

SOURCE CAPITAL INC /DE/
Form N-Q
November 29, 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)

J. RICHARD ATWOOD, PRESIDENT

Source Capital, Inc.

11601 WILSHIRE BLVD., STE 1200

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

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 end: December 31

Date of reporting period: September 30, 2016

ITEM 1. Schedule of Investments.

SOURCE CAPITAL, INC.

PORTFOLIO OF INVESTMENTS

September 30, 2016

(Unaudited)

| | Shares | | Fair Value |
|-----------------------------------------|-----------|----|------------|
| COMMON STOCKS | | | |
| Infrastructure Software 7.7% | | | |
| Microsoft Corporation | 170,590 | \$ | 9,825,984 |
| Oracle Corporation | 434,720 | | 17,075,801 |
| | | \$ | 26,901,785 |
| Diversified Banks 6.7% | | | |
| Bank of America Corporation | 634,320 | \$ | 9,927,108 |
| Citigroup, Inc. | 283,860 | | 13,406,708 |
| | | \$ | 23,333,816 |
| Base Metals 4.1% | | | |
| Alcoa, Inc. | 1,233,620 | \$ | 12,508,907 |
| MMC Norilsk Nickel PJSC (ADR) (Russia) | 111,630 | | 1,783,847 |
| | | \$ | 14,292,754 |
| P&C Insurance 4.0% | | | |
| American International Group, Inc. | 236,670 | \$ | 14,043,998 |
| Aircraft & Parts 4.0% | | | |
| United Technologies Corporation | 137,280 | \$ | 13,947,648 |
| Insurance Brokers 3.7% | | | |
| Aon plc (Britain) | 114,830 | \$ | 12,917,227 |
| Internet Media 3.6% | | | |
| Alphabet, Inc. (Class A)* | 5,617 | \$ | 4,516,405 |
| Alphabet, Inc. (Class C)* | 5,632 | | 4,377,697 |
| Baidu, Inc. (ADR) (China)* | 18,910 | | 3,442,944 |
| | | \$ | 12,337,046 |
| Communications Equipment 3.3% | | | |
| Cisco Systems, Inc. | 361,450 | \$ | 11,465,194 |
| Semiconductor Devices 2.7% | | | |
| Analog Devices, Inc. | 95,160 | \$ | 6,133,062 |
| QUALCOMM, Inc. | 48,100 | | 3,294,850 |
| | | \$ | 9,427,912 |
| Electrical Components 2.6% | | | |
| TE Connectivity, Ltd. (Switzerland) | 139,450 | \$ | 8,977,791 |
| Consumer Finance 2.3% | | | |
| American Express Co. | 122,250 | \$ | 7,828,890 |
| Advertising & Marketing 1.9% | | | |
| WPP plc (Britain) | 279,050 | \$ | 6,561,065 |
| Investment Companies 1.9% | | | |
| Groupe Bruxelles Lambert SA (Belgium) | 72,700 | \$ | 6,445,199 |

See notes to financial statements.

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| | Shares or Principal Amount | | Fair Value |
|--------------------------------------------------------------------|----------------------------------|----|-------------|
| Electrical Power Equipment 1.7% | | | |
| General Electric Co. | 193,690 | \$ | 5,737,098 |
| Life Science Equipment 1.7% | | | |
| Thermo Fisher Scientific, Inc. | 35,950 | \$ | 5,718,207 |
| Integrated Oils 1.1% | | | |
| Gazprom PJSC (ADR) (Russia) | 323,590 | \$ | 1,362,314 |
| Lukoil PJSC (ADR) (Russia) | 37,100 | | 1,806,399 |
| Rosneft PJSC (GDR) (Russia) | 145,630 | | 795,140 |
| | | \$ | 3,963,853 |
| Oil & Gas Services & Equipment 1.0% | | | |
| Halliburton Co. | 74,610 | \$ | 3,348,497 |
| Food & Drug Stores 0.6% | | | |
| Jardine Strategic Holdings, Ltd. (Hong Kong) | 68,200 | \$ | 2,230,140 |
| Household Products 0.6% | | | |
| Unilever NV (CVA) (Britain) | 48,330 | \$ | 2,230,022 |
| Exploration & Production 0.3% | | | |
| Occidental Petroleum Corporation | 14,880 | \$ | 1,085,050 |
| TOTAL COMMON STOCKS 55.5% | | | |
| (Cost \$182,877,776) | | \$ | 192,793,192 |
| BONDS & DEBENTURES | | | |
| Commercial Mortgage-Backed Securities 6.4% | | | |
| Agency 0.2% | | | |
| Government National Mortgage Association 2011-49 A 2.45% 7/16/2038 | \$ 633,757 | \$ | 637,686 |
| Agency Stripped 5.4% | | | |
| Government National Mortgage Association | | | |
| 2013-63 IO 0.769% 9/16/2051@ | \$ 19,497,100 | \$ | 1,079,400 |
| 2013-74 0.77% 12/16/2053@ | 21,046,729 | | 1,115,458 |
| 2012-58 IO 0.815% 2/16/2053@ | 13,621,017 | | 681,459 |
| 2012-79 IO 0.857% 3/16/2053@ | 8,451,848 | | 438,566 |
| 2012-85 IO 0.859% 9/16/2052@ | 6,079,524 | | 332,162 |
| 2013-146 0.867% 11/16/2048@ | 19,625,186 | | 1,001,224 |
| 2014-171 0.867% 11/16/2055@ | 20,521,900 | | 1,166,652 |
| 2012-114 IO 0.874% 1/16/2053@ | 18,041,365 | | 1,162,490 |
| 2015-86 0.89% 5/16/2052@ | 3,398,876 | | 227,456 |
| 2013-13 IO 0.91% 7/16/2047@ | 3,740,952 | | 200,235 |
| 2012-109 0.966% 10/16/2053@ | 18,087,103 | | 849,814 |
| 2015-19 IO 0.99% 1/16/2057@ | 13,743,582 | | 1,070,837 |
| 2014-153 IO 0.997% 4/16/2056@ | 15,023,882 | | 1,110,031 |
| 2014-187 IO 1.01% 5/16/2056@ | 8,828,046 | | 658,988 |
| 2016-34 1.016% 1/16/2058@ | 5,842,527 | | 481,016 |

