Source Capital, Inc.
Third Quarter 2020 Commentary

Dear Shareholders:

The Source Capital (the "Fund") portfolio management team continues to take a number of actions that they believe will enhance value for stockholders over the long term. In the press release dated October 13, 2020, we highlighted several of these actions which the portfolio managers believe collectively could increase the yield and enhance the risk/return profile of the Fund, and that may enable the Fund's stock to trade more closely to its net asset value (NAV) over time.

To that end, we continue to further increase the Fund's exposure to private credit and now target at least 12% to be invested in or committed to the private lending asset class by year-end 2020.[1] The portfolio managers have successfully invested in private credit in various FPA funds for more than a decade. Stockholders in the Fund can benefit from the Fund's closed-end fund (CEF) structure, which allows a greater percentage of the portfolio to be invested in such higher yielding, less liquid assets because a CEF does not have the daily liquidity needs of an open-end mutual fund.

The addition of leverage may further enhance yield. The Fund seeks to have a committed credit facility in place by early 2021.[2] The Fund had previously been managed with leverage from 1972 to 2012. The portfolio managers removed leverage in 2012, which was in the form of preferred stock with a high cost 8.7% dividend yield, when yields dropped to levels that made it less accretive. Today, a more favorable spread exists thanks to the low cost of debt capital and the opportunity to invest in higher yielding investments, which we believe justifies some leverage in the Fund.

Further, the Fund will accelerate the delivery of its distributions on its common stock by moving from quarterly to monthly distributions beginning in January 2021.

We noted in that press release that the Fund's discount to NAV has narrowed (to 11.5% on October 12, down from its 13.6% 52-week average), and we would like to see that discount narrow further. Under the Fund's recently reinstated stock repurchase program (the "Program"), we set a lower discount to NAV threshold in order to facilitate the repurchase of a greater number of shares at accretive prices. The Fund is now able to make open-market repurchases of its common stock at such times as the Fund's shares trade at greater than a 5% discount to the Fund's NAV. [3,4]

Summary View

Source's NAV increased 3.70% for the third quarter and declined -5.22% for the nine months ended September 30, 2020.

The 60/40 blended MSCI ACWI/Bloomberg Barclays U.S. Aggregate Bond Index increased 5.15% in the third quarter and increased 4.09% year-to-date; while the 60/40 blended S&P 500/Bloomberg Barclays U.S. Aggregate Bond Index increased 5.64% in the third quarter and increased 6.68% year-to-date. The global MSCI ACWI Index ("ACWI") advanced 8.13% in the third quarter, while the domestic S&P 500 Index ("S&P")

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

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

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

[4] Effective October 14, 2020, the Fund was authorized to make open-market repurchases of its common stock at such times as the Fund's shares trade at greater than 5% discount to the Fund's NAV when in the portfolio managers' judgment such repurchases would benefit shareholders. In addition to allowing repurchases when the stock trades at a 5% discount, the Fund's Board of Directors authorized the Program to extend through June 30, 2022. The Board may terminate the Program at any time based on their business judgment, and may or may not consider renewing the Program, which will depend, in part, on the costs and tax consequences to the Fund and its stockholders of completing the stock repurchases in 2020, 2021, and 2022.

increased 8.93%. Year-to-date through September, the ACWI and S&P returned 1.37% and 5.57%, respectively.

Guided by the incredible performance of a few large growth companies, the ACWI and S&P have recovered from being deeply in the red following the global onset of COVID-19. Stock market breadth is as narrow as we've ever seen it. Notably, more than half of the stocks in the ACWI and S&P have declined in value this year, which helps explain the negative year-to-date performance of the ACWI and S&P when measured on an equal-weighted basis. The largest 10 companies delivered all of the performance (and then some).

