Receivables Trust 2018-1A B 2.75% 4/15/2022(c)	275,000	272,571
Exeter Automobile Receivables Trust 2017-1A B 3.00% 12/15/2021(c)	237,000	236,860
First Investors Auto Owner Trust 2017-1A B 2.67% 4/17/2023(c)	115,000	113,823
First Investors Auto Owner Trust 2017-1A C 2.95% 4/17/2023(c)	219,000	214,873
GM Financial Automobile Leasing Trust 2016-3 C 2.38% 5/20/2020	208,000	206,779
GM Financial Automobile Leasing Trust 2017-2 B 2.43% 6/21/2021	597,000	590,375
GM Financial Automobile Leasing Trust 2017-1 B 2.48% 8/20/2020	1,320,000	1,308,745
GM Financial Automobile Leasing Trust 2018-1 A4 2.68% 12/20/2021	385,000	381,880
GM Financial Automobile Leasing Trust 2017-1 C 2.74% 8/20/2020	597,000	591,984
GM Financial Automobile Leasing Trust 2017-2 C 2.84% 6/21/2021	100,000	99,108
Honda Auto Receivables Owner Trust 2018-1I A4 2.78% 5/15/2024	918,000	912,801
Hyundai Auto Lease Securitization Trust 2017-C A4 2.21% 9/15/2021(c)	265,000	261,589
Hyundai Auto Lease Securitization Trust 2018-A A4 2.89% 3/15/2022(c)	576,000	573,670
Hyundai Auto Receivables Trust 2018-A A4 2.94% 6/17/2024	656,000	654,022

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Mercedes-Benz Auto Lease Trust 2018-A A4 2.51% 10/16/2023	158,000	156,473
Nissan Auto Lease Trust 2017-B A4 2.17% 12/15/2021	292,000	288,463
Nissan Auto Lease Trust 2017-A A3 1.91% 4/15/2020	567,000	562,301
Nissan Auto Receivables Owner Trust 2018-A A3 2.65% 5/16/2022	662,000	658,585
Prestige Auto Receivables Trust 2016-2A B 2.19% 11/15/2022(c)	673,000	667,751
Prestige Auto Receivables Trust 2017-1A B 2.39% 5/16/2022(c)	319,000	314,910
Prestige Auto Receivables Trust 2017-1A C 2.81% 1/17/2023(c)	787,000	772,484
Prestige Auto Receivables Trust 2016-2A C 2.88% 11/15/2022(c)	327,000	323,061
Santander Drive Auto Receivables Trust 2017-3 B 2.19% 3/15/2022	797,000	788,497
Santander Drive Auto Receivables Trust 2017-1 C 2.58% 5/16/2022	209,000	207,525
Santander Drive Auto Receivables Trust 2018-1 B 2.63% 7/15/2022	463,000	459,595
Santander Drive Auto Receivables Trust 2016-2 C 2.66% 11/15/2021	131,000	130,482
Santander Drive Auto Receivables Trust 2017-2 C 2.79% 8/15/2022	327,000	325,395
Westlake Automobile Receivables Trust 2017-1A C 2.70% 10/17/2022(c)	411,000	409,325
Westlake Automobile Receivables Trust 2018-1A C 2.92% 5/15/2023(c)	310,000	307,337
World Omni Auto Receivables Trust 2018-A A3 2.50% 4/17/2023	773,000	764,583
World Omni Automobile Lease Securitization Trust 2017-A A4 2.32% 8/15/2022	149,000	147,707
World Omni Automobile Lease Securitization Trust 2017-A B 2.48% 8/15/2022	276,000	273,328
		\$22,007,010
<b>COLLATERALIZED LOAN OBLIGATION 4.8%</b>		
Adams Mill CLO Ltd. 2014-1A B2R 3.35% 7/15/2026(c)	\$ 250,000	\$ 247,669
B&M CLO Ltd. 2014-1A A2R, FRN 3.948% 4/16/2026(b)(c)	287,000	287,183
Black Diamond CLO Ltd. 2014-1A A1R, 3M USD LIBOR + 1.150% 3.503% 10/17/2026(b)(c)	893,000	892,242
BlueMountain CLO Ltd. 2013-4A 3.36% 4/15/2025(c)	250,000	250,045
Cerberus Loan Funding XVIII LP 2017-1A A, 3M USD LIBOR + 1.750% 4.098% 4/15/2027(b)(c)	1,138,000	1,138,124
	857,000	857,081