See notes to financial statements.

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| | | Principal Amount | | Fair Value |
|---------------------------------------------------------------|------------------------------------------|---------------------|----|------------|
| 2016-65 | 1.016% 1/16/2058@ | \$ 6,562,960 | \$ | 546,196 |
| 2016-45 | 1.017% 2/16/2058@ | 16,232,758 | | 1,300,442 |
| 2015-114 IO | 1.044% 3/15/2057@ | 2,508,481 | | 178,476 |
| 2016-106 | 1.068% 9/16/2058@, | 7,347,633 | | 653,517 |
| 2015-108 IO | 1.097% 10/16/2056@ | 13,950,242 | | 1,126,733 |
| 2016-85 | 1.123% 3/16/2057@ | 4,324,256 | | 377,108 |
| 2016-119 | 1.127% 4/16/2058@ | 10,998,000 | | 965,390 |
| 2016-125 | 1.15% 12/16/2057@ | 4,239,000 | | 376,863 |
| 2016-67 | 1.168% 7/16/2057@ | 15,563,960 | | 1,335,380 |
| 2016-94 | 1.17% 12/16/2057@ | 5,887,726 | | 518,830 |
| | | | \$ | 18,954,723 |
| Non-Agency 0.8% | | | | |
| A10 Securitization LLC 2016-1 A1 | 2.42% 3/15/2035** | \$ 263,000 | \$ | 264,148 |
| Bear Stearns Commercial Mortgage Securities Trust 2005-PWR7 B | 5.214% 2/11/2041@ | 163,432 | | 163,367 |
| Citigroup Commercial Mortgage Trust 2006-C4 B | 6.191% 3/15/2049@ COMM Mortgage Trust | 194,598 | | 194,056 |
| 2012-9W57 A | 2.365% 2/10/2029** | 995,000 | | 996,867 |
| 2014-FL5 C | 2.674% 10/15/2031**,@ | 226,000 | | 217,903 |
| Morgan Stanley Capital I Trust 2006-HQ9 D | 5.862% 7/12/2044@ | 260,000 | | 258,596 |
| Rialto Capital Management LLC 2014-LT5 B | 5.00% 5/15/2024**, | 500,000 | | 500,000 |
| Rialto Real Estate Fund LP 2014-LT6 B | 5.486% 9/15/2024** | 98,637 | | 98,558 |
| | | | \$ | 2,693,495 |
| TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES | | | | |
| (Cost \$22,354,355) | | | | |
| | | | \$ | 22,285,904 |
| Residential Mortgage-Backed Securities 6.9% | | | | |
| Agency Collateralized Mortgage Obligation 2.4% | | | | |
| Federal Home Loan Mortgage Corporation | | | | |
| 3690 G | 2.50% 6/15/2020 | \$ 239,537 | \$ | 243,086 |
| 3782 PA | 2.75% 11/15/2028 | 915,797 | | 927,140 |
| 4483 A | 3.00% 12/15/2029 | 965,837 | | 992,612 |
| 3770 WA | 4.00% 11/15/2028 | 637,017 | | 651,522 |
| 3957 BV | 4.00% 10/15/2029 | 848,575 | | 858,209 |
| 3796 KN | 4.00% 6/15/2037 | 368,543 | | 377,756 |
| Federal National Mortgage Association | | | | |
| 2012-117 DA | 1.50% 12/25/2039 | 391,687 | | 390,065 |
| 2015-93 KC | 2.00% 9/25/2044 | 1,171,003 | | 1,178,704 |
| 2013-138 BE | 2.50% 1/25/2029 | 1,426,780 | | 1,441,779 |
| 2014-4 KA | 3.00% 1/25/2044 | 126,561 | | 130,063 |
| 2003-78 B | 5.00% 8/25/2023 | 372,504 | | 401,183 |
| 2011-15 HT | 5.50% 3/25/2026 | 807,851 | | 846,179 |
| | | | \$ | 8,438,298 |
| Agency Pool Fixed Rate 1.6% | | | | |
| Federal Home Loan Mortgage Corporation | | | | |
| G13122 | 5.00% 4/1/2023 | \$ 340,682 | \$ | 366,699 |
| G15744 | 5.00% 6/1/2026 | 685,766 | | 723,168 |
| G13145 | 5.50% 4/1/2023 | 737,159 | | 798,909 |
| Federal National Mortgage Association | | | | |
| AL8274 | 4.50% 12/1/2018 | 1,407,556 | | 1,444,494 |