Index Return Composition Reflects Lack of Market Breadth[5]

Year-to-Date as of September 30, 2020	MSCI ACWI	S&P 500
Total Return	1.4%	5.6%
Return Contribution of Largest 10 Companies	5.7%	9.4%
As a Percentage of Total Return	415%	169%
Percentage of Stocks with Negative Returns	60.5%	56.5%
Equal-weighted Return	-2.2%	-5.1%
Median Return	-7.9%	-3.6%
Largest 5 Companies as a Percentage of Market Capitalization	12%	23%

On average, it appears investors are placing much greater weight on what earnings might look like in the (sometime distant) future, rather than what they are in the here and now. Joel Greenblatt, in a recent Bloomberg podcast, pointed out that, "If you bought every company that lost money in 2019 that had a market cap over $1 billion…you'd be up 65% so far this year."[6]

Contributors to and detractors from the Fund's trailing 12-month returns are listed below.

Trailing Twelve Month Contributors and Detractors as of September 30, 2020[7]

Contributors	Perf. Cont.	Avg. % of Port.	Detractors	Perf. Cont.	Avg. % of Port.
TTM					
Charter	1.09%	2.4%	AIG	-2.12%	3.1%
Facebook	1.09%	2.4%	Howmet Aerospace	-1.28%	2.5%
Alphabet	1.07%	5.0%	Wells Fargo	-1.13%	1.6%
Broadcom	1.06%	2.7%	McDermott (multiple issues)	-1.12%	1.1%
Microsoft	0.92%	1.9%	Ally Financial	-0.90%	0.6%
	5.23%	**14.4%**		**-5.94%**	**8.9%**

Equities

As value investors, we aim to understand the value of a business and purchase it at a price that offers both a margin of safety and the opportunity for a good longer-term rate of return. Sometimes, a company captures the imagination of investors right away and that return comes quickly, but often the exact opposite may occur. Four of the top contributors in the Fund over the trailing twelve months are technology companies, and the fifth is a cable company that offers the broadband delivery system for new technology (streaming). The contributors have either been beneficiaries of COVID-19 (e.g., more streaming and thus

[5] Source: Factset.

[6] Source: Bloomberg, October 9, 2020, *Joel Greenblatt on Relative Value Investing*, https://www.bloomberg.com/news/audio/2020-10-09/joel-greenblatt-on-relative-value-investing-podcast

[7] Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the trailing twelve months ("TTM"). Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. A copy of the methodology used and a list of every holding's contribution to the overall Fund's performance during the TTM is available by contacting FPA Client Service at crm@fpa.com. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.

more demand for broadband) or haven't experienced much of a negative impact on their businesses due to the pandemic. The detractors are aerospace or financial companies, whose businesses have been harmed to various degrees and their stock prices reflect these changes. However, in most cases, when COVID-19 recedes, we believe these businesses will rebound and incite investor interest that could lead to higher stock prices.

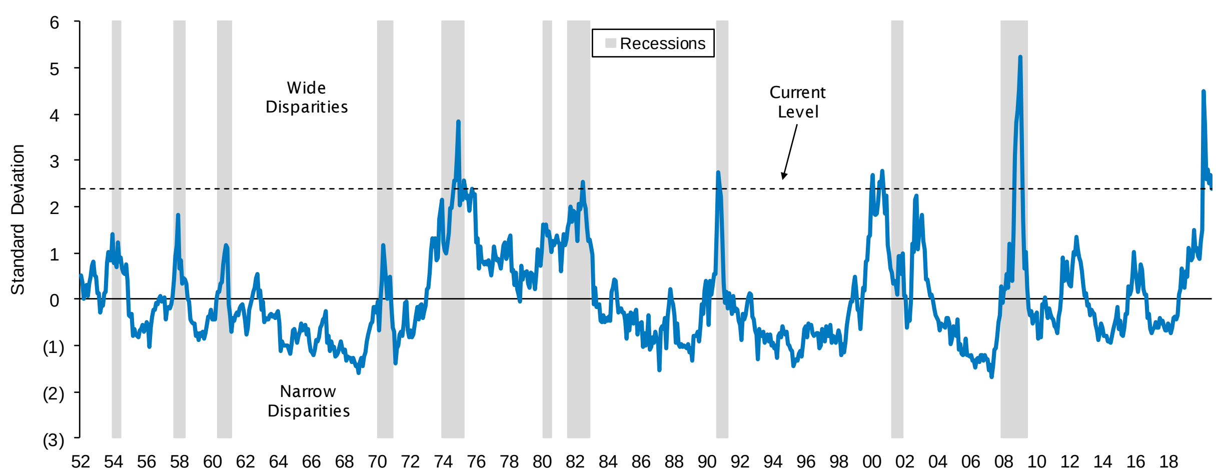
The need for return has most investors feeling the tension between current income and capital appreciation. Finding yield in this environment has caused investors to either accept lower yields or move out on the risk curve to capture yields that are only marginally higher and generally don't appreciate the inherent risk in many of those credits. That has accrued to the benefit of the equity markets in recent months where total return is being sought in its stead.

