

SOURCE CAPITAL INC /DE/
Form N-Q
May 31, 2016

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

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

MARK D. PERLOW, ESQ.

Source Capital, Inc.

DECHERT LLP

11601 WILSHIRE BLVD., STE 1200

ONE BUSH STREET STE. 1600

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

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: March 31, 2016

ITEM 1. Schedule of Investments.

SOURCE CAPITAL, INC.

PORTFOLIO OF INVESTMENTS

March 31, 2016

(Unaudited)

| | Shares | Fair Value |
|---|-----------|---------------|
| COMMON STOCKS | | |
| Infrastructure Software 9.3% | | |
| Microsoft Corporation | 191,170 | \$ 10,558,319 |
| Oracle Corporation | 513,030 | 20,988,057 |
| | | \$ 31,546,376 |
| Diversified Banks 5.5% | | |
| Bank of America Corporation | 562,580 | \$ 7,606,082 |
| Citigroup, Inc. | 266,650 | 11,132,637 |
| | | \$ 18,738,719 |
| Insurance Brokers 4.5% | | |
| Aon plc (Britain) | 147,130 | \$ 15,367,728 |
| Aircraft & Parts 4.0% | | |
| United Technologies Corporation | 135,500 | \$ 13,563,550 |
| Base Metals 3.7% | | |
| Alcoa, Inc. | 1,158,800 | \$ 11,101,304 |
| MMC Norilsk Nickel PJSC (ADR) (Russia) | 104,860 | 1,353,743 |
| | | \$ 12,455,047 |
| P&C Insurance 3.6% | | |
| American International Group, Inc. | 224,700 | \$ 12,145,035 |
| Communications Equipment 3.2% | | |
| Cisco Systems, Inc. | 375,880 | \$ 10,701,304 |
| Semiconductor Devices 2.7% | | |
| Analog Devices, Inc. | 89,390 | \$ 5,290,994 |
| QUALCOMM, Inc. | 74,250 | 3,797,145 |
| | | \$ 9,088,139 |
| Electrical Components 2.6% | | |
| TE Connectivity, Ltd. (Switzerland) | 140,110 | \$ 8,675,611 |
| Internet Media 2.4% | | |
| Alphabet, Inc. (Class C)* | 5,291 | \$ 3,941,531 |
| Alphabet, Inc. (Class A)* | 5,276 | 4,025,060 |
| | | \$ 7,966,591 |
| Consumer Finance 2.2% | | |
| American Express Co. | 121,140 | \$ 7,437,996 |
| Electrical Power Equipment 2.1% | | |
| General Electric Co. | 222,850 | \$ 7,084,401 |
| Advertising & Marketing 1.9% | | |
| WPP plc (Britain) | 267,530 | \$ 6,251,581 |
| Investment Companies 1.7% | | |

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| | | | |
|---------------------------------------|--------|----|-----------|
| Groupe Bruxelles Lambert SA (Belgium) | 68,290 | \$ | 5,634,547 |
|---------------------------------------|--------|----|-----------|

See notes to financial statements.

| | Shares or Principal Amount | | Fair Value |
|--|----------------------------------|----|-------------|
| Life Science Equipment 1.5% | | | |
| Thermo Fisher Scientific, Inc. | 36,120 | \$ | 5,114,231 |
| Exploration & Production 1.5% | | | |
| Occidental Petroleum Corporation | 74,320 | \$ | 5,085,718 |
| Household Products 1.5% | | | |
| Henkel AG & Co. KGaA (Germany) | 30,640 | \$ | 3,011,312 |
| Unilever NV (CVA) (Britain) | 46,280 | | 2,074,093 |
| | | \$ | 5,085,405 |
| Integrated Oils 1.0% | | | |
| Gazprom PAO (ADR) (Russia) | 303,960 | \$ | 1,310,979 |
| Lukoil PJSC (ADR) (Russia) | 34,850 | | 1,338,763 |
| Rosneft OAO (GDR) (Russia) | 136,800 | | 621,346 |
| | | \$ | 3,271,088 |
| Oil & Gas Services & Equipment 0.7% | | | |
| Halliburton Co. | 70,090 | \$ | 2,503,615 |
| Food & Drug Stores 0.6% | | | |
| Jardine Strategic Holdings, Ltd. (Hong Kong) | 64,000 | \$ | 1,910,400 |
| Banks 0.1% | | | |
| Sberbank of Russia PJSC (ADR) (Russia) | 63,190 | \$ | 439,802 |
| TOTAL COMMON STOCKS 56.3% | | | |
| (Cost \$192,077,857) | | \$ | 190,066,884 |