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| | | Principal Amount | Fair Value |
|-----------------------------------------------------------|-------------------------|---------------------|---------------|
| 889109 | 5.00% 1/1/2023 | \$ 277,381 | \$ 296,293 |
| AE0286 | 5.00% 4/1/2025 | 388,972 | 419,011 |
| AL7725 | 5.00% 9/1/2025 | 1,023,043 | 1,085,006 |
| 256717 | 5.50% 5/1/2022 | 285,729 | 307,530 |
| | | \$ | 5,441,110 |
| Agency Stripped 0.1% | | | |
| Federal Home Loan Mortgage Corporation 3775 LI | 3.50% 12/15/2020 | \$ 1,298,261 | \$ 70,175 |
| Federal National Mortgage Association 2010-57 ID | 4.00% 6/25/2025 | 1,797,755 | 174,590 |
| | | \$ | 244,765 |
| Non-Agency Collateralized Mortgage Obligation 2.8% | | | |
| BCAP LLC Trust 2010-RR8 2A6 | 2.237% 11/26/2036**, @ | \$ 1,170,981 | \$ 1,161,557 |
| Nationstar HECM Loan Trust | | | |
| 2016-3A A | 2.013% 8/25/2026**, | 100,542 | 100,622 |
| 2016-1A A | 2.981% 2/25/2026**, | 258,468 | 258,256 |
| Nomura Resecuritization Trust 2016-1R 3A1 | 5.00% 9/28/2036**, @ | 186,272 | 194,332 |
| RiverView HECM Trust 2007-1 A | 1.18% 5/25/2047**, @ | 608,448 | 537,722 |
| Sunset Mortgage Loan Co. LLC 2014-NPL1 A | 3.228% 8/16/2044**, @@ | 66,240 | 66,096 |
| Towd Point Mortgage Trust | | | |
| 2016-3 A1 | 2.25% 8/25/2055**, @ | 796,851 | 798,818 |
| 2015-1 AES | 3.00% 10/25/2053** | 701,631 | 717,612 |
| 2015-2 2A1 | 3.75% 11/25/2057**, @ | 480,634 | 498,510 |
| VOLT XL LLC 2015-NP14 A1 | 4.375% 11/27/2045**, @@ | 931,458 | 940,400 |
| VOLT XXV LLC 2015-NPL8 A1 | 3.50% 6/26/2045**, @@ | 577,995 | 578,696 |
| VOLT XXVII LLC 2014-NPL7 A1 | 3.375% 8/27/2057**, @@ | 944,203 | 943,993 |
| VOLT XXX LLC 2015-NPL1 A1 | 3.625% 10/25/2057**, @@ | 591,719 | 591,866 |
| VOLT XXXI LLC 2015-NPL2 A1 | 3.375% 2/25/2055**, @@ | 816,655 | 815,704 |
| VOLT XXXIII LLC 2015-NPL5 A1 | 3.50% 3/25/2055**, @@ | 884,726 | 885,136 |
| VOLT XXXV LLC 2015-NPL9 A1 | 3.50% 6/26/2045**, @@ | 810,277 | 810,277 |
| | | \$ | 9,899,597 |
| TOTAL RESIDENTIAL MORTGAGE-BACKED SECURITIES | | | |
| (Cost \$23,770,489) | | | \$ 24,023,770 |
| Asset-Backed Securities 21.1% | | | |
| Auto 9.1% | | | |
| AmeriCredit Automobile Receivables Trust 2013-1 D | 2.09% 2/8/2019 | \$ 1,300,000 | \$ 1,303,774 |
| Capital Auto Receivables Asset Trust | | | |
| 2016-3 A3 | 1.54% 8/20/2020 | 252,000 | 252,064 |
| 2015-2 A3 | 1.73% 9/20/2019 | 1,185,000 | 1,187,646 |
| Credit Acceptance Auto Loan Trust | | | |
| 2014-1A A | 1.55% 10/15/2021** | 569,714 | 569,358 |
| 2015-1A A | 2.00% 7/15/2022** | 1,390,000 | 1,389,228 |
| 2014-1A B | 2.29% 4/15/2022** | 925,000 | 921,839 |
| 2016-2A A | 2.42% 11/15/2023** | 250,000 | 250,772 |
| 2014-2A B | 2.67% 9/15/2022** | 250,000 | 250,217 |
| 2015-2A B | 3.04% 8/15/2023** | 251,000 | 252,201 |
| 2016-2A B | 3.18% 5/15/2024** | 601,000 | 602,339 |
| Drive Auto Receivables Trust 2015-BA B | 2.12% 6/17/2019** | 1,030,573 | 1,031,467 |
| DT Auto Owner Trust | | | |
| 2016-1A A | 2.00% 9/16/2019** | 645,012 | 644,904 |
| 2016-4A B | 2.02% 8/17/2020**, | 366,000 | 365,871 |

