

SOURCE CAPITAL INC /DE/
Form N-Q
May 24, 2005

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) | |
| 11400 West Olympic Boulevard, Suite 1200, Los Angeles, California (Address of principal executive offices) | 90064 (Zip code) |
| J. Richard Atwood, Treasurer, Source Capital, Inc., 11400 West Olympic Boulevard, Suite 1200, Los Angeles, California 90064 (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: March 31, 2005 | |

ITEM 1. Schedule of Investments.

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Source Capital, Inc.

Portfolio of Investments

March 31, 2005 (unaudited)

| COMMON STOCKS | Shares or Principal Amount | Value |
|---|----------------------------------|---------------|
| PRODUCER DURABLE GOODS 16.2% | | |
| Crane Co. | 390,000 | \$ 11,228,100 |
| Diebold, Incorporated | 70,000 | 3,839,500 |
| Graco Inc. | 495,000 | 19,978,200 |
| HNI Corporation | 316,200 | 14,213,190 |
| IDEX Corporation | 495,000 | 19,973,250 |
| Oshkosh Truck Corporation | 180,000 | 14,758,200 |
| Zebra Technologies Corporation (Class A)* | 220,000 | 10,447,800 |
| | | \$ 94,438,240 |
| ENERGY 13.0% | | |
| Cal Dive International, Inc.* | 629,400 | \$ 28,511,820 |
| Noble Corporation* | 460,000 | 25,856,600 |
| Tidewater Inc. | 540,000 | 20,984,400 |
| | | \$ 75,352,820 |
| BUSINESS SERVICES & SUPPLIES 11.3% | | |
| CDW Corporation | 190,000 | \$ 10,769,200 |
| Charles River Laboratories International, Inc.* | 340,000 | 15,993,600 |
| Invitrogen Corporation* | 152,500 | 10,553,000 |

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| | | | |
|---|---------|----|-------------|
| Landauer, Inc. | 14,300 | | 679,822 |
| Manpower Inc. | 300,000 | | 13,056,000 |
| ScanSource, Inc.* | 284,000 | | 14,719,720 |
| | | \$ | 65,771,342 |
| HEALTH CARE 10.9% | | | |
| Bio-Rad Laboratories, Inc.* | 200,300 | \$ | 9,756,613 |
| Health Management Associates, Inc. | 535,000 | | 14,006,300 |
| Lincare Holdings Inc.* | 430,000 | | 19,018,900 |
| Renal Care Group, Inc.* | 550,000 | | 20,867,000 |
| | | \$ | 63,648,813 |
| TECHNOLOGY 9.4% | | | |
| Cognex Corporation | 600,000 | \$ | 14,928,000 |
| Plantronics, Inc. | 465,000 | | 17,707,200 |
| SanDisk Corporation* | 800,000 | | 22,240,000 |
| | | \$ | 54,875,200 |
| RETAILING 9.0% | | | |
| CarMax, Inc.* | 750,006 | \$ | 23,625,189 |
| O Reilly Automotive, Inc.* | 575,000 | | 28,479,750 |
| | | \$ | 52,104,939 |
| FINANCIAL 8.3% | | | |
| Brown & Brown, Inc. | 251,000 | \$ | 11,568,590 |
| First American Corporation, The | 155,000 | | 5,105,700 |
| Arthur J. Gallagher & Co. | 440,000 | | 12,672,000 |
| North Fork Bancorporation, Inc. | 682,500 | | 18,932,550 |
| | | \$ | 48,278,840 |
| ENTERTAINMENT 4.8% | | | |
| Carnival Corporation | 536,600 | \$ | 27,801,246 |
| MATERIALS 2.6% | | | |
| Engelhard Corporation | 505,000 | \$ | 15,165,150 |
| CONSUMER DURABLES 2.0% | | | |
| Briggs & Stratton Corporation | 315,000 | \$ | 11,469,150 |
| TRANSPORTATION 1.5% | | | |
| Heartland Express, Inc. | 450,000 | \$ | 8,617,500 |
| TOTAL COMMON STOCKS 89.0% (Cost \$309,514,942) | | \$ | 517,523,240 |
| PREFERRED STOCKS | | | |
| REAL ESTATE INVESTMENT TRUST | | | |
| CBL & Associates Properties, Inc. | 100,000 | \$ | 2,550,000 |
| Duke-Weeks Realty Corp. (Series B) | 40,000 | | 2,040,000 |
| Pennsylvania Real Estate Investment Trust (Series A) | 59,000 | | 3,448,550 |
| ProLogis (Series G) | 120,000 | | 3,000,000 |
| TOTAL PREFERRED STOCKS 1.9% (Cost \$10,179,446) | | \$ | 11,038,550 |
| CONVERTIBLE BONDS AND DEBENTURES | | | |
| TECHNOLOGY 0.7% | | | |
| BEA Systems, Inc. 4% 2006 | | \$ | 2,000,000 |
| LSI Logic Corporation 4% 2006 | | | 1,975,000 |
| | | \$ | 3,955,000 |
| BUSINESS SERVICES & SUPPLIES 0.3% | | | |
| Pegasus Solutions, Inc. 3.875% 2023 | | \$ | 2,000,000 |
| TOTAL CONVERTIBLE BONDS AND DEBENTURES 1.0% (Cost \$5,720,000) | | \$ | 5,795,000 |