Cerberus Loan Funding XXI LP 2017-4A A, FRN 3.798% 10/15/2027(b)(c)		
Elm Trust 2016-1A A2 4.163% 6/20/2025(c)	356,000	355,012
Flagship VII Ltd. 2013-7A A2R 2.70% 1/20/2026(c)	407,064	403,617
Fortress Credit Opportunities IX CLO Ltd. 2017-9A A1T, FRN 3.893% 11/15/2029(b)(c)	613,000	614,178
Fortress Credit Opportunities IX CLO Ltd. 2017-9A E, FRN 9.593% 11/15/2029(b)(c)	328,000	320,317
Fortress Credit Opportunities VII CLO Ltd. 2016-7I E, 3M USD LIBOR + 7.490% 9.831% 12/15/2028(b)	561,000	562,220

**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS (Continued)**

June 30, 2018  
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<b>BONDS &amp; DEBENTURES (Continued)</b>	Amount	Principal Fair Value
Halcyon Loan Advisors Funding 2015-3A A1R, 3M USD LIBOR + 0.90% 3.255% 10/18/2027(b)(c)	\$ 1,089,000	\$ 1,088,689
Halcyon Loan Advisors Funding 2015-1A AR, FRN 3.279% 4/20/2027(b)(c)	1,304,000	1,304,007
Halcyon Loan Advisors Funding 2014-3A AR, 3M USD LIBOR + 1.100% 3.462% 10/22/2025(b)(c)	491,000	491,061
Ivy Hill Middle Market Credit Fund VII Ltd. 1.00% 7/18/2030(d)	604,000	604,000
Ivy Hill Middle Market Credit Fund VII Ltd. 7A AR, FRN 3.889% 10/20/2029(b)(c)	250,000	250,162
Jamestown CLO III Ltd. 2013-3A A1BR 2.753% 1/15/2026(c)	276,940	276,898
NewMark Capital Funding CLO, Ltd. 2014-2A AFR 3.077% 6/30/2026(c)	250,000	249,924
NewMark Capital Funding CLO, Ltd. 2014-2A BFR 3.669% 6/30/2026(c)	278,000	277,824
Oaktree CLO Ltd. 2014-2A A1BR 2.953% 10/20/2026(c)	293,000	292,969
Ocean Trails CLO V 2014-5A C2R 4.70% 10/13/2026(c)	186,000	185,868
Peaks CLO 1, Ltd. 2014-1A A, 3M USD LIBOR + 1.750% 4.098% 6/15/2026(b)(c)	839,000	839,106
Peaks CLO 1, Ltd. 2014-1A C, 3M USD LIBOR + 3.500% 5.848% 6/15/2026(b)(c)	344,000	344,177
Saranac CLO III Ltd. 2014-3A ALR, FRN 3.432% 6/22/2030(b)(c)(d)	632,000	631,210
Senior Credit Fund SPV LLC 2016-1A 3.033% 12/19/2025(d)	925,000	925,000
Silvermore CLO Ltd. 2014-1A A1R, 3M USD LIBOR + 1.170% 3.513% 5/15/2026(b)(c)	664,000	664,151
Symphony CLO XII Ltd. 2013-12A B2R 3.389% 10/15/2025(c)	427,000	426,983
Telos CLO 2013-3A AR, 3M USD LIBOR + 1.300% 3.653% 7/17/2026(b)(c)	461,000	464,079
Telos CLO 2013-3A BR, 3M USD LIBOR + 2.000% 4.353% 7/17/2026(b)(c)	550,000	550,072
Telos CLO Ltd. 2014-5A A1R, FRN 3.303% 4/17/2028(b)(c)	828,000	827,020
Wellfleet CLO Ltd. 2016-1A AR, FRN 3.269% 4/20/2028(b)(c)	629,000	624,028

