

SOURCE CAPITAL INC /DE/  
Form N-Q  
May 22, 2009

**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, 2009

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ITEM 1. Schedule of Investments.

Source Capital, Inc.

Portfolio of Investments

March 31, 2009 (unaudited)

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|   | Shares or<br>Principal<br>Amount | Value         |
|---|----------------------------------|---------------|
| <b>COMMON STOCKS</b>                            |                                  |               |
| <b>BUSINESS SERVICES &amp; SUPPLIES 23.1%</b>   |                                  |               |
| Brady Corporation (Class A)                     | 431,500                          | \$ 7,607,345  |
| Charles River Laboratories International, Inc.* | 460,035                          | 12,517,552    |
| CLARCOR, Inc.                                   | 320,000                          | 8,060,800     |
| Copart, Inc.*                                   | 303,800                          | 9,010,708     |
| Life Technologies Corp.*                        | 535,000                          | 17,376,800    |
| Manpower Inc.                                   | 300,000                          | 9,459,000     |
| ScanSource, Inc.*                               | 803,363                          | 14,926,485    |
|   |                                  | \$ 78,958,690 |
| <b>PRODUCER DURABLE GOODS 15.8%</b>             |                                  |               |
| Actuant Corporation (Class A)                   | 400,000                          | \$ 4,132,000  |
| Franklin Electric Co., Inc.                     | 285,900                          | 6,326,967     |
| Graco Inc.                                      | 501,300                          | 8,557,191     |
| HNI Corporation                                 | 627,933                          | 6,530,503     |
| IDEX Corporation                                | 540,900                          | 11,829,483    |
| WABCO Holdings Inc.                             | 595,000                          | 7,324,450     |
| Zebra Technologies Corporation (Class A)*       | 486,900                          | 9,260,838     |
|   |                                  | \$ 53,961,432 |
| <b>RETAILING 13.5%</b>                          |                                  |               |
| CarMax, Inc.*                                   | 1,017,412                        | \$ 12,656,605 |
| O Reilly Automotive, Inc.*                      | 700,000                          | 24,507,000    |
| Signet Jewelers Limited                         | 773,200                          | 8,853,140     |
|   |                                  | \$ 46,016,745 |
| <b>TRANSPORTATION 8.9%</b>                      |                                  |               |
| Heartland Express, Inc.                         | 1,057,000                        | \$ 15,654,170 |
| Knight Transportation, Inc.                     | 973,000                          | 14,750,680    |
|   |                                  | \$ 30,404,850 |
| <b>HEALTH CARE 8.4%</b>                         |                                  |               |
| Bio-Rad Laboratories, Inc. (Class A)*           | 187,200                          | \$ 12,336,480 |
| Lincare Holdings Inc.*                          | 468,600                          | 10,215,480    |
| Varian Medical Systems, Inc.*                   | 40,000                           | 1,217,600     |
| VCA Antech, Inc.*                               | 215,000                          | 4,848,250     |
|   |                                  | \$ 28,617,810 |
| <b>ENERGY 7.5%</b>                              |                                  |               |
| FMC Technologies, Inc.*                         | 195,000                          | \$ 6,117,150  |
| Helix Energy Solutions Group, Inc.*             | 660,900                          | 3,397,026     |
| Noble Corporation                               | 670,000                          | 16,140,300    |
|   |                                  | \$ 25,654,476 |