BONDS & DEBENTURES**Commercial Mortgage-Backed Securities 5.0%****Agency Stripped 4.0%**

Government National Mortgage Association

| | | | |
|-------------------------------|---------------|----|-----------|
| 2013-63 IO 0.769% 9/16/2051@ | \$ 20,996,621 | \$ | 1,228,147 |
| 2013-74 0.776% 12/16/2053@ | 21,308,728 | | 1,209,871 |
| 2012-58 IO 0.849% 2/16/2053@ | 14,106,533 | | 786,721 |
| 2014-171 0.869% 11/16/2055@ | 20,968,490 | | 1,280,139 |
| 2013-146 0.876% 11/16/2048@ | 20,063,831 | | 1,089,807 |
| 2012-79 IO 0.881% 3/16/2053@ | 8,701,582 | | 490,421 |
| 2012-85 IO 0.897% 9/16/2052@ | 6,363,439 | | 382,935 |
| 2012-114 IO 0.905% 1/16/2053@ | 18,563,693 | | 1,297,422 |
| 2013-142 0.961% 9/16/2051@ | 830,500 | | 53,676 |
| 2015-19 IO 0.991% 1/16/2057@ | 14,072,136 | | 1,156,686 |
| 2012-109 0.994% 10/16/2053@ | 18,620,457 | | 981,432 |
| 2014-153 IO 1.015% 4/16/2056@ | 15,502,672 | | 1,223,710 |
| 2014-187 IO 1.017% 5/16/2056@ | 9,032,132 | | 713,981 |
| 2015-114 IO 1.046% 3/15/2057@ | 2,528,491 | | 197,662 |

See notes to financial statements.

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| | Principal Amount | Fair Value |
|---|---------------------|---------------|
| 2015-108 IO 1.143% 10/16/2056@ | \$ 15,908,044 | \$ 1,380,681 |
| | | \$ 13,473,291 |
| Non-Agency 1.0% | | |
| COMM Mortgage Trust 2012-9W57 A 2.365% 2/10/2029** | \$ 995,000 | \$ 1,001,050 |
| Monty Parent Issuer 1 LLC 2013-LTR1 B 4.25% 11/20/2028** | 30,809 | 30,817 |
| Ores NPL LLC 2013-LV2 A 3.081% 9/25/2025** | 700,949 | 698,554 |
| Rialto Capital Management LLC | | |
| 2014-LT5 B 5.00% 5/15/2024**, | 500,000 | 490,000 |
| 2014-LT6 B 5.486% 9/15/2024** | 111,000 | 110,976 |
| RREF LLC 2014-LT6 A 2.75% 9/15/2024** | 1,188,284 | 1,187,899 |
| | | \$ 3,519,296 |
| TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES | | |
| (Cost \$16,844,141) | | \$ 16,992,587 |