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West CLO Ltd. 2014-2A A1BR 2.724% 1/16/2027(c)	233,000	230,364
West CLO Ltd. 2013-1A A1BR 2.745% 11/7/2025(c)	362,264	360,747
West CLO Ltd. 2013-1A A2BR 3.393% 11/7/2025(c)	250,000	249,872
Zais CLO 2 Ltd. 2014-2A A1BR 2.92% 7/25/2026(c)	250,000	249,956
		\$18,335,856
<b>CREDIT CARD 1.1%</b>		
American Express Credit Account Master Trust 2017-6 B 2.20% 5/15/2023	\$ 1,002,000	\$ 984,786
Capital One Multi-Asset Execution Trust 2016-A6 A6 1.82% 9/15/2022	1,051,000	1,036,943
Capital One Multi-Asset Execution Trust 2017-A1 A1 2.00% 1/17/2023	1,321,000	1,301,342
Golden Credit Card Trust 2018-1A A 2.62% 1/15/2023(c)	798,000	789,603
Synchrony Credit Card Master Note Trust 2016-3 B 1.91% 9/15/2022	104,000	102,725
		\$ 4,215,399
<b>EQUIPMENT 4.3%</b>		
ARI Fleet Lease Trust 2018-A A3 2.84% 10/15/2026(c)	\$ 340,000	\$ 337,271
Ascentium Equipment Receivables Trust 2017-2A A3 2.31% 12/10/2021(c)	288,000	282,928
Avis Budget Rental Car Funding AESOP LLC 2014-2A A 2.50% 2/20/2021(c)	172,000	170,518
Avis Budget Rental Car Funding AESOP LLC 2015-1A A 2.50% 7/20/2021(c)	1,282,000	1,264,155
Avis Budget Rental Car Funding AESOP LLC 2015-2A A 2.63% 12/20/2021(c)	616,000	608,741
CCG Receivables Trust 2018-1 A2 2.50% 6/16/2025(c)	363,000	361,156
Chesapeake Funding II LLC 2016-1A A1 2.11% 3/15/2028(c)	586,332	583,957
Chesapeake Funding II LLC 2017-4A A1 2.12% 11/15/2029(c)	724,000	714,452
Coinstar Funding LLC Series 2017-1A A2 5.216% 4/25/2047(c)	225,720	228,248
Dell Equipment Finance Trust 2017-2 A3 2.19% 10/24/2022(c)	179,000	177,001
Enterprise Fleet Financing LLC 2017-3 A2 2.13% 5/22/2023(c)	455,000	450,567
Enterprise Fleet Financing LLC 2017-1 A3 2.60% 7/20/2022(c)	275,000	272,844
GreatAmerica Leasing Receivables Funding LLC Series 2017-1 A4 2.36% 1/20/2023(c)	177,000	174,501
GreatAmerica Leasing Receivables Funding LLC Series 2018-1 A4 2.83% 6/17/2024(c)	210,000	207,749
	250,000	246,840

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GreatAmerica Leasing Receivables Funding  
 LLC Series 2017-1 C 2.89% 1/22/2024(c)

Hertz Fleet Lease Funding LP 2017-1 A2 2.13% 4/10/2031(c)	523,581	519,312
Hertz Fleet Lease Funding LP 2018-1 A2 3.23% 5/10/2032(c)	409,000	409,379
John Deere Owner Trust 2018 2018-A A4 2.91% 1/15/2025	598,000	595,041
Kubota Credit Owner Trust 2018-1A A3 3.10% 8/15/2022(c)	1,009,000	1,008,744