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| | | Principal Amount | | Fair Value |
|--------------------------------------------------|----------------------|---------------------|----|------------|
| 2014-2A C | 2.46% 1/15/2020** | \$ 556,184 | \$ | 557,474 |
| Enterprise Fleet Financing LLC | | | | |
| 2015-1 A2 | 1.30% 9/20/2020** | 836,870 | | 834,630 |
| 2016-1 A2 | 1.83% 9/20/2021** | 1,300,000 | | 1,299,886 |
| First Investors Auto Owner Trust | | | | |
| 2015-1A A2 | 1.21% 4/15/2019** | 34,597 | | 34,589 |
| 2014-1A A3 | 1.49% 1/15/2020** | 595,822 | | 595,441 |
| 2013-1A B | 1.81% 10/15/2018** | 66,554 | | 66,546 |
| 2016-2A A2 | 1.87% 11/15/2021** | 148,000 | | 148,128 |
| 2016-1A A1 | 1.92% 5/15/2020** | 835,654 | | 837,029 |
| 2016-1A A2 | 2.26% 4/15/2021** | 1,096,000 | | 1,101,770 |
| Ford Credit Auto Owner Trust | | | | |
| 2013-D B | 1.54% 3/15/2019 | 1,250,000 | | 1,254,433 |
| 2013-C C | 1.91% 3/15/2019 | 456,000 | | 458,918 |
| GM Financial Automobile Leasing Trust 2016-3 C | 2.38% 5/20/2020 | 208,000 | | 208,219 |
| Hyundai Auto Lease Securitization Trust 2014-A B | 1.30% 7/16/2018** | 1,000,000 | | 1,000,134 |
| Prestige Auto Receivables Trust | | | | |
| 2015-1 A2 | 1.09% 2/15/2019** | 49,559 | | 49,552 |
| 2014-1A A3 | 1.52% 4/15/2020** | 173,041 | | 172,950 |
| 2015-1 A3 | 1.53% 2/15/2021** | 1,300,000 | | 1,298,215 |
| 2016-1A A3 | 1.99% 6/15/2020** | 1,256,000 | | 1,259,658 |
| Santander Drive Auto Receivables Trust | | | | |
| 2015-1 A3 | 1.27% 2/15/2019 | 886,279 | | 885,916 |
| 2015-4 A3 | 1.58% 9/16/2019 | 395,000 | | 395,325 |
| 2014-2 B | 1.62% 2/15/2019 | 576,719 | | 577,000 |
| 2013-1 C | 1.76% 1/15/2019 | 575,690 | | 575,888 |
| 2013-3 C | 1.81% 4/15/2019 | 932,519 | | 933,893 |
| 2014-4 B | 1.82% 5/15/2019 | 1,254,568 | | 1,256,490 |
| 2015-2 B | 1.83% 1/15/2020 | 1,300,000 | | 1,302,629 |
| 2014-2 C | 2.33% 11/15/2019 | 1,300,000 | | 1,307,587 |
| 2013-5 D | 2.73% 10/15/2019 | 439,000 | | 445,340 |
| 2013-A C | 3.12% 10/15/2019** | 1,219,156 | | 1,228,691 |
| 2012-3 D | 3.64% 5/15/2018 | 1,004,071 | | 1,008,796 |
| Westlake Automobile Receivables Trust | | | | |
| 2015-1A A2 | 1.17% 3/15/2018** | 133,659 | | 133,637 |
| 2016-1A B | 2.68% 9/15/2021** | 1,300,000 | | 1,310,879 |
| | | | \$ | 31,561,323 |
| Credit Card 1.6% | | | | |
| Cabela's Credit Card Master Note Trust | | | | |
| 2014-1 A | 0.874% 3/16/2020@ | \$ 1,198,000 | \$ | 1,197,508 |
| 2012-2A A1 | 1.45% 6/15/2020** | 1,300,000 | | 1,301,414 |
| 2012-1A A1 | 1.63% 2/18/2020** | 1,253,000 | | 1,254,136 |
| 2016-1 A1 | 1.78% 6/15/2022 | 1,343,000 | | 1,353,943 |
| Synchrony Credit Card Master Note Trust 2012-6 A | 1.36% 8/17/2020 | 325,000 | | 325,605 |
| | | | \$ | 5,432,606 |
| Other 10.4% | | | | |
| Apidos CLO XI 2012-11A A | 2.069% 1/17/2023**,@ | \$ 629,000 | \$ | 629,282 |
| ARI Fleet Lease Trust | | | | |
| 2015-A A2 | 1.11% 11/15/2018** | 768,563 | | 767,483 |
| 2016-A A2 | 1.82% 7/15/2024** | 564,000 | | 565,861 |
| Ascentium Equipment Receivables LLC | | | | |