| Residential Mortgage-Backed Securities 7.3% | | |
| Agency Collateralized Mortgage Obligation 2.3% | | |
| Federal Home Loan Mortgage Corporation | | |
| 3690 G 2.50% 6/15/2020 | \$ 312,935 | \$ 318,457 |
| 3782 PA 2.75% 11/15/2028 | 1,203,252 | 1,222,296 |
| 4483 A 3.00% 12/15/2029 | 1,162,518 | 1,204,782 |
| 3770 WA 4.00% 11/15/2028 | 882,817 | 908,871 |
| 3957 BV 4.00% 10/15/2029 | 1,229,689 | 1,249,397 |
| 3796 KN 4.00% 6/15/2037 | 504,073 | 522,757 |
| Federal National Mortgage Association | | |
| 2012-117 DA 1.50% 12/25/2039 | 535,761 | 522,359 |
| 2015-93 KC 2.00% 9/25/2044 | 1,273,153 | 1,274,452 |
| 2014-4 KA 3.00% 1/25/2044 | 149,236 | 153,300 |
| 2003-78 B 5.00% 8/25/2023 | 430,763 | 466,956 |
| | | \$ 7,843,627 |
| Agency Pool Fixed Rate 1.5% | | |
| Federal Home Loan Mortgage Corporation | | |
| G13122 5.00% 4/1/2023 | \$ 386,223 | \$ 417,561 |
| G15744 5.00% 6/1/2026 | 920,797 | 974,187 |
| G13145 5.50% 4/1/2023 | 862,040 | 937,072 |
| Federal National Mortgage Association | | |
| 889109 5.00% 1/1/2023 | 332,001 | 356,028 |
| AE0286 5.00% 4/1/2025 | 455,109 | 491,616 |
| AL7725 5.00% 9/1/2025 | 1,269,907 | 1,350,932 |
| 256717 5.50% 5/1/2022 | 334,005 | 361,336 |
| | | \$ 4,888,732 |
| Agency Stripped 0.2% | | |
| Federal Home Loan Mortgage Corporation 3775 LI 3.50% 12/15/2020 | \$ 1,574,443 | \$ 84,712 |
| Federal National Mortgage Association 2010-57 ID 4.00% 6/25/2025 | 2,144,968 | 206,452 |
| Government National Mortgage Association 2016-34 1.016% 1/16/2058 | 5,877,000 | 502,997 |
| | | \$ 794,161 |
| Non-Agency Collateralized Mortgage Obligation 3.3% | | |
| BCAP LLC Trust 2010-RR8 2A6 2.193% 11/26/2036**, @ | \$ 1,320,000 | \$ 1,313,567 |
| Nationstar HECM Loan Trust A 2016-1A A 2.981% 2/25/2026**, | 369,956 | 370,156 |
| RiverView HECM Trust 2007-1 A 1.01% 5/25/2047**, @ | 432,021 | 362,280 |