**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS (Continued)**

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<b>BONDS &amp; DEBENTURES</b> <i>(Continued)</i>	Amount	Principal Fair Value
MMAF Equipment Finance LLC 2017-B A3 2.21% 10/17/2022(c)	\$ 499,000	\$ 489,151
NextGear Floorplan Master Owner Trust 2017-1A A2 2.54% 4/18/2022(c)	620,000	612,456
NextGear Floorplan Master Owner Trust 2017-2A B 3.02% 10/17/2022(c)	498,000	492,727
NextGear Floorplan Master Owner Trust 2018-1A A2 3.22% 2/15/2023(c)	300,000	298,896
Prop Series 2017-1A 5.30% 3/15/2042(d)	951,325	941,660
Verizon Owner Trust 2016-2A A 1.68% 5/20/2021(c)	240,000	237,533
Verizon Owner Trust 2017-2A A 1.92% 12/20/2021(c)	707,000	697,190
Verizon Owner Trust 2017-1A A 2.06% 9/20/2021(c)	269,000	265,938
Verizon Owner Trust 2017-3A A1A 2.06% 4/20/2022(c)	311,000	305,729
Verizon Owner Trust 2016-2A B 2.15% 5/20/2021(c)	269,000	264,008
Verizon Owner Trust 2017-2A B 2.22% 12/20/2021(c)	645,000	632,230
Verizon Owner Trust 2017-1A B 2.45% 9/20/2021(c)	918,000	903,798
Verizon Owner Trust 2018-1A B 3.05% 9/20/2022(c)	491,000	488,852
Volvo Financial Equipment LLC Series 2017-1A A4 2.21% 11/15/2021(c)	159,000	156,417
Volvo Financial Equipment LLC Series 2018-1A A3 2.54% 2/15/2022(c)	987,000	978,776
		\$16,378,765
<b>OTHER 3.9%</b>		
Conn Funding II LP 2017-B B 4.52% 11/15/2020(c)	\$ 200,000	\$ 201,500
New Residential Advance Receivables Trust 2015-ON1 2016-T4 AT4 3.107% 12/15/2050(c)	1,345,000	1,343,704
New Residential Advance Receivables Trust Advance Receivables Backed Notes 2016-T2 AT2 2.575% 10/15/2049(c)	1,362,000	1,349,303
New Residential Advance Receivables Trust Advance Receivables Backed Notes 2017-T1 AT1 3.214% 2/15/2051(c)	1,262,000	1,252,884