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| | Principal Amount | Fair Value |
|----------------------------------------------------------------------------|---------------------|------------|
| 2015-1A A3 1.61% 10/13/2020** | \$ 651,831 | \$ 652,436 |
| 2015-2A B 2.62% 12/10/2019** | 1,256,000 | 1,258,768 |
| Ascentium Equipment Receivables Trust 2016-1A A2 1.75% 11/13/2018** | 1,367,000 | 1,370,761 |
| Black Diamond CLO, Ltd. 2013-1A A1 2.129% 2/6/2026**,@ | 454,000 | 454,001 |
| CCG Receivables Trust 2015-1 A2 1.46% 11/14/2018** | 606,741 | 605,949 |
| Cent CLO 19, Ltd. 2013-19A A1A 2.082% 10/29/2025**,@ | 453,000 | 452,764 |
| Cerberus Onshore II CLO-2 LLC | | |
| 2014-1A A 2.528% 10/15/2023**,@ | 141,424 | 141,370 |
| 2014-1A B 2.975% 10/15/2023**,@ | 250,000 | 249,962 |
| Chesapeake Funding II LLC | | |
| 2016-2A A1 1.88% 6/15/2028** | 772,000 | 770,749 |
| 2016-1A A1 2.11% 3/15/2028** | 1,362,000 | 1,364,339 |
| CIFC Funding 2013-III, Ltd. 2013-3A A1A 2.045% 10/24/2025**,@ | 411,000 | 410,582 |
| Conn s Receivables Funding LLC | | |
| 2016-A A 4.68% 4/16/2018** | 250,719 | 251,448 |
| 2016-A B 8.96% 8/15/2018** | 665,000 | 665,894 |
| Dell Equipment Finance Trust 2016-1 A1 0.85% 7/24/2017** | 1,164,782 | 1,164,226 |
| Enterprise Fleet Financing LLC | | |
| 2014-1 A2 0.87% 9/20/2019** | 341,293 | 340,948 |
| 2014-2 A2 1.05% 3/20/2020** | 717,627 | 715,678 |
| 2013-2 A3 1.51% 3/20/2019** | 626,353 | 626,308 |
| 2016-2 A2 1.74% 2/22/2022** | 485,000 | 483,607 |
| Golden Credit Card Trust 2012-4A A 1.39% 7/15/2019** | 1,300,000 | 1,300,910 |
| Grayson CLO, Ltd. 2006-1A A1B 1.117% 11/1/2021**,@ | 250,000 | 245,223 |
| GreatAmerica Leasing Receivables Funding LLC Series | | |
| 2015-1 A2 1.12% 6/20/2017** | 213,932 | 213,990 |
| 2016-1 A2 1.57% 5/21/2018** | 1,367,000 | 1,369,047 |
| 2016-1 A3 1.73% 6/20/2019** | 1,000,000 | 999,068 |
| Hertz Fleet Lease Funding LP 2016-1 A2 1.96% 4/10/2030** | 1,364,000 | 1,364,960 |
| Leaf Receivables Funding 10 LLC 2015-1 B 2.42% 1/15/2021** | 834,000 | 838,395 |
| Leaf Receivables Funding 11 LLC 2016-1 A2 1.72% 7/15/2018**, | 457,000 | 457,402 |
| MMAF Equipment Finance LLC 2014-AA A3 0.87% 1/8/2019** | 1,040,303 | 1,037,921 |
| NRZ Advance Receivables Trust Advance Receivables Backed | | |
| 2016-T1 AT1 2.751% 6/15/2049** | 1,359,000 | 1,358,998 |
| 2015-T4 AT4 3.196% 11/15/2047** | 1,360,000 | 1,373,600 |
| Ocwen Master Advance Receivables Trust 2016-T1 AT1 2.521% 8/17/2048** | 1,343,000 | 1,340,902 |
| Oportun Funding III LLC 2016-B A 3.69% 7/8/2021** | 264,000 | 263,047 |
| Panhandle-Plains Student Finance Corporation 2001-1 A2 2.027% 12/1/2031 ,@ | 800,000 | 795,000 |
| PFS Financing Corporation | | |
| 2014-AA A 1.124% 2/15/2019**,@ | 1,500,000 | 1,498,806 |
| 2014-BA A 1.124% 10/15/2019**,@ | 1,450,000 | 1,444,329 |
| 2016-A A 1.724% 2/18/2020**,@ | 1,516,000 | 1,518,083 |
| Synchrony Credit Card Master Note Trust | | |
| 2012-3 A 0.974% 3/15/2020@ | 1,372,000 | 1,373,721 |
| 2015-3 A 1.74% 9/15/2021 | 1,012,000 | 1,019,259 |
| Telos CLO, Ltd. 2013-4A A 1.979% 7/17/2024**,@ | 250,000 | 249,433 |
| THL Credit Wind River CLO, Ltd. 2013-2A A2A 2.119% 1/18/2026**,@ | 250,000 | 250,000 |
| Volvo Financial Equipment LLC Series 2016-1A A2 1.44% 10/15/2018** | 1,151,000 | 1,152,508 |