No one has ever lived through the grand monetary experiment that central bankers and government treasuries are cooking up. These are unproven and untested theories where the outcome is not yet clear. However, if one has a long-term time horizon, choosing between investments in cash (no return), fixed income (low return), and equities (likely higher return), equities would be the logical choice.

We believe the more value-oriented names in our portfolio continue to offer good value, both on absolute and relative terms. Should these companies continue to execute well, we believe it is only a matter of time before the valuation gap narrows between them, the stock market, and certainly the expensive, large-cap stocks.

We believe central bank policies have been widening the societal gap between the Haves and the Have-nots. Within the equity market, a similar valuation gap between the Haves and Have-nots is about as wide as we've ever seen it.

Valuation Spreads – The Cheapest Quintile Compared to the Market Average[8]



Low multiples are certainly justified for those businesses that face existential risk.

We have largely avoided the secularly challenged industries over the last decade: including brick and mortar retail; mall real estate; oil and gas; and broadcasting. However, there are many good businesses in sectors that are cyclically challenged and have not performed well of late: such as aerospace; property and casualty insurance; and cement.

If the companies in our portfolio grow at the same rate as the stock market (they've actually been growing faster), while trading at lower valuations, then it stands to reason that our portfolio should perform well in the future. Though we wish it might be sooner, we expect business performance will eventually be recognized in stock prices.

[8] Source: Empirical Research Analysis, National Bureau of Economic Research. As of August 31, 2020. Cheapest quintile refers to the most undervalued 20% of stocks in an analysis of large-capitalization US stocks. Standard Deviation is a measure of dispersion of a data set from its mean. Prior to 1952, the spread is measured using the price-to-book data of the largest 1,500 stocks. *Current Level* refers to the valuation spread as of August 31, 2020 which is 2.4 standard deviations above the mean.

Past results are no guarantee, nor are they indicative, of future results.

Credit

Declining spreads combined with slightly lower Treasury yields during the quarter reduced overall yields across much of the fixed income market.

Many segments of the high-quality bond market now trade at spreads that are lower than pre-COVID-19 levels. The table below show spreads in high-quality structured products, where we find the most attractive risk-adjusted return (in comparison to investment-grade corporate bonds, agency mortgages or other high-quality investments):

ABS Spreads[9]

Spread to worst (bps)	12/26/2019	2020 Peak Spread	10/1/2020
AAA 3 yr. Credit Cards	26	200	13
AAA 3 yr. Prime Auto ABS	33	200	26
AAA 2 yr. Subprime Auto ABS	44	250	30
AAA 3 yr. Ag/Heavy Equipment ABS	53	300	39
AAA 5 yr. CMBS	62	300	67
US 3.0 CLO Secondary Spreads AAA	120	400	134

Notably, the market for collateralized loan obligations (CLOs) is one of the few segments where spreads have still not fully recovered to pre-COVID-19 levels, which is why we directed some of our investment activity there during the quarter.

We believe that crises often create attractive investments due to a combination of better protection for investors and better return profiles. This year's COVID-19 crisis has been no different. Newly created CLOs include better protection for investors in the form of additional credit support to guard against losses in the underlying corporate loan collateral. Further, the underlying loan portfolios in these new CLOs are often of higher quality (and are therefore considered less risky). Our CLO investment activity was focused on bonds issued by managers who have a track record and investment approach that we believe will limit the risk of permanent impairment of our bonds. Much of our CLO investment activity was focused on AAA bonds. Within the Fund's credit holdings, we also invested in newly issued BBB-rated CLOs and BB-rated CLOs.