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New Residential Mortgage LLC 2018-FNT1 A 3.61% 5/25/2023(c)(d)	804,333	804,333
NRZ Excess Spread-Collateralized Notes Series 2018-PLS1 A 3.193% 1/25/2023(c)(d)	400,121	396,495
NRZ Excess Spread-Collateralized Notes Series 2018-PLS2 A 3.265% 2/25/2023(c)(d)	447,580	443,646
Panhandle-Plains Student Finance Corporation 2001-1 A2 3.53% 12/1/2031(d)	600,000	596,250
PFS Financing Corp. 2017-D A 2.40% 10/17/2022(c)	430,000	422,296
PFS Financing Corp. 2017-D B 2.74% 10/17/2022(c)	202,000	198,470
PFS Financing Corp. 2018-B A 2.89% 2/15/2023(c)	1,085,000	1,076,113
PFS Financing Corp. 2018-B B 3.08% 2/15/2023(c)	191,000	189,068
PFS Financing Corp. 2018-D A 3.19% 4/17/2023(c)	846,000	844,182
PFS Financing Corp. 2018-D B 3.45% 4/17/2023(c)	421,000	418,865
PFS Financing Corporation 2016-BA A 1.87% 10/15/2021(c)	320,000	315,420
PFS Financing Corporation 2017-BA A2 2.22% 7/15/2022(c)	588,000	576,039
PFS Financing Corporation 2017-BA B 2.57% 7/15/2022(c)	195,000	191,574
Unison Ground Lease Funding LLC 2013-1 B 5.78% 3/15/2043(c)(d)	349,000	346,427
WCP ISSUER LLC 2013-1 B 6.657% 8/15/2043(c)(d)	409,000	423,266
		\$ 11,389,834
<b>TOTAL ASSET-BACKED SECURITIES</b> (Cost \$72,731,785)		\$ 72,326,864
<b>CORPORATE BONDS &amp; NOTES 1.0%</b>		
<b>COMMUNICATIONS 0.2%</b>		
Cisco Systems, Inc. 2.45% 6/15/2020	\$ 669,000	\$ 665,026
<b>CONSUMER, CYCLICAL 0.0%</b>		
Continental Airlines 2000-1 Class B Pass Through Trust 8.388% 5/1/2022	\$ 753	\$ 823
Northwest Airlines 1999-2 Class C Pass Through Trust 8.304% 9/1/2010(d)	284,512	50,501
		\$ 51,324
<b>CONSUMER, NON-CYCLICAL 0.2%</b>		
StoneMor Partners LP / Cornerstone Family Services of West Virginia Subsidiary 7.875% 6/1/2021	\$ 540,000	\$ 535,275



**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS (Continued)**

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<b>BONDS &amp; DEBENTURES (Continued)</b>	Amount	Principal Fair Value
<b>ENERGY 0.3%</b>		
PHI, Inc. 5.25% 3/15/2019	\$ 1,135,000	\$ 1,109,462
<b>FINANCIAL 0.1%</b>		
Berkshire Hathaway Finance Corporation, 3M USD LIBOR + 0.260% 2.603% 8/15/2019(b)	\$ 336,000	\$ 337,277
N671US Trust 7.50% 9/15/2020(c)(d)	132,500	132,832
		\$ 470,109
<b>INDUSTRIAL 0.0%</b>		
Air 2 US 10.127% 10/1/2020(c)(d)	\$ 426,921	\$ 81,115
<b>TECHNOLOGY 0.2%</b>		
Apple, Inc. 1.90% 2/7/2020	\$ 750,000	\$ 740,263
Oracle Corporation 3.875% 7/15/2020	21,000	21,400
		\$ 761,663
<b>TOTAL CORPORATE BONDS &amp; NOTES</b> (Cost \$3,831,427)		\$ 3,673,974
<b>CORPORATE BANK DEBT 1.1%</b>		
ABG Intermediate Holdings 2 LLC, 3M USD LIBOR + 7.750% 9.844% 9/29/2025(f)	\$ 277,323	\$ 277,151
ABG Intermediate Holdings 2 LLC 2L DDTL 3.875% 9/29/2025(d)(f)(g)	16,000	(10)
Accruent 1L DDTL 0.750% 12/14/2019(d)(f)(g)	53,246	(259)
ACCTL2, 3M USD LIBOR + 4.750% 7.110% 7/28/2023(d)(f)	617,545	614,543
JC Penney Corporation, Inc., 1M USD LIBOR + 4.250% 6.569% 6/23/2023(f)	538,955	512,007
Logix Holding Co. LLC TL 1L, 1 M USD LIBOR + 5.750% 7.841% 7/17/2024(f)	297,005	298,490
MB2LTL, 1M USD LIBOR + 9.250% 11.750% 11/30/2023(d)(f)	184,000	181,470
OTGDDTL 1.000% 8/23/2021(d)(f)(g)	19,917	572
OTGTTL, 3M USD LIBOR + 9.000% 11.290% 8/26/2021(d)(f)	657,083	662,799
SDTL, 1M USD LIBOR + 6.000% 8.094% 11/22/2021(d)(f)	348,847	348,411
Sears Roebuck Acceptance Corp. TL, 3M USD LIBOR + 4.500% 6.501% 1/29/2019(f)	71,675	71,407
Xplornet Communication, Inc. TL-B 1L, 3M USD LIBOR + 4.000% 6.334% 9/9/2021(f)	562,103	564,582
ZW1L, 3M USD LIBOR +5.000% 7.340% 11/16/2022(d)(f)	363,292	364,200
	130,000	129,838