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| | Principal Amount | Fair Value |
|------------------------------------------------------------------------|---------------------|---------------|
| Westwood CDO II, Ltd. 2007-2A A2 1.065% 4/25/2022**,@ | \$ 750,000 | \$ 739,538 |
| | | \$ 36,146,556 |
| TOTAL ASSET-BACKED SECURITIES (Cost \$73,010,875) | | \$ 73,140,485 |
| Corporate Bonds & Notes 0.7% | | |
| Consumer, Cyclical 0.1% | | |
| Continental Airlines 2000-1 Class B Pass Through Trust 8.388% 5/1/2022 | \$ 57,793 | \$ 57,972 |
| Northwest Airlines 1999-2 Class C Pass Through Trust 8.304% 9/1/2010 | 276,802 | 143,937 |
| US Airways 1998-1B Pass Through Trust 7.35% 7/30/2019 | 53,755 | 54,427 |
| | | \$ 256,336 |
| Energy 0.4% | | |
| Atwood Oceanics, Inc. 6.50% 2/1/2020 | \$ 1,750,000 | \$ 1,369,375 |
| Financial 0.2% | | |
| N671US Trust 7.50% 9/15/2020**, | \$ 164,434 | \$ 167,723 |
| Berkshire Hathaway Finance Corporation 1.077% 8/15/2019@ | 336,000 | 336,470 |
| | | \$ 504,193 |
| Industrial 0.0% | | |
| Air 2 US 10.127% 10/1/2020**, | \$ 426,921 | \$ 145,153 |
| TOTAL CORPORATE BONDS & NOTES (Cost \$2,278,662) | | \$ 2,275,057 |
| Corporate Bank Debt 0.8% | | |
| ACCTL 1.00% 5/16/2022** | \$ 522,000 | \$ 521,953 |
| MBFODDTL 2.00% 3/31/2017 **, | 100,000 | 1,574 |
| MBFOTL 5.25% 11/20/2021** | 739,802 | 744,049 |
| MBLODDTL 2.00% 3/31/2017 **, | 50,000 | 1,130 |
| MBLOTL 8.00% 11/20/2021** | 395,737 | 400,723 |
| OTGDDTL 1.00% 8/23/2021 **, | 50,000 | 953 |
| OTGTL 9.50% 8/23/2021** | 530,000 | 529,496 |
| Xplornet Communications, Inc. Term Loan B 1.00% 9/6/2021** | 660,000 | 664,587 |
| TOTAL CORPORATE BANK DEBT (Cost \$2,803,170) | | \$ 2,864,465 |
| Municipals 0.2% | | |
| Wayne County | | |
| GO, (TXBL-NTS), 4.25% 12/1/2018 | \$ 414,000 | \$ 414,000 |
| GO, (TXBL), 5.75% 12/1/2017 | 205,000 | 205,512 |
| TOTAL MUNICIPALS (Cost \$620,119) | | \$ 619,512 |
| U.S. Treasuries 1.4% | | |
| U.S. Treasury Notes | | |
| 1.00% 12/15/2017 | \$ 1,300,000 | \$ 1,304,456 |
| 1.375% 8/31/2020 | 2,693,000 | 2,726,220 |

See notes to financial statements.

