

SOURCE CAPITAL INC /DE/  
Form N-Q  
November 26, 2004

**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 90064  
(Address of principal executive offices) (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, 2004

---

## ITEM 1. Schedule of Investments.

Source Capital, Inc.

Portfolio of Investments

September 30, 2004 (unaudited)

| COMMON STOCKS   | Shares or<br>Principal<br>Amount | Value         |
|---|----------------------------------|---------------|
| <b>BUSINESS SERVICE SERVICES &amp; SUPPLIES 16.5%</b> |                                  |               |
| Bio-Rad Laboratories, Inc.*                           | 190,000                          | \$ 9,709,000  |
| Black Box Corporation                                 | 260,800                          | 9,636,560     |
| Charles River Laboratories International, Inc.*       | 15,000                           | 687,000       |
| HNI Corporation                                       | 321,400                          | 12,721,012    |
| Inveresk Research Group, Inc.*                        | 311,700                          | 11,498,613    |
| Manpower Inc.   | 300,000                          | 13,347,000    |
| Office Depot, Inc.*                                   | 900,000                          | 13,527,000    |
| ScanSource, Inc.*                                     | 284,000                          | 18,119,200    |
|   |                                  | \$ 89,245,385 |
| <b>PRODUCER DURABLE GOODS 15.9%</b>                   |                                  |               |
| Checkpoint Systems, Inc.*                             | 68,462                           | \$ 1,065,954  |
| Cognex Corporation                                    | 575,000                          | 15,065,000    |
| Crane Co.   | 435,000                          | 12,580,200    |
| Graco Inc.  | 514,500                          | 17,235,750    |
| IDEX Corporation                                      | 511,500                          | 17,370,540    |
| Oshkosh Truck Corporation                             | 162,500                          | 9,272,250     |
| Zebra Technologies Corporation (Class A)*             | 220,000                          | 13,422,200    |
|   |                                  | \$ 86,011,894 |

|   |         |           |              |
|---|---------|-----------|--------------|
| <b>ENERGY 11.8%</b>   |         |           |              |
| Cal Dive International, Inc.*   | 725,000 | \$        | 25,824,500   |
| Noble Corporation*  | 460,000 |           | 20,677,000   |
| Tidewater Inc.  | 540,000 |           | 17,577,000   |
|   |         | \$        | 64,078,500   |
| <b>HEALTH CARE 10.4%</b>  |         |           |              |
| Health Management Associates, Inc.                                    | 505,000 | \$        | 10,317,150   |
| Invitrogen Corporation*   | 95,000  |           | 5,224,050    |
| Landauer, Inc.  | 14,300  |           | 671,099      |
| Lincare Holdings Inc.*  | 450,000 |           | 13,369,500   |
| Ocular Sciences, Inc.*  | 150,000 |           | 7,195,500    |
| Renal Care Group, Inc.*   | 600,000 |           | 19,338,000   |
|   |         | \$        | 56,115,299   |
| <b>TECHNOLOGY 10.3%</b>   |         |           |              |
| Advanced Fibre Communications, Inc.*                                  | 710,000 | \$        | 11,289,000   |
| KEMET Corporation*  | 200,000 |           | 1,618,000    |
| Plantronics, Inc.   | 380,000 |           | 16,431,200   |
| SanDisk Corporation*  | 790,000 |           | 23,004,800   |
| TriQuint Semiconductor, Inc.*   | 943,029 |           | 3,677,813    |
|   |         | \$        | 56,020,813   |
| <b>RETAILING 7.6%</b>   |         |           |              |
| Carmax, Inc.*   | 750,006 | \$        | 16,162,629   |
| O'Reilly Automotive, Inc.*  | 652,500 |           | 24,984,225   |
|   |         | \$        | 41,146,854   |
| <b>FINANCIAL 7.5%</b>   |         |           |              |
| Brown & Brown, Inc.   | 251,000 | \$        | 11,470,700   |
| Arthur J. Gallagher & Co.   | 275,000 |           | 9,110,750    |
| North Fork Bancorporation, Inc.                                       | 455,000 |           | 20,224,750   |
|   |         | \$        | 40,806,200   |
| <b>ENTERTAINMENT 4.7%</b>   |         |           |              |
| Carnival Corporation  | 536,600 | \$        | 25,375,814   |
| <b>MATERIALS 2.4%</b>   |         |           |              |
| Engelhard Corporation   | 465,000 | \$        | 13,182,750   |
| <b>TRANSPORTATION 0.5%</b>  |         |           |              |
| Heartland Express, Inc.   | 157,500 | \$        | 2,905,875    |
| <b>TOTAL COMMON STOCKS 87.6% (Cost \$305,379,947)</b>                 |         | \$        | 474,889,384  |
| <b>PREFERRED STOCKS</b>   |         |           |              |
| <b>REAL ESTATE INVESTMENT TRUST</b>                                   |         |           |              |
| CBL & Associates Properties, Inc.                                     | 100,000 | \$        | 2,621,000    |
| Duke-Weeks Realty Corp. (Series B)                                    | 40,000  |           | 2,102,500    |
| Pennsylvania Real Estate Investment Trust (Series A)                  | 59,000  |           | 3,510,500    |
| ProLogis (Series G)   | 120,000 |           | 2,986,800    |
| <b>TOTAL PREFERRED STOCKS 2.1% (Cost \$10,179,446)</b>                |         | \$        | 11,220,800   |
| <b>CONVERTIBLE BONDS AND DEBENTURES</b>                               |         |           |              |
| <b>TECHNOLOGY 0.7%</b>  |         |           |              |
| BEA Systems, Inc. 4% 2006   | \$      | 2,000,000 | \$ 2,010,000 |
| LSI Logic Corporation 4% 2006   |         | 2,000,000 | 1,987,500    |
|   |         |           | \$ 3,997,500 |
| <b>PRODUCER DURABLE GOODS 0.2%</b>                                    |         |           |              |
| Checkpoint Systems, Inc. 5.25% 2005                                   | \$      | 781,000   | \$ 785,881   |
| <b>TOTAL CONVERTIBLE BONDS AND DEBENTURES 0.9% (Cost \$4,355,460)</b> |         | \$        | 4,783,381    |