ZW2L, 3M USD LIBOR +9.000% 11.331%  
11/16/2023(d)(f)

<b>TOTAL CORPORATE BANK DEBT</b> (Cost \$4,000,113)		\$ 4,025,201
<b>U.S. TREASURIES 2.6%</b>		
U.S. Treasury Bills 1.643% 7/5/2018	\$ 2,091,000	\$ 2,090,705
U.S. Treasury Notes 0.75% 7/31/2018	1,386,000	1,384,646
U.S. Treasury Notes 1.875% 1/31/2022	2,247,000	2,185,438
U.S. Treasury Notes 2.00% 11/15/2021	2,231,000	2,183,445
U.S. Treasury Notes 2.00% 2/15/2022	2,238,000	2,185,525
<b>TOTAL U.S. TREASURIES</b> (Cost \$9,996,953)		\$ 10,029,759
<b>TOTAL BONDS &amp; DEBENTURES 33.7%</b> (Cost \$129,692,621)		\$ 128,583,863
<b>TOTAL INVESTMENT SECURITIES 98.0%</b> (Cost \$337,011,190)		\$374,126,271

**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS (Continued)**

June 30, 2018  
(Unaudited)

<b>SHORT-TERM INVESTMENTS</b>	Amount	Principal Fair Value
State Street Bank Repurchase Agreement 0.35% 7/2/2018 (Dated 06/29/2018, repurchase price of \$10,499,306, collateralized by \$10,440,000 principal amount U.S. Treasury Notes 0.125% 2024, fair value \$10,709,697)	\$10,499,000	\$ 10,499,000
<b>TOTAL SHORT-TERM INVESTMENTS 2.7%</b> (Cost \$10,499,000)		\$ 10,499,000
<b>TOTAL INVESTMENTS 100.7%</b> (Cost \$347,510,190)		\$384,625,271
Other Assets and Liabilities, net (0.7)%		(2,810,336)
<b>NET ASSETS 100.0%</b>		\$381,814,935

(a) Non-income producing security.

(b) Variable/Floating Rate Security The rate shown is based on the latest available information as of June 30, 2018. For Senior Loan Notes, the rate shown may represent a weighted average interest rate. Certain variable rate securities are not based on a published rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description.

(c) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.

(d) Investments categorized as a significant unobservable input (Level 3) (See Note 6 of the Notes to Financial Statements).

(e) Step Coupon Coupon rate increases in increments to maturity. Rate disclosed is as of June 30, 2018.

(f) Restricted securities. These restricted securities constituted 1.05% of total net assets at June 30, 2018, most of which are considered liquid by the Adviser. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under policies adopted by authority of the Fund's Board of Directors.

(g) These securities have been valued in good faith under policies adopted by authority of the Board of Director in accordance with the Fund's fair value procedures. These securities constituted 0.00% of total net assets at June 30, 2018.

See notes to financial statements.

**SOURCE CAPITAL, INC.**  
**PORTFOLIO OF INVESTMENTS**  
**RESTRICTED SECURITIES**

June 30, 2018  
(Unaudited)