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| | Principal Amount | Fair Value |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------|
| 1.375% 10/31/2020 | \$ 891,000 | \$ 901,513 |
| TOTAL U.S. TREASURIES (Cost \$4,907,128) | | \$ 4,932,189 |
| TOTAL BONDS & DEBENTURES 37.5% (Cost \$129,744,798) | | \$ 130,141,382 |
| TOTAL INVESTMENT SECURITIES 93.0% (Cost \$312,622,574) | | \$ 322,934,574 |
| Short-Term Investments 6.9% | | |
| State Street Bank Repurchase Agreement 0.03% 10/3/2016 (Dated 09/30/2016, repurchase price of \$24,129,060, collateralized by: \$21,735,000 principal amount U.S. Treasury Bond - 2.875% 2045, fair value \$24,614,888) | \$ 24,129,000 | \$ 24,129,000 |
| TOTAL SHORT-TERM INVESTMENTS (Cost \$24,129,000) | | \$ 24,129,000 |
| TOTAL INVESTMENTS 99.9% (Cost \$336,751,574) | | \$ 347,063,574 |
| Other Assets and Liabilities, net 0.1% | | 452,048 |
| NET ASSETS 100.0% NOTE 2 | | \$ 347,515,622 |

*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 September 30, 2016.

**Restricted securities. These restricted securities constituted 19.82% of total net assets at September 30, 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 1.21% of total net assets at September 30, 2016.

@@Step Coupon - Coupon rate increases in increments to maturity. Rate disclosed is as of September 30, 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 September 30, 2016:

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| Investments | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------------------|----------------|----------------|--------------|----------------|
| Common Stocks | | | | |
| Infrastructure Software | \$ 26,901,785 | \$ | \$ | 26,901,785 |
| Diversified Banks | 23,333,816 | | | 23,333,816 |
| Base Metals | 14,292,754 | | | 14,292,754 |
| P&C Insurance | 14,043,998 | | | 14,043,998 |
| Aircraft & Parts | 13,947,648 | | | 13,947,648 |
| Insurance Brokers | 12,917,227 | | | 12,917,227 |
| Internet Media | 12,337,046 | | | 12,337,046 |
| Communications Equipment | 11,465,194 | | | 11,465,194 |
| Semiconductor Devices | 9,427,912 | | | 9,427,912 |
| Electrical Components | 8,977,791 | | | 8,977,791 |
| Consumer Finance | 7,828,890 | | | 7,828,890 |
| Advertising & Marketing | 6,561,065 | | | 6,561,065 |
| Investment Companies | 6,445,199 | | | 6,445,199 |
| Electrical Power Equipment | 5,737,098 | | | 5,737,098 |
| Life Science Equipment | 5,718,207 | | | 5,718,207 |
| Integrated Oils | 3,963,853 | | | 3,963,853 |
| Oil & Gas Services & Equipment | 3,348,497 | | | 3,348,497 |
| Food & Drug Stores | 2,230,140 | | | 2,230,140 |
| Household Products | 2,230,022 | | | 2,230,022 |
| Exploration & Production | 1,085,050 | | | 1,085,050 |
| Commercial Mortgage-Backed Securities | | | | |
| Agency | | 637,686 | | 637,686 |
| Agency Stripped | | 18,301,206 | 653,517 | 18,954,723 |
| Non-Agency | | 2,193,495 | 500,000 | 2,693,495 |
| Residential Mortgage-Backed Securities | | | | |
| Agency Collateralized Mortgage Obligation | | 8,438,298 | | 8,438,298 |
| Agency Pool Fixed Rate | | 5,441,110 | | 5,441,110 |
| Agency Stripped | | 244,765 | | 244,765 |
| Non-Agency Collateralized Mortgage Obligation | | 9,540,719 | 358,878 | 9,899,597 |
| Asset-Backed Securities | | | | |
| Auto | | 31,195,452 | 365,871 | 31,561,323 |
| Credit Card | | 5,432,606 | | 5,432,606 |
| Other | | 34,894,154 | 1,252,402 | 36,146,556 |
| Corporate Bonds & Notes | | 1,818,244 | 456,813 | 2,275,057 |
| Corporate Bank Debt | | | 2,864,465 | 2,864,465 |
| Municipals | | | 619,512 | 619,512 |
| U.S. Treasuries | | 4,932,189 | | 4,932,189 |
| Short-Term Investment | | 24,129,000 | | 24,129,000 |
| | \$ 192,793,192 | \$ 147,198,924 | \$ 7,071,458 | \$ 347,063,574 |

See notes to financial statements.

