

SOURCE CAPITAL INC /DE/  
Form N-Q  
November 25, 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: September 30, 2009

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ITEM 1. Schedule of Investments.

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Source Capital, Inc.

Portfolio of Investments

September 30, 2009 (unaudited)

COMMON STOCKS	Shares or Principal Amount	Value
<b>BUSINESS SERVICES &amp; SUPPLIES 24.3%</b>		
Brady Corporation (Class A)	431,500	\$ 12,392,680
Charles River Laboratories International, Inc.*	460,035	17,012,094
CLARCOR, Inc.	320,000	10,035,200
Copart, Inc.*	303,800	10,089,198
Life Technologies Corporation*	535,000	24,904,250
Manpower Inc.	300,000	17,013,000
ScanSource, Inc.*	803,363	22,751,240
		\$ 114,197,662
<b>PRODUCER DURABLE GOODS 17.9%</b>		
Actuant Corporation (Class A)	400,000	\$ 6,424,000
Franklin Electric Co., Inc.	285,900	8,196,753
Graco Inc.	501,300	13,971,231
HNI Corporation	627,933	14,819,219
IDEX Corporation	540,900	15,118,155
WABCO Holdings Inc.	625,000	13,125,000
Zebra Technologies Corporation (Class A)*	486,900	12,625,317
		\$ 84,279,675
<b>RETAILING 13.5%</b>		
CarMax, Inc.*	1,017,412	\$ 21,263,911
O Reilly Automotive, Inc.*	600,000	21,684,000
Signet Jewelers Limited	773,200	20,358,356
		\$ 63,306,267
<b>ENERGY 9.7%</b>		
FMC Technologies, Inc.*	195,000	\$ 10,186,800
Helix Energy Solutions Group, Inc.*	660,900	9,900,282
Noble Corporation	670,000	25,433,200
		\$ 45,520,282
<b>HEALTH CARE 8.8%</b>		
Bio-Rad Laboratories, Inc. (Class A)*	187,200	\$ 17,199,936
Lincare Holdings Inc.*	480,000	15,000,000
Varian Medical Systems, Inc.*	53,200	2,241,316
VCA Antech, Inc.*	250,000	6,722,500
		\$ 41,163,752
<b>TRANSPORTATION 6.7%</b>		
Heartland Express, Inc.	1,046,000	\$ 15,062,400
Knight Transportation, Inc.	963,000	16,159,140
		\$ 31,221,540
<b>TECHNOLOGY 4.2%</b>		
Maxim Integrated Products, Inc.	392,000	\$ 7,110,880
Microchip Technology Incorporated	474,951	12,586,201
		\$ 19,697,081
<b>ENTERTAINMENT 3.5%</b>		
Carnival Corporation (Class A)*	499,900	\$ 16,636,672
<b>FINANCIAL 2.3%</b>		
Brown & Brown, Inc.	557,300	\$ 10,677,868

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<b>TOTAL COMMON STOCKS</b>	<b>90.9% (Cost \$337,866,995)</b>		\$	426,700,799
<b>PREFERRED STOCKS</b>				
<b>REAL ESTATE INVESTMENT TRUST</b>				
CBL & Associates Properties, Inc.		100,000	\$	1,950,000
ProLogis (Series G)		120,000		2,364,000
<b>TOTAL PREFERRED STOCKS</b>	<b>0.9% (Cost \$5,726,454)</b>		\$	4,314,000

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<b>CONVERTIBLE BONDS AND DEBENTURES</b>				
Diodes, Inc. 2.25% 2026		\$	2,000,000	\$ 1,907,500
Transocean, Inc. 1.5% 2037			2,000,000	1,942,500
<b>TOTAL CONVERTIBLE BONDS AND DEBENTURES 0.8% (Cost \$2,770,000)</b>				\$ 3,850,000
<b>NON-CONVERTIBLE BONDS AND DEBENTURES</b>				
<b>CORPORATE 4.6%</b>				
Brown Shoe Company, Inc. 8.75% 2012		\$	3,000,000	\$ 2,940,000
Central Garden & Pet Company 9.125% 2013			3,000,000	3,018,750
Deluxe Corporation 5% 2012			2,000,000	1,823,440
Helix Energy Solutions Group, Inc. 9.5% 2016			2,000,000	2,002,880
Invacare Corporation 9.75% 2015			3,000,000	3,180,000
Nova Chemicals Corporation 6.5% 2012			1,970,000	1,942,499
PolyOne Corporation 6.58% 2011			1,500,000	1,478,505
Rock-Tenn Co. 9.25% 2016			2,000,000	2,145,000
Titan International, Inc. 8% 2012			3,000,000	2,902,500
				\$ 21,433,574
<b>U.S. GOVERNMENT AGENCY 0.0%</b>				
Government National Mortgage Association (Mobile Home) 9.75% 2010		\$	42,399	\$ 43,730
<b>TOTAL NON-CONVERTIBLE BONDS AND DEBENTURES 4.6% (Cost \$21,299,678)</b>				\$ 21,477,304
<b>TOTAL INVESTMENT SECURITIES 97.2% (Cost \$367,663,127)</b>				\$ 456,342,103
<b>SHORT-TERM INVESTMENTS 2.8% (Cost \$13,311,867)</b>				
Toyota Motor Credit Corporation 0.1% 10/1/09		\$	5,312,000	\$ 5,312,000
Chevron Funding Corporation 0.12% 10/6/09			8,000,000	7,999,867
				\$ 13,311,867
<b>TOTAL INVESTMENTS 100.0% (Cost \$380,974,994) Note 2</b>				\$ 469,653,970
Other assets and liabilities, net 0.0%				(75,935)
<b>TOTAL NET ASSETS 100.0%</b>				\$ 469,578,035

\*Non-income producing security

#### NOTE 1 Disclosure of Fair Value Measurements

The Company classifies its assets based on three valuation methodologies. 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 September 30, 2009:

Investments	Level 1	Level 2	Level 3	Total
<b>Common Stocks</b>				
Business Services & Supplies	\$ 114,197,662			\$ 114,197,662
Producer Durable Goods	84,279,675			84,279,675
Retailing	63,306,267			63,306,267
Energy	45,520,282			45,520,282

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Health Care	41,163,752		41,163,752
Transportation	31,221,540		31,221,540
Technology	19,697,081		19,697,081
Entertainment	16,636,672		16,636,672
Financial	10,677,868		10,677,868
Preferred Stocks	4,314,000		4,314,000
Convertible Bonds & Debentures		\$ 3,850,000	3,850,000
Non-Convertible Bonds & Debentures		21,477,304	21,477,304
Short-Term Investments		13,311,867	13,311,867
Total Investments	\$ 431,014,799	\$ 38,639,171	\$ 469,653,970

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**NOTE 2 Federal Income Tax**

The aggregate cost of investment securities was \$368,168,705 for Federal income tax purposes. Net unrealized appreciation consists of:

Gross unrealized appreciation:	\$	109,032,628
Gross unrealized depreciation:		(20,859,230)
Net unrealized appreciation:	\$	88,173,398

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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: November 25, 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: November 25, 2009

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

Date: November 25, 2009

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