NON-CONVERTIBLE BONDS AND DEBENTURES**CORPORATE 6.0%**

| | | | | |
|--|----|-----------|----|------------|
| Central Garden & Pet Company 9.125% 2013 | \$ | 2,000,000 | \$ | 2,150,000 |
| HMH Properties, Inc. 7.875% 2008 | | 3,000,000 | | 3,071,250 |
| Host Marriott Corporation 9.25% 2007 | | 2,000,000 | | 2,150,000 |
| Lear Corporation 7.96% 2005 | | 2,000,000 | | 2,052,500 |
| Manitowoc Company, Inc., The 10.5% 2012 | | 1,300,000 | | 1,472,250 |
| Metaldyne Corporation 11% 2012 | | 2,000,000 | | 1,580,000 |
| OM Group, Inc. 9.25% 2011 | | 4,000,000 | | 4,140,000 |
| Orbital Sciences Corporation 9% 2011 | | 3,000,000 | | 3,307,500 |
| PolyOne Corporation 10.625% 2010 | | 950,000 | | 1,054,500 |
| Realty Income Corporation 8.25% 2008 | | 2,000,000 | | 2,192,000 |
| SpectraSite, Inc. 8.25% 2010 | | 2,000,000 | | 2,100,000 |
| Unisys Corporation | | | | |
| 7.875% 2008 | | 1,500,000 | | 1,530,000 |
| 8.125% 2006 | | 2,000,000 | | 2,080,000 |
| Vicar Operating Inc. 9.875% 2009 | | 3,000,000 | | 3,255,000 |
| Windmere Durable Holdings Inc. 10% 2008 | | 3,000,000 | | 3,015,000 |
| | | | \$ | 35,150,000 |

U.S. GOVERNMENT AND AGENCIES 0.1%

| | | | | |
|--|----|-----------|----|---------|
| Federal Home Loan Mortgage Corporation | | | | |
| 6.5% 2023 (Interest Only) | \$ | 83,661 | \$ | 6,421 |
| 10.15% 2006 (REMIC) | | 190 | | 190 |
| Federal National Mortgage Association | | | | |
| 6% 2029 (Interest Only) | | 1,748,834 | | 388,295 |
| Government National Mortgage Association (Mobile Home) | | | | |
| 9.75% 2010 | | 328,297 | | 334,248 |
| | | | \$ | 729,154 |

TOTAL NON-CONVERTIBLE BONDS

AND DEBENTURES 6.1% (Cost \$35,094,877) \$ 35,879,154

TOTAL INVESTMENT SECURITIES 98.0% (Cost \$360,509,265) \$ 570,235,944

SHORT-TERM INVESTMENTS 1.8% (Cost \$10,494,191)

Short-term Corporate Note:

| | | | | |
|--|----|------------|----|------------|
| General Electric Capital Corporation 2.75% 4/15/05 | \$ | 10,119,000 | \$ | 10,108,178 |
| State Street Bank Repurchase Agreement 1.25% 4/01/05 | | | | |
| Collateralized by U.S. Treasury Bond 8.875% 2/15/19 market value \$386,000) | | 386,000 | | 386,013 |

TOTAL SHORT-TERM INVESTMENTS \$ 10,494,191

TOTAL INVESTMENTS 99.8% (Cost \$371,003,456)(A) \$ 580,730,135

Other assets and liabilities, net 0.2% 978,956

TOTAL NET ASSETS 100% \$ 581,709,091

*Non-income producing securities

(A) The cost stated also approximates the aggregate cost for Federal income tax purposes. Net unrealized appreciation consists of:

| | | |
|--------------------------------|----|-------------|
| Gross unrealized appreciation: | \$ | 212,405,458 |
| Gross unrealized depreciation: | | 2,678,779 |
| Net unrealized appreciation: | \$ | 209,726,679 |

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) 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.

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/ ERIC S. ENDE*
Eric S. Ende, President

Date: May 24, 2005

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

Date: May 24, 2005
