

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

ITEM 1. Schedule of Investments.

Edgar Filing: SOURCE CAPITAL INC /DE/ - Form N-Q

Source Capital, Inc.

Portfolio of Investments

September 30, 2009 (unaudited)

| COMMON STOCKS | Shares or Principal Amount | Value |
|---|----------------------------------|----------------|
| BUSINESS SERVICES & SUPPLIES 24.3% | | |
| 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 |
| PRODUCER DURABLE GOODS 17.9% | | |
| 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 |
| RETAILING 13.5% | | |
| 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 |
| ENERGY 9.7% | | |
| 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 |
| HEALTH CARE 8.8% | | |
| 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 |
| TRANSPORTATION 6.7% | | |
| Heartland Express, Inc. | 1,046,000 | \$ 15,062,400 |
| Knight Transportation, Inc. | 963,000 | 16,159,140 |
| | | \$ 31,221,540 |
| TECHNOLOGY 4.2% | | |
| Maxim Integrated Products, Inc. | 392,000 | \$ 7,110,880 |
| Microchip Technology Incorporated | 474,951 | 12,586,201 |
| | | \$ 19,697,081 |
| ENTERTAINMENT 3.5% | | |
| Carnival Corporation (Class A)* | 499,900 | \$ 16,636,672 |
| FINANCIAL 2.3% | | |
| Brown & Brown, Inc. | 557,300 | \$ 10,677,868 |

Edgar Filing: SOURCE CAPITAL INC /DE/ - Form N-Q

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

| CONVERTIBLE BONDS AND DEBENTURES | | | | |
|---|---|----|-----------|----------------|
| Diodes, Inc. 2.25% 2026 | | \$ | 2,000,000 | \$ 1,907,500 |
| Transocean, Inc. 1.5% 2037 | | | 2,000,000 | 1,942,500 |
| TOTAL CONVERTIBLE BONDS AND DEBENTURES | 0.8% (Cost \$2,770,000) | | | \$ 3,850,000 |
| NON-CONVERTIBLE BONDS AND DEBENTURES | | | | |
| CORPORATE 4.6% | | | | |
| 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 |
| U.S. GOVERNMENT AGENCY 0.0% | | | | |
| Government National Mortgage Association (Mobile Home) 9.75% 2010 | | \$ | 42,399 | \$ 43,730 |
| TOTAL NON-CONVERTIBLE BONDS AND DEBENTURES | 4.6% (Cost \$21,299,678) | | | \$ 21,477,304 |
| TOTAL INVESTMENT SECURITIES | 97.2% (Cost \$367,663,127) | | | \$ 456,342,103 |
| SHORT-TERM INVESTMENTS 2.8% (Cost \$13,311,867) | | | | |
| 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 |
| TOTAL INVESTMENTS | 100.0% (Cost \$380,974,994) Note 2 | | | \$ 469,653,970 |
| Other assets and liabilities, net 0.0% | | | | (75,935) |
| TOTAL NET ASSETS | 100.0% | | | \$ 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 |
|------------------------------|----------------|---------|---------|----------------|
| Common Stocks | | | | |
| 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 |

Edgar Filing: SOURCE CAPITAL INC /DE/ - Form N-Q

| | | | |
|------------------------------------|----------------|---------------|----------------|
| 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 |

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 |

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: 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