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The following table summarizes the Company's Level 3 investment securities and related transactions during the period ended September 30, 2016:

| Investments | Beginning Value at December 31, 2015 | Net Realized and Unrealized Gains (Losses)* | Purchases | (Sales) | Transfers In | Transfers Out | Ending Value at September 30, 2016 | Net Change in Unrealized Appreciation (Depreciation) related to Investments held at September 30, 2016 |
|--------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------|--------------|----------------|--------------|----------------|------------------------------------|--------------------------------------------------------------------------------------------------------|
| Commercial Mortgage-Backed Securities Agency Stripped | | \$ (6,135) | \$ 659,652 | | | | \$ 653,517 | \$ (866) |
| Commercial Mortgage-Backed Securities Non-Agency | | 4,844 | 495,156 | | | | 500,000 | 4,505 |
| Residential Mortgage-Backed Securities Agency Collateralized Mortgage Obligation | \$ 1,284,490 | 23,211 | | \$ (128,997) | | \$ (1,178,704) | | |
| Residential Mortgage-Backed Securities Non-Agency Collateralized Mortgage Obligation | | (131) | 495,000 | (135,991) | | | 358,878 | (132) |
| Asset-Backed Securities Auto | | (108) | 365,979 | | | | 365,871 | (107) |
| Asset-Backed Securities Other | | 18,191 | 1,234,211 | | | | 1,252,402 | 17,077 |
| Corporate Bonds & Notes | | 10,377 | 521,092 | (74,656) | | | 456,813 | (8,640) |
| Corporate Bank Debt | | 63,757 | 2,815,169 | (14,461) | | | 2,864,465 | 61,085 |
| Municipals | 1,357,000 | (11,507) | 757,019 | (1,483,000) | | | 619,512 | (607) |
| | \$ 2,641,490 | \$ 102,499 | \$ 7,343,278 | \$ (1,837,105) | \$ | \$ (1,178,704) | \$ 7,071,458 | \$ 72,315 |

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 \$1,178,704 out of Level 3 into Level 2 during the period ended September 30, 2016.

The following table summarizes the quantitative inputs and assumptions used for items categorized as items categorized as Level 3 of the fair value hierarchy as of September 30, 2016:

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| Financial Assets | Fair Value at September 30, 2016 | Valuation Technique(s) | Unobservable Inputs | Price/Range |
|---------------------------------------------------|-------------------------------------|---------------------------|---------------------|---------------------|
| Commercial Mortgage-Backed Securities | | | | |
| Agency Stripped | \$ 653,517 | Third-Party Broker Quote* | Quotes/Prices | \$8.89 |
| Non-Agency | \$ 500,000 | Third-Party Broker Quote* | Quotes/Prices | \$100.00 |
| Residential Mortgage-Backed Non-agency CMO | | | | |
| | \$ 358,878 | Third-Party Broker Quote* | Quotes/Prices | \$99.92 - \$100.08 |
| Asset-Backed Securities | | | | |
| Auto | \$ 365,871 | Third-Party Broker Quote* | Quotes/Prices | \$99.96 |
| Other | \$ 1,252,402 | Third-Party Broker Quote* | Quotes/Prices | \$99.38 - \$100.09 |
| Corporate Bonds and Notes | \$ 456,813 | Third-Party Broker Quote* | Quotes/Prices | \$34.00 - \$102.00 |
| Corporate Bank Debt | \$ 2,799 | Pricing Model ** | Reference prices | \$99.91 - \$101.26 |
| | \$ 2,861,666 | Pricing Vendor | Prices | \$99.91 - \$101.26 |
| Municipals | \$ 619,512 | Third-Party Broker Quote* | Quotes/Prices | \$100.00 - \$100.25 |

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

** The Pricing Model technique for Level 3 securities involves calculating the difference between the fair value of the funded portion of the security and the price at which the Fund is committed to fund the unfunded commitment.

NOTE 2 Federal Income Tax

The cost of investment securities held at September 30, 2016 (excluding short-term investments), was \$312,733,961 for federal income tax purposes. Net Unrealized appreciation consists of:

| | |
|--------------------------------|---------------|
| Gross unrealized appreciation: | \$ 12,500,742 |
| Gross unrealized depreciation: | (2,300,129) |
| Net unrealized appreciation: | \$ 10,200,613 |

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: November 29, 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: November 29, 2016

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

Date: November 29, 2016