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

|  |    |           |                |
|--|----|-----------|----------------|
| <b>NON-CONVERTIBLE BONDS AND DEBENTURES CORPORATE 6.5%</b>                 |    |           |                |
| Avaya Inc. 11.125% 2009  | \$ | 1,300,000 | \$ 1,508,000   |
| Central Garden & Pet Company 9.125% 2013                                   |    | 2,000,000 | 2,195,000      |
| Host Marriott Corporation 9.25% 2007                                       |    | 2,000,000 | 2,260,000      |
| Lear Corporation 7.96% 2005  |    | 2,000,000 | 2,115,000      |
| Manitowoc Company, Inc., The 10.5% 2012                                    |    | 2,000,000 | 2,250,000      |
| Metaldyne Corporation 11% 2012   |    | 2,000,000 | 1,640,000      |
| OM Group, Inc. 9.25% 2011  |    | 4,000,000 | 4,220,000      |
| Orbital Sciences Corporation 9% 2011                                       |    | 3,000,000 | 3,345,000      |
| PolyOne Corporation 10.625% 2010   |    | 950,000   | 1,036,688      |
| Realty Income Corporation 8.25% 2008                                       |    | 2,000,000 | 2,248,800      |
| SpectraSite, Inc. 8.25% 2010   |    | 2,000,000 | 2,150,000      |
| Unisys Corporation   |    |           |                |
| 7.875% 2008  |    | 1,500,000 | 1,550,625      |
| 8.125% 2006  |    | 2,000,000 | 2,137,500      |
| Vicar Operating Inc. 9.875% 2009   |    | 3,000,000 | 3,326,250      |
| Windmere Durable Holdings Inc. 10% 2008                                    |    | 3,000,000 | 3,022,500      |
|  |    |           | \$ 35,005,363  |
| <b>U.S. GOVERNMENT AND AGENCIES 0.1%</b>                                   |    |           |                |
| Federal Home Loan Mortgage Corporation                                     |    |           |                |
| 6.5% 2023 (Interest Only)  | \$ | 107,261   | \$ 5,967       |
| 10.15% 2006 (REMIC)  |    | 683       | 683            |
| Federal National Mortgage Association                                      |    |           |                |
| 6% 2029 (Interest Only)  |    | 2,041,552 | 415,966        |
| Government National Mortgage Association (Mobile Home)                     |    |           |                |
| 9.75% 2010   |    | 396,301   | 428,268        |
|  |    |           | \$ 850,884     |
| <b>TOTAL NON-CONVERTIBLE BONDS AND DEBENTURES 6.6% (Cost \$34,378,463)</b> |    |           | \$ 35,856,247  |
| <b>TOTAL INVESTMENT SECURITIES 97.2% (Cost \$354,293,316)</b>              |    |           | \$ 526,749,812 |
| <b>SHORT-TERM INVESTMENTS 2.4% (Cost \$12,907,056)</b>                     |    |           |                |
| Short-term Corporate Notes:  |    |           |                |
| American General Finance Corporation 1.84% 10/01/04                        | \$ | 7,908,000 | \$ 7,908,000   |
| Federal Home Loan Mortgage Corporation Discount Note 1.70% 10/05/04        |    | 5,000,000 | 4,999,056      |
| <b>TOTAL SHORT-TERM INVESTMENTS</b>  |    |           | \$ 12,907,056  |
| <b>TOTAL INVESTMENTS 99.6% (Cost \$367,200,372)(A)</b>                     |    |           | \$ 539,656,868 |
| Other assets and liabilities, net 0.4%                                     |    |           | 2,129,704      |
| <b>TOTAL NET ASSETS 100%</b>   |    |           | \$ 541,786,572 |

\*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: | \$ | 184,117,299 |
| Gross unrealized depreciation: |    | 11,660,803  |
| Net unrealized appreciation:   | \$ | 172,456,496 |

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.

(a) 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: November 24, 2004

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: November 24, 2004