See notes to financial statements.

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| | | Principal Amount | Fair Value |
|---|------------------------|---------------------|--------------|
| Sunset Mortgage Loan Co. LLC 2014-NPL1 A | 3.228% 8/16/2044**,@@ | \$ 177,309 | \$ 176,827 |
| Towd Point Mortgage Trust 2015-1 AES | 3.00% 10/25/2053** | 772,203 | 784,607 |
| Towd Point Mortgage Trust 2015-1 2015-2 2A1 | 3.75% 11/25/2057**,@ | 545,753 | 554,978 |
| VOLT XL LLC 2015-NP14 A1 | 4.375% 11/27/2045**,@@ | 1,263,200 | 1,260,417 |
| VOLT XXV LLC 2015-NPL8 A1 | 3.50% 6/26/2045**,@@ | 669,669 | 662,216 |
| VOLT XXVII LLC 2014-NPL7 A1 | 3.375% 8/27/2057**,@@ | 1,227,461 | 1,215,102 |
| VOLT XXX LLC 2015-NPL1 A1 | 3.625% 10/25/2057**,@@ | 887,233 | 877,151 |
| VOLT XXXI LLC 2015-NPL2 A1 | 3.375% 2/25/2055**,@@ | 1,213,738 | 1,197,054 |
| VOLT XXXIII LLC 2015-NPL5 A1 | 3.50% 3/25/2055**,@@ | 1,182,187 | 1,169,195 |
| VOLT XXXV LLC 2015-NPL9 A1 | 3.50% 6/26/2045**,@@ | 1,207,455 | 1,185,422 |
| | | \$ | 11,128,972 |
| TOTAL RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | |
| (Cost \$24,511,090) | | \$ | 24,655,492 |
| Asset-Backed Securities 17.3% | | | |
| Auto 11.6% | | | |
| AmeriCredit Automobile Receivables Trust 2013-1 D | 2.09% 2/8/2019 | \$ 1,300,000 | \$ 1,300,555 |
| Capital Auto Receivables Asset Trust 2015-2 A3 | 1.73% 9/20/2019 | 1,185,000 | 1,185,524 |
| Credit Acceptance Auto Loan Trust | | | |
| 2014-1A A | 1.55% 10/15/2021** | 1,250,000 | 1,248,976 |
| 2015-1A A | 2.00% 7/15/2022** | 1,390,000 | 1,391,302 |
| 2014-1A B | 2.29% 4/15/2022** | 925,000 | 919,820 |
| 2014-2A B | 2.67% 9/15/2022** | 153,000 | 153,528 |
| 2015-2A B | 3.04% 8/15/2023** | 251,000 | 253,154 |
| Drive Auto Receivables Trust 2015-BA B | 2.12% 6/17/2019** | 1,300,000 | 1,298,695 |
| DT Auto Owner Trust | | | |
| 2016-1A A | 2.00% 9/16/2019** | 1,156,010 | 1,156,884 |
| 2014-2A C | 2.46% 1/15/2020** | 1,139,000 | 1,137,961 |
| Enterprise Fleet Financing LLC | | | |
| 2014-1 A2 | 0.87% 9/20/2019** | 884,906 | 881,904 |
| 2014-2 A2 | 1.05% 3/20/2020** | 1,109,368 | 1,104,049 |
| 2015-1 A2 | 1.30% 9/20/2020** | 1,185,727 | 1,176,287 |
| 2013-2 A3 | 1.51% 3/20/2019** | 800,000 | 798,943 |
| 2016-1 A2 | 1.83% 9/20/2021** | 1,300,000 | 1,297,930 |
| First Investors Auto Owner Trust | | | |
| 2015-1A A2 | 1.21% 4/15/2019** | 88,081 | 87,962 |
| 2014-1A A3 | 1.49% 1/15/2020** | 1,059,125 | 1,058,984 |
| 2013-1A B | 1.81% 10/15/2018** | 530,000 | 529,575 |
| 2016-1A A1 | 1.92% 5/15/2020** | 1,210,813 | 1,212,336 |
| 2016-1A A2 | 2.26% 4/15/2021** | 1,096,000 | 1,094,092 |
| Ford Credit Auto Owner Trust | | | |
| 2013-D B | 1.54% 3/15/2019 | 1,250,000 | 1,252,356 |
| 2013-C C | 1.91% 3/15/2019 | 456,000 | 457,427 |
| Hyundai Auto Lease Securitization Trust 2014-A B | 1.30% 7/16/2018** | 1,000,000 | 998,596 |
| Prestige Auto Receivables Trust | | | |
| 2015-1 A2 | 1.09% 2/15/2019** | 258,373 | 258,084 |
| 2014-1A A3 | 1.52% 4/15/2020** | 230,000 | 229,988 |
| 2015-1 A3 | 1.53% 2/15/2021** | 1,300,000 | 1,296,503 |
| 2016-1A A3 | 1.99% 6/15/2020** | 1,256,000 | 1,261,362 |
| Santander Drive Auto Receivables Trust | | | |
| 2015-1 A3 | 1.27% 2/15/2019 | 1,300,000 | 1,298,475 |

See notes to financial statements.