Issuer	Acquisition Date(s)	Cost	Fair Value	Fair Value as a % of Net Assets
ABG Intermediate Holdings 2 LLC, 3M USD LIBOR + 7.750% 9.844%	09/26/2017	\$ 276,373	\$ 277,151	0.07%
9/29/2025				
ABG Intermediate Holdings 2 LLC 2L DDTL 3.875%	04/11/2018, 6/21/2018, 6/25/2018		(10)	0.00%
9/29/2025				
Accruent 1L DDTL 0.750% 12/14/2019	06/14/2018		(259)	0.00%
ACCTL2, 3M USD LIBOR + 4.750%				
7.110%	09/19/2016, 12/30/2016	612,887	614,543	0.16%
7/28/2023				
JC Penney Corporation, Inc., 1M USD LIBOR + 4.250% 6.569%	10/4/2017, 10/5/2017, 10/6/2017, 10/11/2017, 02/07/2018	522,044	512,007	0.13%
6/23/2023				
Logix Holding Co. LLC TL 1L, 1 M USD LIBOR + 5.750% 7.841%	08/11/2017	294,237	298,490	0.08%
7/17/2024				
MB2LTL, 1M USD LIBOR + 9.250%				
11.750%	12/02/2016, 01/31/2017	181,701	181,470	0.05%
11/30/2023				
OTGDDTL 1.000% 8/23/2021	08/26/2016, 01/26/2018		572	0.00%
	08/26/2016, 02/28/2017, 05/26/2017, 06/14/2017, 08/26/2017, 08/30/2017, 11/30/2017,			
OTGTL, 3M USD LIBOR + 9.000%				
11.290%				
8/26/2021	01/26/2018,	648,490	662,799	0.17%
SDTL, 1M USD LIBOR + 6.000% 8.094%				
11/22/2021	12/22/2016	343,775	348,411	0.09%
Sears Roebuck Acceptance Corp. TL, 3M USD LIBOR + 4.500% 6.501% 1/29/2019	08/01/2017, 08/03/2017, 08/10/2017, 09/11/2017, 09/12/2017, 09/13/2017, 09/25/2017,	71,675	71,407	0.02%

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	10/05/2017			
Xplornet Communication, Inc. TL-B 1L, 3M USD LIBOR + 4.500% 6.334%				
9/9/2021 09/08/2016, 09/20/2016, 10/7/2016, 10/14/2016	05/22/2017, 10/18/2017	560,027	564,582	0.15%
ZW1L, 3M USD LIBOR + 5.000% 7.340%				
11/16/2022	11/17/2016	360,515	364,200	0.10%
ZW2L, 3M USD LIBOR + 9.000% 11.331%				
11/16/2023	11/17/2016	128,389	129,838	0.03%
<b>TOTAL RESTRICTED SECURITIES</b>		<b>\$4,000,113</b>	<b>\$4,025,201</b>	<b>1.05%</b>

See notes to financial statements.



**SOURCE CAPITAL, INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**

June 30, 2018  
(Unaudited)

<b>ASSETS</b>	
Investment securities at fair value (identified cost \$337,011,190)	\$ 374,126,271
Short-term investments at amortized cost (maturities 60 days or less)	10,499,000
Cash	418
Receivable for:	
Dividends and interest	896,836
Investment securities sold	186,996
Unrealized gain on foreign currency contracts	8,182
Prepaid expenses and other assets	3,083
Total assets	385,720,786
<b>LIABILITIES</b>	
Payable for:	
Investment securities purchased	3,534,306
Advisory fees	220,847
Accrued expenses and other liabilities	150,698
Total liabilities	3,905,851
<b>NET ASSETS</b>	<b>\$ 381,814,935</b>
<b>SUMMARY OF SHAREHOLDERS' EQUITY</b>	
Capital Stock par value \$1 per share; authorized 12,000,000 shares; outstanding 8,610,801 shares	\$ 8,610,801
Additional Paid-in Capital	319,632,132
Undistributed net realized gain	18,376,558
Accumulated net investment loss	(1,912,410)
Unrealized appreciation of investments	37,107,854
<b>NET ASSETS</b>	<b>\$ 381,814,935</b>
<b>NET ASSET VALUE</b>	
Common Stock net asset value per share	\$ 44.34
Common Stock market price per share	\$ 39.75

See notes to financial statements.