|  |         |           |             |             |
|--|---------|-----------|-------------|-------------|
| <b>TECHNOLOGY 4.4%</b>   |         |           |             |             |
| Maxim Integrated Products, Inc.  | 392,000 | \$        | 5,178,320   |             |
| Microchip Technology Incorporated  | 474,951 |           | 10,064,212  |             |
|  |         | \$        | 15,242,532  |             |
| <b>ENTERTAINMENT 3.1%</b>  |         |           |             |             |
| Carnival Corporation (Class A)*  | 499,900 | \$        | 10,797,840  |             |
| <b>FINANCIAL 3.1%</b>  |         |           |             |             |
| Brown & Brown, Inc.  | 557,300 | \$        | 10,538,543  |             |
| <b>TOTAL COMMON STOCKS 87.8% (Cost \$331,544,421)</b>                      |         | \$        | 300,192,918 |             |
| <b>PREFERRED STOCKS</b>  |         |           |             |             |
| <b>REAL ESTATE INVESTMENT TRUST</b>  |         |           |             |             |
| CBL & Associates Properties, Inc.  | 100,000 | \$        | 635,000     |             |
| ProLogis (Series G)  | 120,000 |           | 937,200     |             |
| <b>TOTAL PREFERRED STOCKS 0.5% (Cost \$5,726,454)</b>                      |         | \$        | 1,572,200   |             |
| <b>CONVERTIBLE BONDS AND DEBENTURES</b>                                    |         |           |             |             |
| Diodes, Inc. 2.25% 2026  | \$      | 2,000,000 | \$          | 1,542,500   |
| Sealed Air Corporation 3% 2033   |         | 2,000,000 |             | 1,847,500   |
| Transocean, Inc. 1.5% 2037   |         | 2,000,000 |             | 1,710,000   |
| <b>TOTAL CONVERTIBLE BONDS AND DEBENTURES 1.5% (Cost \$4,560,000)</b>      |         |           | \$          | 5,100,000   |
| <b>NON-CONVERTIBLE BONDS AND DEBENTURES</b>                                |         |           |             |             |
| <b>CORPORATE 5.2%</b>  |         |           |             |             |
| Brown Shoe Company, Inc. 8.75% 2012  | \$      | 3,000,000 | \$          | 2,422,500   |
| Central Garden & Pet Company 9.125% 2013                                   |         | 3,000,000 |             | 2,310,000   |
| Deluxe Corporation 5% 2012   |         | 2,000,000 |             | 1,500,480   |
| Helix Energy Solutions Group, Inc. 9.5% 2016                               |         | 2,000,000 |             | 1,170,000   |
| Invacare Corporation 9.75% 2015  |         | 3,000,000 |             | 2,887,500   |
| Nova Chemicals Corporation 6.5% 2012                                       |         | 1,970,000 |             | 1,717,446   |
| PolyOne Corporation 6.58% 2011   |         | 1,500,000 |             | 675,270     |
| Rock-Tenn Co. 9.25% 2016   |         | 2,000,000 |             | 1,988,980   |
| Titan International, Inc. 8% 2012  |         | 3,000,000 |             | 2,347,200   |
| Unisys Corporation 6.875% 2010   |         | 2,000,000 |             | 845,040     |
|  |         |           | \$          | 17,864,416  |
| <b>U.S. GOVERNMENT AND AGENCIES 0.0%</b>                                   |         |           |             |             |
| Government National Mortgage Association (Mobile Home) 9.75% 2010          | \$      | 60,297    | \$          | 62,236      |
| <b>TOTAL NON-CONVERTIBLE BONDS AND DEBENTURES 5.2% (Cost \$23,238,637)</b> |         |           | \$          | 17,926,652  |
| <b>TOTAL INVESTMENT SECURITIES 95.0% (Cost \$365,069,512)</b>              |         |           | \$          | 324,791,770 |

|   |       |        |    |            |    |             |
|---|-------|--------|----|------------|----|-------------|
| <b>SHORT-TERM INVESTMENTS 5.0% (Cost \$16,998,670)</b>      |       |        |    |            |    |             |
| Toyota Motor Credit Corporation                             | 0.15% | 4/1/09 | \$ | 6,006,000  | \$ | 6,006,000   |
| Toyota Motor Credit Corporation                             | 0.18% | 4/7/09 |    | 10,993,000 |    | 10,992,670  |
|   |       |        |    |            | \$ | 16,998,670  |
| <b>TOTAL INVESTMENTS 100.0% (Cost \$382,068,182) Note 2</b> |       |        |    |            | \$ | 341,790,440 |
| Other assets and liabilities, net                           | 0.0%  |        |    |            |    | 10,719      |
| <b>TOTAL NET ASSETS 100.0%</b>                              |       |        |    |            | \$ | 341,801,159 |

\*Non-income producing security

Restricted security purchased without registration under the Securities Act of 1933 pursuant to Rule 144A, which generally may be resold only to certain institutional investors prior to registration. The Rock-Tenn Co. 9.25% note due 2016 constituted less than 0.6% of total net assets at March 31, 2009.

**NOTE 1 Disclosure of Fair Value Measurements**

The Fund adopted Statement of Financial Accounting Standards No. 157 (FAS 157), Fair Value Measurements. FAS 157 requires the Fund to classify its assets based on valuation method, using three levels. Level 1 investment securities are valued based on quoted market prices in active markets for identical assets. Level 2 investment securities are valued 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 investment securities are valued using 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 March 31, 2009:

|                   |                                       |    |             |
|-------------------|---------------------------------------|----|-------------|
| Level 1           | Quoted Prices                         | \$ | 301,765,118 |
| Level 2           | Other significant observable inputs** |    | 40,025,322  |
| Level 3           | Significant unobservable inputs       |    |             |
| Total investments |                                       | \$ | 341,790,440 |

\*\* Includes \$16,998,670 of short-term investments with maturities of 60 days or less that are valued at amortized cost.

**NOTE 2 Federal Income Tax**

The aggregate cost of investment securities was \$365,540,529 for Federal income tax purposes. Net unrealized depreciation for Federal income tax purposes consists of:

|                                |    |              |
|--------------------------------|----|--------------|
| Gross unrealized appreciation: | \$ | 38,806,494   |
| Gross unrealized depreciation: |    | (79,555,253) |
| Net unrealized depreciation:   | \$ | (40,748,759) |

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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/ ERIC S. ENDE  
Eric S. Ende, President  
(Principal Executive Officer)

Date: May 22, 2009

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/ ERIC S. ENDE  
Eric S. Ende, President  
(Principal Executive Officer)

Date: May 22, 2009

By: /s/ J. RICHARD ATWOOD  
J. Richard Atwood, Treasurer  
(Principal Financial Officer)

Date: May 22, 2009