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| | | Principal Amount | Fair Value |
|--|-----------------------|---------------------|---------------|
| 2015-4 A3 | 1.58% 9/16/2019 | \$ 395,000 | \$ 395,424 |
| 2014-2 B | 1.62% 2/15/2019 | 1,300,000 | 1,300,716 |
| 2013-1 C | 1.76% 1/15/2019 | 1,149,655 | 1,151,059 |
| 2013-3 C | 1.81% 4/15/2019 | 1,246,000 | 1,247,209 |
| 2014-4 B | 1.82% 5/15/2019 | 1,300,000 | 1,301,524 |
| 2015-2 B | 1.83% 1/15/2020 | 1,300,000 | 1,296,044 |
| 2014-2 C | 2.33% 11/15/2019 | 1,300,000 | 1,305,394 |
| 2013-A C | 3.12% 10/15/2019** | 1,300,000 | 1,313,069 |
| 2012-3 D | 3.64% 5/15/2018 | 1,300,000 | 1,312,496 |
| Westlake Automobile Receivables Trust | | | |
| 2015-1A A2 | 1.17% 3/15/2018** | 745,092 | 744,020 |
| 2016-1A B | 2.68% 9/15/2021** | 1,300,000 | 1,302,658 |
| | | | \$ 39,010,865 |
| Other 5.7% | | | |
| ARI Fleet Lease Trust | | | |
| 2015-A A2 | 1.11% 11/15/2018** | \$ 1,176,470 | \$ 1,173,253 |
| 2016-A A2 | 1.82% 7/15/2024** | 564,000 | 563,726 |
| Ascentium Equipment Receivables LLC | | | |
| 2015-1A A3 | 1.61% 10/13/2020** | 772,000 | 769,478 |
| 2015-2A B | 2.62% 12/10/2019** | 1,256,000 | 1,251,117 |
| Cabela's Credit Card Master Note Trust | | | |
| 2012-2A A1 | 1.45% 6/15/2020** | 1,300,000 | 1,304,122 |
| 2012-1A A1 | 1.63% 2/18/2020** | 1,253,000 | 1,256,568 |
| Chesapeake Funding II LLC 2016-1A A1 | 2.11% 3/15/2028** | 1,362,000 | 1,361,802 |
| CONN Funding II, L.P. | | | |
| 2016-A A | 4.68% 4/16/2018**, | 601,000 | 601,162 |
| 2016-A B | 8.96% 8/15/2018**, | 665,000 | 666,057 |
| Golden Credit Card Trust 2012-4A A | 1.39% 7/15/2019** | 1,300,000 | 1,300,045 |
| GreatAmerica Leasing Receivables Funding LLC Series | | | |
| 2015-1 A2 | 1.12% 6/20/2017** | 861,860 | 860,934 |
| 2016-1 A3 | 1.73% 6/20/2019** | 1,000,000 | 997,513 |
| Leaf Receivables Funding 10 LLC 2015-1 B | 2.42% 1/15/2021**, | 834,000 | 828,896 |
| Panhandle-Plains Student Finance Corporation Rev., (STUDENT LN REV NT SR 2001A-2 A), | 1.932% 12/1/2031 | 800,000 | 795,000 |
| PFS Financing Corporation | | | |
| 2014-AA A | 1.036% 2/15/2019**,@ | 1,500,000 | 1,496,447 |
| 2014-BA A | 1.036% 10/15/2019**,@ | 1,450,000 | 1,436,742 |
| 2016-A A | 1.636% 2/18/2020**,@ | 1,263,000 | 1,261,909 |
| Synchrony Credit Card Master Note Trust | | | |
| 2012-6 A | 1.36% 8/17/2020 | 325,000 | 324,636 |
| 2015-3 A | 1.74% 9/15/2021 | 1,012,000 | 1,012,053 |
| | | | \$ 19,261,460 |
| TOTAL ASSET-BACKED SECURITIES | | | |
| (Cost \$58,236,831) | | | \$ 58,272,325 |
| Corporate Bonds & Notes 1.0% | | | |
| Basic Materials 0.4% | | | |
| Thompson Creek Metals Co., Inc. | 9.75% 12/1/2017 | \$ 1,500,000 | \$ 1,406,250 |
| Consumer, Cyclical 0.1% | | | |
| Continental Airlines 2000-1 Class B Pass Through Trust | 8.388% 5/1/2022 | \$ 29,992 | \$ 30,292 |

See notes to financial statements.