**SOURCE CAPITAL, INC.**  
**STATEMENT OF OPERATIONS**

For the six months ended June 30, 2018  
(Unaudited)

<b>INVESTMENT INCOME</b>	
Dividends (net of foreign taxes withheld of \$47,620)	\$ 2,138,908
Interest	2,039,630
Total investment income	4,178,538
<b>EXPENSES</b>	
Advisory fees	1,343,283
Audit and tax services fees	84,275
Director fees and expenses	80,789
Reports to shareholders	76,094
Transfer agent fees and expenses	58,191
Legal fees	56,113
Custodian fees	37,831
Filing fees	12,397
Administrative services fees	9,895
Professional fees	8,931
Other	16,285
Total expenses	1,784,084
Net expenses	1,784,084
Net investment income	2,394,454
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>	
Net realized gain (loss) on:	
Investments	14,460,641
Investments in foreign currency transactions	(5,427)
Net change in unrealized appreciation (depreciation) of:	
Investments	(18,717,596)
Investments in forward foreign currency contracts	8,182
Translation of foreign currency denominated amounts	(14,784)
Net realized and unrealized loss	(4,268,984)
<b>NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ (1,874,530)</b>

See notes to financial statements.



**SOURCE CAPITAL, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	Six months ended June 30, 2018 (Unaudited)	Year ended December 31, 2017
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
<b>Operations:</b>		
Net investment income	\$ 2,394,454	\$ 4,347,897
Net realized gain	14,455,214	7,693,772
Net change in unrealized appreciation (depreciation)	(18,724,198)	36,669,628
Net increase (decrease) in net assets resulting from operations	(1,874,530)	48,711,297
<b>Distributions to shareholders from:</b>		
Net investment income	(4,306,864)	(6,091,999)
Net realized capital gains		(8,824,641)
Total distributions	(4,306,864)	(14,916,640)
<b>Capital Stock transactions:</b>		
Cost of Capital Stock repurchased	(268,110)	(861,448)
Net decrease from Capital Stock transactions	(268,110)	(861,448)
Total change in net assets	(6,449,504)	32,933,209
<b>NET ASSETS</b>		
Beginning of period	388,264,439	355,331,230
End of period	\$ 381,814,935	\$ 388,264,439
<b>CHANGE IN CAPITAL STOCK OUTSTANDING</b>		
Shares of Capital Stock repurchased	(6,563)	(23,027)
Change in Capital Stock outstanding	(6,563)	(23,027)

See notes to financial statements.



**SOURCE CAPITAL, INC.**  
**FINANCIAL HIGHLIGHTS**

Selected data for each share of capital stock outstanding throughout each period

	Six months ended June 30, 2018 (unaudited)	2017	2016	Year ended December 31,		2013
				2015	2014	
<b>Per share operating performance:</b>						
Net asset value at beginning of period	\$ 45.06	\$ 41.12	\$ 73.07	\$ 80.44	\$ 73.94	\$ 59.06
<b>Income from investment operations:</b>						
Net investment income(1)	\$ 0.28	\$ 0.50	\$ 0.40	\$ 0.02	\$ 0.14	\$ 0.14
Net realized and unrealized gain (loss) on investment securities	(0.50)	5.17	2.82	(3.39)	10.56	17.74
Total from investment operations	\$ (0.22)	\$ 5.67	\$ 3.22	\$ (3.37)	\$ 10.70	\$ 17.88
<b>Distributions to Common shareholders:</b>						
Dividends from net investment income	\$ (0.50)	\$ (0.71)	\$ (1.58)	\$ (0.04)	\$ (0.18)	\$ (0.22)
Distributions from net realized capital gains		(1.02)	(33.65)	(3.96)	(4.02)	(2.78)
Total distributions	\$ (0.50)	\$ (1.73)	\$ (35.23)	\$ (4.00)	\$ (4.20)	