

SOURCE CAPITAL INC /DE/  
Form N-Q  
November 26, 2014

**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. Suite 1200, Los Angeles, California  
(Address of principal executive offices)

90025  
(Zip code)

J. Richard Atwood, Treasurer, Source Capital, Inc.,  
11601 Wilshire Blvd. Suite 1200, Los Angeles, California 90025  
(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: September 30, 2014

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ITEM 1. Schedule of Investments.

Source Capital, Inc.

Portfolio of Investments

September 30, 2014 (unaudited)

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COMMON STOCKS	Shares or Principal Amount	Fair Value
<b>RETAILING 27.9%</b>		
Bed Bath & Beyond, Inc.*	244,900	\$ 16,121,767
CarMax, Inc.*	762,200	35,404,190
L Occitane International S.A. (Luxembourg)	4,702,050	10,778,979
O Reilly Automotive, Inc.*	414,400	62,309,184
Signet Jewelers Limited (Bermuda)	459,200	52,307,472
		\$ 176,921,592
<b>PRODUCER DURABLE GOODS 22.1%</b>		
Franklin Electric Co., Inc.	451,200	\$ 15,674,688
Graco Inc.	395,800	28,885,484
HNI Corporation	513,733	18,489,251
IDEX Corporation	406,100	29,389,457
Nordson Corporation	126,000	9,584,820
Rotork plc (Great Britain)	72,200	3,236,250
WABCO Holdings Inc.*	383,000	34,833,850
		\$ 140,093,800
<b>BUSINESS SERVICES &amp; SUPPLIES 17.9%</b>		
Aggreko plc (Great Britain)	537,009	\$ 13,476,026
CLARCOR, Inc.	252,700	15,940,316
Copart, Inc.*	687,100	21,519,972
Domino Printing Sciences plc (Great Britain)	1,066,000	10,558,623
Halma PLC (Great Britain)	1,325,000	13,145,458
ScanSource Inc.*	736,263	25,467,337
Spirax-Sarco Engineering plc (Great Britain)	295,153	13,521,638
		\$ 113,629,370
<b>TRANSPORTATION 8.9%</b>		
Heartland Express, Inc.	1,134,300	\$ 27,177,828
Knight Transportation, Inc.	1,021,200	27,970,668
Kuehne & Nagel International AG (Switzerland)	12,700	1,604,295
		\$ 56,752,791
<b>HEALTH CARE 7.4%</b>		
Bio-Rad Laboratories, Inc.*	147,700	\$ 16,749,180
bioMerieux S.A. (France)	118,887	12,308,145
Sonova Holding AG (Switzerland)	68,000	10,869,174
Varian Medical Systems, Inc.*	85,300	6,834,236
		\$ 46,760,735
<b>TECHNOLOGY 5.3%</b>		
EVS Broadcast Equipment S.A. (Belgium)	187,150	\$ 6,528,559
Maxim Integrated Products, Inc.	309,600	9,362,304
Microchip Technology Incorporated	374,951	17,708,936
		\$ 33,599,799
<b>ENERGY 4.5%</b>		
FMC Technologies, Inc.*	307,800	\$ 16,716,618
Noble Corporation (Switzerland)	529,200	11,758,824
		\$ 28,475,442
<b>OTHER COMMON STOCKS 0.1%</b>		
		\$ 623,232
<b>TOTAL COMMON STOCKS 94.1% (Cost \$311,204,149)</b>		\$ 596,856,761
<b>NON-CONVERTIBLE BONDS AND DEBENTURES 0.4% (Cost \$2,409,000)</b>		
Quality Distribution LLC 9.875% 2018	\$ 2,400,000	\$ 2,526,000
<b>TOTAL INVESTMENT SECURITIES 94.5% (Cost \$313,613,149)</b>		\$ 599,382,761

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**SHORT-TERM INVESTMENTS**

ExxonMobil Corporation 0.05% 10/03/14	\$	26,000,000	\$	25,999,928
State Street Bank Repurchase Agreement- 0.00% 10/01/14 (Dated 09/30/2014, repurchase price of \$9,143,000, collateralized by \$6,930,000 principal amount U.S. Treasury Note- 3.625% 2043, fair value \$7,527,713 and \$1,610,000 principal amount U.S. Treasury Note- 3.75% 2043, fair value \$1,803,200)		9,143,000		9,143,000
<b>TOTAL SHORT-TERM INVESTMENTS 5.5% (Cost \$35,142,928)</b>			\$	35,142,928
<b>TOTAL INVESTMENTS 100.0% (Cost \$348,756,077) Note 2</b>			\$	634,525,689
Other assets and liabilities, net 0.0%				(153,579)
<b>TOTAL NET ASSETS 100.0%</b>			\$	634,372,110

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\*Non-income producing security

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**NOTE 1 Disclosure of Fair Value Measurements**

The Fund 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 at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market in which the security trades. Securities that are unlisted and fixed-income and convertible securities listed on a national securities exchange for which the over-the-counter market more accurately reflects the securities' value in the judgment of the Fund's officers, are valued at the most recent bid price. Short-term corporate notes with maturities of 60 days or less at the time of purchase are valued at amortized cost, which approximates fair value.

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 authority of the Fund'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 Fund 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. Level 3 values are based on significant unobservable inputs that reflect the Fund'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 Fund's investments as of September 30, 2014:

<b>Investments</b>	<b>Level 1 (3)</b>	<b>Level 2 (2),(3)</b>	<b>Level 3 (3)</b>	<b>Total</b>
Common Stocks (1)	\$ 596,856,761			\$ 596,856,761
Non-Convertible Bonds & Debentures		\$ 2,526,000		2,526,000
Short-Term Investments		35,142,928		35,142,928
Total Investments	\$ 596,856,761	\$ 37,668,928		\$ 634,525,689

(1) All common stocks are classified under Level 1. The Portfolio of Investments provides further information on major security types.

(2) Comprised of high-yield corporate bonds and short-term investments with maturities of 60 days or less that are valued at amortized cost.

(3) 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 no transfers between Levels 1, 2, or 3 during the period ended September 30, 2014.

**NOTE 2 Federal Income Tax**

The aggregate cost of investment securities was \$313,782,669 for Federal income tax purposes. Net unrealized appreciation consists of:

Gross unrealized appreciation:	\$	293,774,886
Gross unrealized depreciation:		(8,174,794)
Net unrealized appreciation:	\$	285,600,092

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ITEM 2. CONTROLS AND PROCEDURES.

(a) The principal executive officer and principal financial officer of the registrant have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) are effective based on their evaluation of the disclosure controls and procedures as of a date within 90 days of the filing date of this report.

(b) There have been no significant changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting.

ITEM 3. EXHIBITS.

(a) Separate certification for the registrant's principal executive officer and principal financial officer, as required by Rule 30a-2(a) under the Investment Company Act of 1940. Attached hereto.

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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, Treasurer  
(Principal Executive Officer)

Date: November 26, 2014

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.

SOURCE CAPITAL, INC.

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

Date: November 26, 2014

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

Date: November 26, 2014

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