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| | Principal Amount | Fair Value |
|---|-----------------------------|-------------------|
| Northwest Airlines 1999-2 Class C Pass Through Trust 8.304% 9/1/2010 | \$ 276,802 | \$ 139,093 |
| US Airways 1998-1B Pass Through Trust 7.35% 7/30/2019 | 59,936 | 61,021 |
| | | \$ 230,406 |
| Energy 0.3% | | |
| Atwood Oceanics, Inc. 6.50% 2/1/2020 | \$ 1,750,000 | \$ 831,250 |
| Financial 0.0% | | |
| N671US Trust 7.50% 9/15/2020**, | \$ 91,131 | \$ 94,321 |
| Industrial 0.2% | | |
| Reynolds Group Issuer, Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu 7.875% 8/15/2019 | \$ 624,000 | \$ 645,840 |
| Air 2 US 10.127% 10/1/2020**, | 426,921 | 110,999 |
| | | \$ 756,839 |
| TOTAL CORPORATE BONDS & NOTES (Cost \$3,764,728) | | \$ 3,319,066 |
| Corporate Bank Debt 0.5% | | |
| MB FO Term Loan 4.889% 11/20/2021** | \$ 440,000 | \$ 438,275 |
| MB FODD Term Loan 2.00% 3/31/2017 ,** | 210,000 | 1,277 |
| MB LO Term Loan 10.389% 11/20/2021** | 140,000 | 140,718 |
| MB LODD Term Loan 2.00% 3/31/2017 ,** | 210,000 | 3,177 |
| WireCo WorldGroup, Inc. 6.00% 2/15/2017** | 1,156,105 | 1,142,117 |
| TOTAL CORPORATE BANK DEBT (Cost \$1,682,681) | | \$ 1,725,564 |
| Municipals 0.1% | | |
| Wayne County GO, (TXBL), 5.75% 12/1/2017 (Cost \$274,869) | \$ 273,000 | \$ 273,683 |
| U.S. Treasuries 6.4% | | |
| U.S. Treasury Notes | | |
| 0.50% 9/30/2016 | \$ 18,000,000 | \$ 18,005,274 |
| 1.00% 12/15/2017 | 1,300,000 | 1,305,929 |
| 1.375% 8/31/2020 | 2,416,000 | 2,439,680 |
| TOTAL U.S. TREASURIES (Cost \$21,733,413) | | \$ 21,750,883 |
| TOTAL BONDS & DEBENTURES (Cost \$127,047,753) | | \$ 126,989,600 |
| TOTAL INVESTMENT SECURITIES 93.9% (Cost \$319,125,610) | | \$ 317,056,484 |
| Short-Term Investments 5.9% | | |
| State Street Bank Repurchase Agreement 0.03% 4/1/2016 (Dated 03/31/2016, repurchase price of \$20,073,017, collateralized by: \$18,765,000 principal amount U.S. Treasury Bond - 2.75% 2023, fair value \$20,477,306) | 20,073,000 | \$ 20,073,000 |
| TOTAL SHORT-TERM INVESTMENTS (Cost \$20,073,000) | | \$ 20,073,000 |
| | | \$ 337,129,484 |

| | | |
|-----------------------------------|---------------|----------------|
| TOTAL INVESTMENTS | 99.8% | |
| (Cost \$339,198,610) | | |
| Other Assets and Liabilities, net | 0.2% | 625,719 |
| NET ASSETS | 100.0% | NOTE 2 |
| | | \$ 337,755,203 |

See notes to financial statements.

*Non-income producing security.

@Variable/Floating Rate Security Interest rate changes on these instruments are based on changes in a designated base rate. The rates shown are those in effect on March 31, 2016.

**Restricted securities. These restricted securities constituted 17.15% of total net assets at March 31, 2016, 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 Company 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 Company's Board of Directors.

These securities have been valued in good faith under policies adopted by authority of the Board of Director in accordance with the Company's fair value procedures. These securities constituted 1.29% of total net assets at March 31, 2016.

@@Step Coupon - Coupon rate increases in increments to maturity. Rate disclosed is as of March 31, 2016.

See notes to financial statements.

NOTE 1 Disclosure of Fair Value Measurements

The Company uses the following methods and inputs to establish the fair value of its assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve.

Equity securities are generally valued each day at the official closing price of, or the last reported sale price on, the exchange or market on which such securities principally are traded, as of the close of business on that day. If there have been no sales that day, equity securities are generally valued at the last available bid price. Securities that are unlisted and fixed-income and convertible securities listed on a national securities exchange for which the over-the-counter (OTC) market more accurately reflects the securities value in the judgment of the Company s officers, are valued at the most recent bid price. However, most fixed income securities are generally valued at prices obtained from pricing vendors and brokers. Short-term corporate notes with maturities of 60 days or less at the time of purchase are valued at amortized cost.

Securities for which representative market quotations are not readily available or are considered unreliable by the Adviser are valued as determined in good faith under procedures adopted by the authority of the Company s Board of Directors. Various inputs may be reviewed in order to make a good faith determination of a security s value. These inputs include, but are not limited to, the type and cost of the security; contractual or legal restrictions on resale of the security; relevant financial or business developments of the issuer; actively traded similar or related securities; conversion or exchange rights on the security; related corporate actions; significant events occurring after the close of trading in the security; and changes in overall market conditions. Fair valuations and valuations of investments that are not actively trading involve judgment and may differ materially from valuations of investments that would have been used had greater market activity occurred.

