

SOURCE CAPITAL INC /DE/
Form N-Q
May 23, 2008

**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, 2008

ITEM 1. Schedule of Investments.

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Source Capital, Inc.

Portfolio of Investments

March 31, 2008 (unaudited)

| | Shares or Principal Amount | Value |
|---|----------------------------------|----------------|
| COMMON STOCKS | | |
| BUSINESS SERVICES & SUPPLIES 24.9% | | |
| Brady Corporation | 509,000 | \$ 17,015,870 |
| Charles River Laboratories International, Inc.* | 433,635 | 25,558,447 |
| CLARCOR, Inc. | 397,600 | 14,134,680 |
| Copart, Inc.* | 288,100 | 11,166,756 |
| Invitrogen Corporation* | 251,800 | 21,521,346 |
| Manpower Inc. | 291,400 | 16,394,164 |
| ScanSource, Inc.* | 864,600 | 31,289,874 |
| | | \$ 137,081,137 |
| PRODUCER DURABLE GOODS 14.6% | | |
| Franklin Electric Co., Inc. | 311,800 | \$ 10,654,206 |
| Graco Inc. | 480,100 | 17,408,426 |
| HNI Corporation | 495,100 | 13,313,239 |
| IDEX Corporation | 724,000 | 22,219,560 |
| Zebra Technologies Corporation (Class A)* | 509,300 | 16,969,876 |
| | | \$ 80,565,307 |
| ENERGY 11.8% | | |
| Helix Energy Solutions Group, Inc.* | 677,700 | \$ 21,347,550 |
| Noble Corporation | 883,800 | 43,898,346 |
| | | \$ 65,245,896 |
| RETAILING 11.2% | | |
| CarMax, Inc.* | 1,064,512 | \$ 20,672,823 |
| O Reilly Automotive, Inc.* | 985,000 | 28,092,200 |
| Signet Group plc | 10,300,000 | 12,669,000 |
| | | \$ 61,434,023 |
| TECHNOLOGY 10.7% | | |
| Cognex Corporation | 691,500 | \$ 15,095,445 |
| Maxim Integrated Products, Inc. | 410,000 | 8,359,900 |
| Microchip Technology Incorporated | 496,851 | 16,261,933 |
| Plantronics, Inc. | 741,800 | 14,324,158 |
| SanDisk Corporation* | 206,700 | 4,665,219 |
| | | \$ 58,706,655 |
| HEALTH CARE 7.4% | | |
| AmSurg Corporation* | 336,100 | \$ 7,958,848 |
| Bio-Rad Laboratories, Inc. (Class A)* | 195,100 | 17,354,145 |
| Lincare Holdings Inc.* | 547,700 | 15,395,847 |
| | | \$ 40,708,840 |
| TRANSPORTATION 5.9% | | |
| Heartland Express, Inc. | 1,104,400 | \$ 15,748,744 |
| Knight Transportation, Inc. | 1,018,100 | 16,757,926 |
| | | \$ 32,506,670 |
| ENTERTAINMENT 3.8% | | |
| Carnival Corporation | 523,200 | \$ 21,179,136 |

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| | | |
|---|---------|-----------------------|
| FINANCIAL 2.2% | | |
| Brown & Brown, Inc. | 700,000 | \$ 12,166,000 |
| CONSUMER DURABLE GOODS 0.2% | | |
| Polaris Industries Inc. | 22,600 | \$ 926,826 |
| TOTAL COMMON STOCKS 92.7% (Cost \$335,237,951) | | \$ 510,520,490 |
| PREFERRED STOCKS | | |
| REAL ESTATE INVESTMENT TRUST | | |
| CBL & Associates Properties, Inc. | 100,000 | \$ 2,060,000 |
| ProLogis (Series G) | 120,000 | 2,814,000 |
| TOTAL PREFERRED STOCKS 0.9% (Cost \$5,726,454) | | \$ 4,874,000 |

NON-CONVERTIBLE BONDS AND DEBENTURES**CORPORATE 4.1%**

| | | | | |
|--|----|-----------|----|------------|
| Brown Shoe Company, Inc. 8.75% 2012 | \$ | 3,000,000 | \$ | 2,988,690 |
| Central Garden & Pet Company 9.125% 2013 | | 3,000,000 | | 2,407,500 |
| Helix Energy Solutions Group, Inc. 9.5% 2016 | | 2,000,000 | | 2,000,000 |
| Invacare Corporation 9.75% 2015 | | 3,000,000 | | 3,038,880 |
| JLG Industries, Inc. 8.25% 2008 | | 2,000,000 | | 2,005,200 |
| Nova Chemicals Corporation 6.5% 2012 | | 1,970,000 | | 1,856,725 |
| PolyOne Corporation 6.58% 2011 | | 1,500,000 | | 1,421,220 |
| Realty Income Corporation 8.25% 2008 | | 2,000,000 | | 2,039,200 |
| Rock-Tenn Company 9.25% 2016 | | 100,000 | | 102,375 |
| Titan International, Inc. 8% 2012 | | 3,000,000 | | 2,902,500 |
| Unisys Corporation 6.875% 2010 | | 2,000,000 | | 1,893,400 |
| | | | \$ | 22,655,690 |

U.S. GOVERNMENT AND AGENCIES 0.0%

| | | | | |
|---|----|---------|----|---------|
| Federal Home Loan Mortgage Corporation 6.5% 2023 (Interest Only) | \$ | 1,678 | \$ | 1 |
| Government National Mortgage Association (Mobile Home) 9.75% 2010 | | 100,560 | | 105,293 |
| | | | \$ | 105,294 |

TOTAL NON-CONVERTIBLE BONDS AND DEBENTURES 4.1% (Cost \$23,582,080)

\$ 22,760,984

TOTAL INVESTMENT SECURITIES 97.7% (Cost \$364,546,485)

\$ 538,155,474

SHORT-TERM INVESTMENT 2.3% (Cost \$12,718,000)

| | | | | |
|--|----|------------|----|------------|
| General Electric Capital Corporation 2.2% 4/1/08 | \$ | 12,718,000 | \$ | 12,718,000 |
|--|----|------------|----|------------|

TOTAL INVESTMENTS 100.0% (Cost \$377,264,485)(A)

\$ 550,873,474

Other assets and liabilities, net 0.0% (110,974)

TOTAL NET ASSETS 100%

\$ 550,762,500

*Non-income producing security

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

| | | |
|--------------------------------|----|--------------|
| Gross unrealized appreciation: | \$ | 189,205,080 |
| Gross unrealized depreciation: | | (15,596,091) |
| Net unrealized appreciation: | \$ | 173,608,989 |

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.

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 23, 2008

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 23, 2008

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

Date: May 23, 2008