The relatively higher CLO spreads highlighted above translate into higher yields. Moreover, due to risk-free rates near zero, the flatness of the yield curve between three months and three years and coupon floors on CLOs, the yield opportunity cost of buying floating rate CLOs versus a fixed rate alternative is insignificant.[10, 11] On the other hand, if short-term interest rates rise, the coupon on CLOs should adjust accordingly, helping to maintain the value of those bonds versus fixed rate bonds, all things being equal. The tradeoff is that the limited call protection on CLOs may result in less price appreciation if rates decline.[12]

Beyond CLOs, we made other high-quality investments in ABS backed by subprime auto loans or leases,

[9] Source: JP Morgan. Chart data from December 26, 2019 through October 1, 2020.

[10] Risk-free rates refer to short-duration maturity yields between zero and three years.

[11] A coupon floor is the minimum coupon rate on a floating rate security.

[12] Floating rate bond coupons increase and decrease based on increases and decreases, respectively, in the reference interest rate. Some floating rate bonds have a coupon floor whereby the coupon rate is equal to the greater of the coupon rate defined by the coupon floor and the reference interest rate-based coupon rate. Depending on the magnitude of a decline in the reference interest rate, the floating rate coupon on a bond with a coupon floor might not decline if the reference interest-rate based coupon rate is less than the coupon floor. If a bond's coupon rate equals the coupon floor, then the bond starts to behave like a fixed rate bond whereby a decline in market yields causes the bond's price to rise. However, bonds that are callable often do not appreciate in price much beyond the call price. Callable bonds are bonds that are able to be redeemed by the bond issuer. Some bonds have call protection which is a provision that prohibits the issuer from redeeming the bond for a specified period of time and, once that period expires, the issuer may redeem the bond at a specified price (the call price). Bonds often do not appreciate in price much beyond the call price because bond investors are wary of the loss associated with paying a price above the call price then subsequently having the bond redeemed at the call price. All things being equal, bonds with longer call protection periods and higher call prices have more potential price appreciation when market yields decline. Conversely, bonds with shorter call protection periods and call prices equal to par, like some CLOs, have less potential price appreciation.

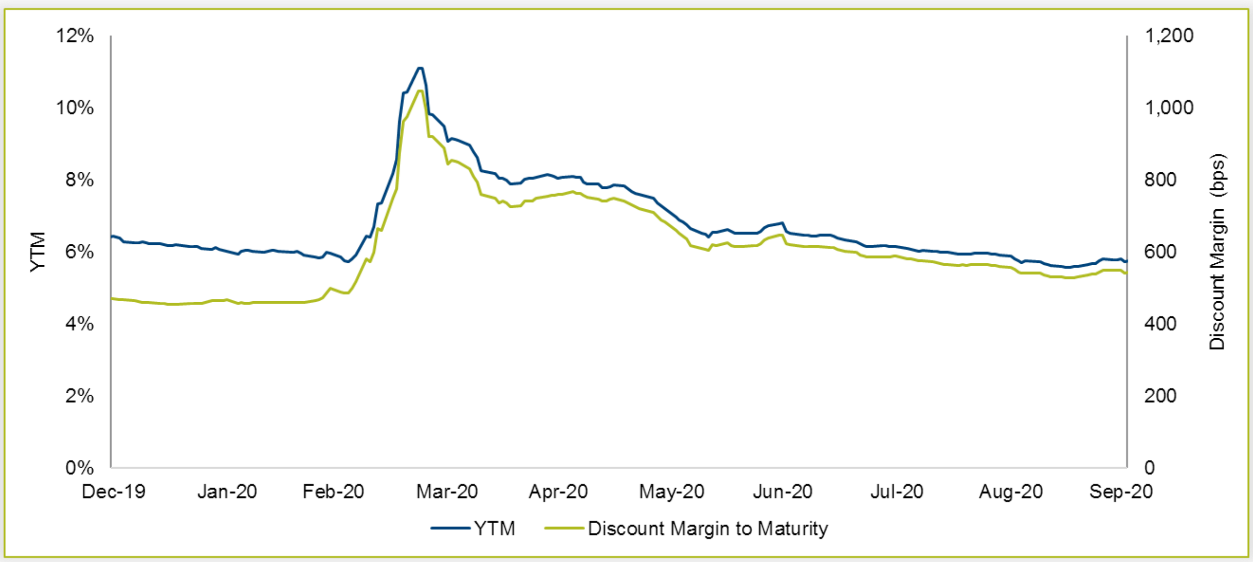
Past results are no guarantee, nor are they indicative, of future results.