The Company classifies its assets based on three valuation methodologies. Level 1 values are based on quoted market prices in active markets for identical assets. Level 2 values are based on significant observable market inputs, such as quoted prices for similar assets and quoted prices in inactive markets or other market observable inputs as noted above including spreads, cash flows, financial performance, prepayments, defaults, collateral, credit enhancements, and interest rate volatility. Level 3 values are based on significant unobservable inputs that reflect the Company s determination of assumptions that market participants might reasonably use in valuing the assets. The valuation levels are not necessarily an indication of the risk associated with investing in those securities. The following table presents the valuation levels of the Company s investments as of March 31, 2016:

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| Investments | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|--------------|----------------|
| Common Stocks | | | | |
| Infrastructure Software | \$ 31,546,376 | \$ | \$ | \$ 31,546,376 |
| Diversified Banks | 18,738,719 | | | 18,738,719 |
| Insurance Brokers | 15,367,728 | | | 15,367,728 |
| Aircraft & Parts | 13,563,550 | | | 13,563,550 |
| Base Metals | 12,455,047 | | | 12,455,047 |
| P&C Insurance | 12,145,035 | | | 12,145,035 |
| Communications Equipment | 10,701,304 | | | 10,701,304 |
| Semiconductor Devices | 9,088,139 | | | 9,088,139 |
| Electrical Components | 8,675,611 | | | 8,675,611 |
| Internet Media | 7,966,591 | | | 7,966,591 |
| Consumer Finance | 7,437,996 | | | 7,437,996 |
| Electrical Power Equipment | 7,084,401 | | | 7,084,401 |
| Advertising & Marketing | 6,251,581 | | | 6,251,581 |
| Investment Companies | 5,634,547 | | | 5,634,547 |
| Life Science Equipment | 5,114,231 | | | 5,114,231 |
| Exploration & Production | 5,085,718 | | | 5,085,718 |
| Household Products | 5,085,405 | | | 5,085,405 |
| Integrated Oils | 3,271,088 | | | 3,271,088 |
| Oil & Gas Services & Equipment | 2,503,615 | | | 2,503,615 |
| Food & Drug Stores | 1,910,400 | | | 1,910,400 |
| Banks | 439,802 | | | 439,802 |
| Commercial Mortgage-Backed Securities | | | | |
| Agency Stripped | | 13,473,291 | | 13,473,291 |
| Non-Agency | | 3,029,296 | 490,000 | 3,519,296 |
| Residential Mortgage-Backed Securities | | | | |
| Agency Collateralized Mortgage Obligation | | 7,843,627 | | 7,843,627 |
| Agency Pool Fixed Rate | | 4,888,732 | | 4,888,732 |
| Agency Stripped | | 794,161 | | 794,161 |
| Non-Agency Collateralized Mortgage Obligation | | 10,758,816 | 370,156 | 11,128,972 |
| Asset-Backed Securities | | | | |
| Auto | | 39,010,865 | | 39,010,865 |
| Other | | 16,370,345 | 2,891,115 | 19,261,460 |
| Corporate Bonds & Notes | | 2,974,653 | 344,413 | 3,319,066 |
| Corporate Bank Debt | | 1,721,110 | 4,454 | 1,725,564 |
| Municipals | | | 273,683 | 273,683 |
| U.S. Treasuries | | 21,750,883 | | 21,750,883 |
| Short-Term Investment | | 20,073,000 | | 20,073,000 |
| | \$ 190,066,884 | \$ 142,688,779 | \$ 4,373,821 | \$ 337,129,484 |

See notes to financial statements.

The following table summarizes the Company's Level 3 investment securities and related transactions during the period ended March 31, 2016:

| Investment | Beginning Value at September 30, 2015 | Net Realized and Unrealized Gains (Losses)* | Purchases | (Sales) | Gross Transfers In/(Out) | Ending Value at March 31, 2016 | Net Change in Unrealized Appreciation (Depreciation) related to Investments held at March 31, 2016 |
|---|---------------------------------------|---|--------------|----------------|--------------------------|--------------------------------|--|
| Commercial Mortgage-Backed Securities Non-Agency Residential Mortgage-Backed Securities Agency Collateralized Mortgage Obligation | \$ 1,284,490 | 16,808 | | \$ (26,847) | \$ (1,274,451) | | 16,304 |
| Residential Mortgage-Backed Securities Non-Agency Collateralized Mortgage Obligation | | 200 | 389,000 | (19,044) | | 370,156 | 200 |
| Other Asset-Backed Securities | | 19,129 | 2,871,986 | | | 2,891,115 | 18,754 |
| Corporate Bonds & Notes | | (28,719) | 428,279 | (55,147) | | 344,413 | (47,737) |
| Corporate Bank Debt | | 4,454 | | | | 4,454 | 4,454 |
| Municipals | 1,357,000 | (1,336) | 333,019 | (1,415,000) | | 273,683 | (1,187) |
| | \$ 2,641,490 | \$ 5,380 | \$ 4,517,440 | \$ (1,516,038) | \$ (1,274,451) | \$ 4,373,821 | \$ (14,469) |

* Net realized and unrealized gains (losses) are included in the related amounts in the statement of operations.

Investments classified within Level 3 of the fair value hierarchy are valued by the Adviser in good faith under procedures adopted by authority of the Company's Board of Directors. The Adviser employs various methods to determine fair valuations including regular review of key inputs and assumptions, and review of related market activity, if any. However, there are generally no observable trade activities in these securities. The Adviser reports to the Board of Directors at their regularly scheduled quarterly meetings, or more often if warranted. The report includes a summary of the results of the process, the key inputs and assumptions noted, and any changes to the inputs and assumptions used. When appropriate, the Adviser will recommend changes to the procedures and process employed. The value determined for an investment using the fair value procedures may differ significantly from the value realized upon the sale of such investment. Transfers of investments between different levels of the fair value hierarchy are recorded at market value as of the end of the reporting period. There were transfers of \$1,274,451 out of Level 3 into Level 2 during the period ended March 31, 2016.

The following table summarizes the quantitative inputs and assumptions used for items categorized as Level 3 of the fair value hierarchy as of March 31, 2016:

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| Financial Assets | Fair Value at March 31, 2016 | Valuation Technique(s) | Unobservable Inputs | Price/Range |
|---|---------------------------------|--------------------------------------|---------------------|-------------------------|
| Commercial Mortgage-Backed Non-Agency | \$ 490,000 | Third-Party Broker Quote* | Quotes/Prices | \$98.00 |
| Residential Mortgage-Backed Non-Agency CMO | \$ 370,156 | Third-Party Broker Quote* | Quotes/Prices | \$100.05 |
| Asset-Backed Other | \$ 2,891,115 | Third-Party Broker Quote* | Quotes/Prices | \$99.38 - \$100.16 |
| Corporate Bonds and Notes | \$ 344,413 | Third-Party Broker Quote* | Quotes/Prices | \$26.00 - \$103.50 |
| Corporate Bank Debt | \$ 4,454 | Unfunded Commitment at Discount** | Prices Discount | \$99.61- \$100.51 1% |
| Municipals | \$ 273,683 | Third-Party Broker Quote* | Quotes/Prices | \$100.25 |

*The Third-Party Broker Quote technique involves obtaining an independent third-party broker quote for the security.

** The Unfunded Commitment at Discount technique involves obtaining a daily independent pricing vendor quote and subtracting the unfunded commitment discounted price of \$99.00.

NOTE 2 Federal Income Tax

The cost of investment securities held at March 31, 2016 (excluding short-term investments), was \$319,201,805 for federal income tax purposes. Net Unrealized depreciation consists of:

| | |
|--------------------------------|----------------|
| Gross unrealized appreciation: | \$ 5,710,049 |
| Gross unrealized depreciation: | (7,855,370) |
| Net unrealized depreciation: | \$ (2,145,321) |

ITEM 2. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive and principal financial officers have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective, as of a date within 90 days of the filing date of this Form N-Q based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d)) under the 1940 Act that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

(a) The certifications required by Rule 30a-2(a) under the 1940 Act are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOURCE CAPITAL, INC.

By: /s/ J. Richard Atwood
J. Richard Atwood,
President (Principal Executive Officer)

Date: May 31, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ J. Richard Atwood
J. Richard Atwood,
President (Principal Executive Officer)

Date: May 31, 2016

By: /s/ E. Lake Setzler III
E. Lake Setzler III,
Treasurer (Principal Financial Officer)

Date: May 31, 2016
