

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

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## ITEM 1. Schedule of Investments.

Source Capital, Inc.

Portfolio of Investments

September 30, 2004 (unaudited)

COMMON STOCKS	Shares or Principal 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
LSI Logic Corporation 4% 2006			2,000,000
		\$	3,997,500
<b>PRODUCER DURABLE GOODS 0.2%</b>			
Checkpoint Systems, Inc. 5.25% 2005		\$	781,000
<b>TOTAL CONVERTIBLE BONDS AND DEBENTURES 0.9% (Cost \$4,355,460)</b>		\$	4,783,381



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<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