servicer advances or equipment; commercial mortgage-backed securities; and residential mortgage-backed securities backed by inactive reverse mortgages.

In credit markets, spreads declined during the quarter but remain higher than they were at the start of the year. However, spreads are now applied to much lower risk-free rates versus the beginning of the year, resulting in overall yields in high-yield bonds and loans that are comparable to pre-COVID-19 yields, as shown below:

Bloomberg Barclays U.S. High Yield Bond Index[13]

Credit Suisse Leveraged Loan Index[14]



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[13] Source: Bloomberg Barclays. Chart data from December 31, 2019 through October 1, 2020. 2020 peak spread date was March 25, 2020 – 1,123bp Spread and a Yield-to-Worst of 11.69%.

[14] Source: Bloomberg Barclays. Chart data from December 31, 2019 through October 1, 2020. 2020 peak spread date was March 25, 2020 – 1,047bp Discount Margin to Maturity and a Yield-to-Maturity of 11.10%.

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Closing

The portfolio managers believe the actions taken to seek to deliver a higher yield via private credit and leverage, combined with the ability to repurchase shares when the Fund's discount to NAV is greater than 5%, should improve the yield and enhance the risk/return profile of the Fund. The portfolio managers believe this should offer the additional potential benefit of allowing the Fund's stock to trade more closely to its NAV over time, further enhancing long-term stockholder value.

The portfolio managers and other officers, the Board of Directors, and FPA employees have increased their collective stake in the Fund this year and as of October 13, 2020 own over 84,000 shares, valued at over $3.1 million.

Respectfully submitted,

Source Capital Portfolio Management Team

October 2020

Important Disclosures

This Commentary is for informational and discussion purposes only and does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale with respect to any securities, products or services discussed, and neither does it provide investment advice. This Commentary does not constitute an investment management agreement or offering circular.

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.

Current performance information is updated monthly and is available by calling 1-800-982-4372 or by visiting www.fpa.com. Performance data quoted represents past performance, which is no guarantee of future results. Current performance may vary from the performance quoted. The returns shown for Source Capital are calculated at net asset value per share, including reinvestment of all distributions. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions, which would lower these figures. Since Source Capital is a closed-end investment company and its shares are bought and sold on the New York Stock Exchange, your performance may also vary based upon the market price of the common stock.

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 comparative indices. Overall Fund performance, characteristics and volatility may differ from the comparative indices shown.

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

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 financial instruments or sectors 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 financial instrument or sector examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained atwww.fpa.com.

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.

Capital 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.

The Fund may purchase foreign securities, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; these risks may be heightened when investing in emerging markets. 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. Such investments may be secured, partially secured or unsecured and may be unrated, and whether or not rated, may have speculative characteristics. The market price of the Fund's fixed income investments will change in response to changes in interest rates and other factors.

Generally, when interest rates go up, the value of fixed income securities, such as bonds, typically go down (and vice versa) 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. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds.

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.

The ratings agencies that provide ratings are Standard and Poor's, Moody's, and Fitch. Credit ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings of BB and below are lower-rated securities (junk bonds). High-yielding, non-investment grade bonds (junk bonds) involve higher risks than investment grade bonds. Bonds with credit ratings of CCC or below have high default risk.

Private placement securities are securities that are not registered under the federal securities laws, and are generally eligible for sale only to certain eligible investors. Private placements may be illiquid, and thus more difficult to sell, because there may be relatively few potential purchasers for such investments, and the sale of such investments may also be restricted under securities laws.

