

SOURCE CAPITAL INC /DE/  
Form N-Q  
May 25, 2007

**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, 2007

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ITEM 1. Schedule of Investments.

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Source Capital, Inc.

Portfolio of Investments

March 31, 2007 (unaudited)

COMMON STOCKS	Shares or Principal Amount	Value
<b>BUSINESS SERVICES &amp; SUPPLIES 22.9%</b>		
Brady Corporation	510,400	\$ 15,924,480
CDW Corporation	353,900	21,740,077
Charles River Laboratories International, Inc.*	455,000	21,048,300
CLARCOR Inc.	335,000	10,653,000
Copart, Inc.*	265,000	7,422,650
Invitrogen Corporation*	270,000	17,185,500
Manpower Inc.	300,000	22,131,000
ScanSource, Inc.*	850,000	22,814,000
		\$ 138,919,007
<b>PRODUCER DURABLE GOODS 14.4%</b>		
Franklin Electric Co., Inc.	180,000	\$ 8,370,000
Graco Inc.	495,000	19,384,200
HNI Corporation	352,300	16,181,139
IDEX Corporation	495,000	25,185,600
Zebra Technologies Corporation (Class A)*	465,000	17,953,650
		\$ 87,074,589
<b>ENERGY 11.9%</b>		
Helix Energy Solutions Group, Inc.*	695,000	\$ 25,916,550
Noble Corporation	460,000	36,192,800
Tidewater Inc.	165,000	9,665,700
		\$ 71,775,050
<b>TECHNOLOGY 9.9%</b>		
Cognex Corporation	720,000	\$ 15,602,400
Maxim Integrated Products, Inc.	180,000	5,292,000
Microchip Technology Incorporated	340,000	12,080,200
Plantronics, Inc.	751,100	17,740,982
SanDisk Corporation*	215,000	9,417,000
		\$ 60,132,582
<b>RETAILING 9.8%</b>		
CarMax, Inc.*	1,070,012	\$ 26,258,095
O Reilly Automotive, Inc.*	1,000,000	33,100,000
		\$ 59,358,095
<b>HEALTH CARE 6.8%</b>		
AmSurg Corporation*	340,000	\$ 8,326,600
Bio-Rad Laboratories, Inc.*	200,300	13,988,952
Lincare Holdings Inc.*	510,000	18,691,500
		\$ 41,007,052
<b>TRANSPORTATION 4.9%</b>		
Heartland Express, Inc.	1,050,000	\$ 16,674,000
Knight Transportation, Inc.	720,000	12,830,400
		\$ 29,504,400
<b>FINANCIAL 4.6%</b>		
Brown & Brown, Inc.	580,000	\$ 15,689,000
First American Corporation	235,000	11,919,200
		\$ 27,608,200
<b>ENTERTAINMENT 4.1%</b>		
Carnival Corporation	536,600	\$ 25,145,076

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<b>CONSUMER DURABLE GOODS</b>	<b>1.4%</b>		
Polaris Industries Inc.		180,000	\$ 8,636,400
<b>TOTAL COMMON STOCKS</b>	<b>90.7% (Cost \$330,897,343)</b>		\$ 549,160,451

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**PREFERRED STOCKS**

**REAL ESTATE INVESTMENT TRUST**

CBL & Associates Properties, Inc.	100,000	\$	2,554,000
Duke-Weeks Realty Corp. (Series B)	40,000		2,016,000
Pennsylvania Real Estate Investment Trust (Series A)	59,000		3,127,000
ProLogis (Series G)	120,000		3,044,400
<b>TOTAL PREFERRED STOCKS 1.8% (Cost \$10,179,446)</b>		\$	10,741,400

**CONVERTIBLE DEBENTURE 0.3% Cost (\$1,970,000)**

**TECHNOLOGY**

International Rectifier Corp. 4.25% 2007	\$	2,000,000	\$	1,986,250
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**NON-CONVERTIBLE BONDS AND DEBENTURES**

**CORPORATE 1.8%**

Central Garden & Pet Company 9.125% 2013	\$	3,000,000	\$	3,120,000
JLG Industries, Inc. 8.25% 2008		2,000,000		2,015,000
Manitowoc Company, Inc., The 10.5% 2012		1,300,000		1,386,125
PolyOne Corporation 10.625% 2010		950,000		1,008,235
Realty Income Corporation 8.25% 2008		2,000,000		2,089,600
Unisys Corporation 7.875% 2008		1,500,000		1,507,500
			\$	11,126,460

**U.S. GOVERNMENT AND AGENCIES 0.0%**

Federal Home Loan Mortgage Corporation 6.5% 2023 (Interest Only)	\$	19,707	\$	443
Government National Mortgage Association (Mobile Home) 9.75% 2010		140,013		147,233
			\$	147,676

<b>TOTAL NON-CONVERTIBLE BONDS AND DEBENTURES 1.8% (Cost \$10,976,076)</b>		\$	11,274,136
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<b>TOTAL INVESTMENT SECURITIES 94.6% (Cost \$354,022,865)</b>		\$	573,162,237
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**SHORT-TERM INVESTMENTS**

Short-term Corporate Notes:

Rabobank USA Financial Corporation 5.395% 4/2/07	\$	9,547,000	\$	9,545,569
International Lease Finance Corporation 5.235% 4/5/07		23,000,000		22,986,622

<b>TOTAL SHORT-TERM INVESTMENTS 5.4% (Cost \$32,532,191)</b>		\$	32,532,191
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<b>TOTAL INVESTMENTS 100.0% (Cost \$386,555,056)(A)</b>		\$	605,694,428
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Other assets and liabilities, net 0.0%				(206,944)
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<b>TOTAL NET ASSETS 100.0%</b>		\$	605,487,484
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\*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:	\$	220,481,208
	Gross unrealized depreciation:		(1,341,836)
	Net unrealized appreciation:	\$	219,139,372

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 25, 2007

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 25, 2007

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

Date: May 25, 2007

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