

SOURCE CAPITAL INC /DE/  
Form N-Q  
May 21, 2010

**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, 2010

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ITEM 1. Schedule of Investments.

Source Capital, Inc.

Portfolio of Investments

March 31, 2010 (unaudited)

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COMMON STOCKS	Shares or Principal Amount	Value
<b>BUSINESS SERVICES &amp; SUPPLIES 21.4%</b>		
Brady Corporation (Class A)	431,500	\$ 13,428,280
Charles River Laboratories International, Inc.*	194,035	7,627,516
CLARCOR, Inc.	320,000	11,036,800
Copart, Inc.*	315,534	11,233,010
Life Technologies Corporation*	524,698	27,425,965
Manpower Inc.	300,000	17,136,000
ScanSource, Inc.*	803,363	23,120,787
		\$ 111,008,358
<b>PRODUCER DURABLE GOODS 19.4%</b>		
Actuant Corporation (Class A)	400,000	\$ 7,820,000
Franklin Electric Co., Inc.	285,900	8,574,141
Graco Inc.	501,300	16,041,600
HNI Corporation	627,933	16,721,856
IDEX Corporation	540,900	17,903,790
WABCO Holdings Inc.	625,000	18,700,000
Zebra Technologies Corporation (Class A)*	486,900	14,412,240
		\$ 100,173,627
<b>RETAILING 14.0%</b>		
CarMax, Inc.*	1,017,412	\$ 25,557,389
O Reilly Automotive, Inc.*	600,000	25,026,000
Signet Jewelers Limited*	672,400	21,745,416
		\$ 72,328,805
<b>HEALTH CARE 10.2%</b>		
Bio-Rad Laboratories, Inc. (Class A)*	187,200	\$ 19,378,944
Lincare Holdings Inc.*	480,000	21,542,400
Varian Medical Systems, Inc.*	53,200	2,943,556
VCA Antech, Inc.*	310,000	8,689,300
		\$ 52,554,200
<b>ENERGY 9.1%</b>		
FMC Technologies, Inc.*	195,000	\$ 12,602,850
Helix Energy Solutions Group, Inc.*	507,900	6,617,937
Noble Corporation	670,000	28,019,400
		\$ 47,240,187
<b>TRANSPORTATION 6.9%</b>		
Heartland Express, Inc.	1,046,000	\$ 17,259,000
Knight Transportation, Inc.	887,200	18,711,048
		\$ 35,970,048

<b>TECHNOLOGY 4.0%</b>			
Maxim Integrated Products, Inc.	392,000	\$	7,600,880
Microchip Technology Incorporated	474,951		13,374,620
		\$	20,975,500
<b>ENTERTAINMENT 3.8%</b>			
Carnival Corporation (Class A)*	499,900	\$	19,436,112
<b>TOTAL COMMON STOCKS 88.8% (Cost \$318,318,879)</b>		\$	459,686,837
<b>PREFERRED STOCKS</b>			
<b>REAL ESTATE INVESTMENT TRUST</b>			
CBL & Associates Properties, Inc.	100,000	\$	2,226,000
ProLogis (Series G)	120,000		2,637,600
<b>TOTAL PREFERRED STOCKS 0.9% (Cost \$5,726,454)</b>		\$	4,863,600
<b>CONVERTIBLE BONDS AND DEBENTURES</b>			
Diodes, Inc. 2.25% 2026	\$ 2,000,000	\$	1,985,000
Transocean, Inc. 1.5% 2037	2,000,000		1,970,000
<b>TOTAL CONVERTIBLE BONDS AND DEBENTURES 0.8% (Cost \$2,770,000)</b>		\$	3,955,000
<b>NON-CONVERTIBLE BONDS AND DEBENTURES</b>			
<b>CORPORATE 4.3%</b>			
Brown Shoe Company, Inc. 8.75% 2012	\$ 3,000,000	\$	3,024,060
Deluxe Corporation 5% 2012	2,000,000		1,966,100
Helix Energy Solutions Group, Inc. 9.5% 2016	2,000,000		2,021,780
Invacare Corporation 9.75% 2015	3,000,000		3,262,500
Nova Chemicals Corporation 6.5% 2012	1,970,000		2,020,176
PolyOne Corporation 6.58% 2011	1,500,000		1,490,220
Polypore International, Inc. 8.75% 2012	2,000,000		2,006,780
Rock-Tenn Co. 9.25% 2016	2,000,000		2,190,000
Sinclair Broadcast Group, Inc. 8% 2012	1,000,000		995,000
Titan International, Inc. 8% 2012	3,000,000		3,007,500
		\$	21,984,116
<b>U.S. GOVERNMENT AND AGENCIES 0.0%</b>			
Government National Mortgage Association (Mobile Home) 9.75% 2010	\$ 21,946	\$	22,370
<b>TOTAL NON-CONVERTIBLE BONDS AND DEBENTURES 4.3% (Cost \$21,075,297)</b>		\$	22,006,486
<b>TOTAL INVESTMENT SECURITIES 94.8% (Cost \$347,890,630)</b>		\$	490,511,923
<b>SHORT-TERM INVESTMENTS 5.2% (Cost \$27,056,395)</b>			
Chevron Funding Corporation 0.11% 4/1/10	\$ 10,000,000	\$	10,000,000

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Chevron Funding Corporation	0.15% 4/7/10	11,000,000	10,999,725
General Electric Company	0.14% 4/15/10	6,057,000	6,056,670
			\$ 27,056,395
<b>TOTAL INVESTMENTS</b>	<b>100.0% (Cost \$374,947,025) Note 2</b>		\$ 517,568,318
Other assets and liabilities, net	0.0%		(111,088)
<b>TOTAL NET ASSETS</b>	<b>100.0%</b>		\$ 517,457,230

\*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 Company'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 Company's investments as of March 31, 2010:

Investments	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 459,686,837		\$	459,686,837
Preferred Stocks	4,863,600			4,863,600
Convertible Bonds & Debentures		\$ 3,955,000		3,955,000
Non-Convertible Bonds & Debentures		22,006,486		22,006,486
Short-Term Investments		27,056,395		27,056,395
Total Investments	\$ 464,550,437	\$ 53,017,881	\$	517,568,318

**NOTE 2 Federal Income Tax**

The aggregate cost of investment securities was \$348,098,447 for Federal income tax purposes. Net unrealized appreciation consists of:

Gross unrealized appreciation:	\$ 151,294,237
Gross unrealized depreciation:	(8,880,761)
Net unrealized appreciation:	\$ 142,413,476

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 21, 2010

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 21, 2010

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

Date: May 21, 2010

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