While the use of leverage may help increase the distribution and return potential of the Fund, it also increases the volatility of the Fund's net asset value (NAV), and potentially increases volatility of its distributions and market price. There are costs associated with the use of leverage, including ongoing dividend and/or interest expenses. There also may be expenses for issuing or administering leverage. Leverage changes the Fund's capital structure through the issuance of preferred shares and/or debt, both of which are senior to the common shares in priority of claims. If short-term interest rates rise, the cost of leverage will increase and likely will reduce returns earned by the Fund's common stockholders.

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

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund will be less diversified than the indices noted herein, and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the Fund's investment strategy. Indices are unmanaged and do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. An investor cannot invest directly in an index. The Fund does not include outperformance of any index or benchmark in its investment objectives.

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.

MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets. As of December 2019, it covers more than 3,000 constituents across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Bloomberg 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.

Bloomberg Barclays U.S. High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of U.S. dollar institutional leveraged loans, including U.S. and international borrowers.

The **Consumer Price Index (CPI)** is an unmanaged index representing the rate of the inflation of U.S. consumer prices as determined by the U.S. Department of Labor Statistics. There can be no guarantee that the CPI will reflect the exact level of inflation at any given time. This index reflects non-seasonally adjusted returns.

CPI + 100 bps is the measure of the CPI plus an additional 100 basis points.

60% MSCI ACWI/40% Bloomberg Barclays U.S. Aggregate Bond Index is a hypothetical combination of unmanaged indices comprised of 60% MSCI ACWI Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

60% S&P 500/40% Bloomberg Barclays U.S. Aggregate Bond Index is a hypothetical combination of unmanaged indices comprised of 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

Other Definitions

Basis Point (bps) is equal to one hundredth of one percent, or 0.01%. 100 basis points = 1%.

Discount margin to maturity is the average expected return of a floating-rate security (typically a bond) that's earned in addition to the index underlying, or reference rate of, the security. The size of the discount margin depends on the price of the floating- or variable-rate security.

Effective Duration (years) is the duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Earnings Per Share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

Earnings Per Share Growth is defined as the percentage change in normalized earnings per share over the previous 12-month period to the latest year end.

Long Equity Performance represents the performance of stocks that the Fund owned over the given time periods and excludes the long equity portion of a pair trade, short-sales, limited partnerships, derivatives/futures, corporate bonds, mortgage backed securities, and cash and cash equivalents.

Market Capitalization refers to the total dollar market value of a company's outstanding shares of stock. Commonly referred to as "market cap," it is calculated by multiplying the total number of a company's outstanding shares by the current market price of one share.

Market Cycles, also known as stock market cycles, is a wide term referring to trends or patterns that emerge during different markets or business environments.

Net Risk Exposure is a measure of the extent to which a fund’s trading book is exposed to market fluctuations. In regards to the Fund, it is the percent of the portfolio exposed to Risk Assets.

Repo (Repurchase Agreement) is a form of short-term borrowing for dealers in government securities.

Risk Assets is any asset that carries a degree of risk. Risk asset generally refers to assets that have a significant degree of price volatility, such as equities, commodities, high-yield bonds, real estate and currencies, but does not include cash and cash equivalents.

Spread to worst (bps) measures the dispersion of returns between the best and worst performing security in a given market, usually bond markets, or between returns from different markets.

Standard Deviation is a measure of the dispersion of a set of data from its mean.

Volatility is a statistical measure of the dispersion of returns for a given security or market index. In most cases, the higher the volatility, the riskier the security. Volatility is often measured as either the standard deviation or variance between returns from that same security or market index.

Weighted Average Life (years) is the average length of time that each dollar of unpaid principal on a loan, a mortgage or an amortizing bond remains outstanding.

Yield to Maturity is the rate of return anticipated on a bond if held until the end of its lifetime. YTM is considered a long-term bond yield expressed as an annual rate. The YTM calculation takes into account the bond’s current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupon payments are reinvested at the same rate as the bond’s current yield.

Yield to Worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures.

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