

TRANSAMERICA INCOME SHARES, INC.  
Form N-Q  
February 26, 2009

As filed with the SEC on February 26, 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 811-02273

TRANSAMERICA INCOME SHARES, INC.  
(Exact name of registrant as specified in charter)

570 Carillon Parkway, St. Petersburg, Florida  
(Address of principal executive offices)

33716  
(Zip code)

Dennis P. Gallagher, Esq. P.O. Box 9012, Clearwater, Florida 33758-9771  
(Name and address of agent for service)

Registrant's telephone number, including area code: (727) 299-1800

Date of fiscal year end: March 31

Date of reporting period: October 1, 2008 December 31, 2008

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**Item 1. Schedule of Investments.**

The unaudited Schedule of Investments of Registrant as of December 31, 2008 are attached.

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## Transamerica Income Shares, Inc.

## SCHEDULE OF INVESTMENTS

At December 31, 2008

(all amounts except share amounts in thousands)

(unaudited)

	Principal		Value	
<b>U.S. GOVERNMENT OBLIGATIONS (12.5%)</b>				
U.S. Treasury Bond				
4.38%, due 02/15/2038 ^	\$	1,775	\$	2,377
4.50%, due 05/15/2038 ^		300		410
U.S. Treasury Note				
1.25%, due 11/30/2010		575		581
2.00%, due 02/28/2010 - 11/30/2013 ^		1,480		1,514
3.75%, due 11/15/2018 ^		3,500		3,962
4.50%, due 11/15/2015 ^		3,000		3,558
4.88%, due 06/30/2012 ^		1,455		1,635
<b>Total U.S. Government Obligations (cost \$12,585)</b>				<b>14,037</b>
<b>U.S. GOVERNMENT AGENCY OBLIGATIONS (18.8%)</b>				
Fannie Mae				
4.50%, due 07/25/2021		2,215		2,237
5.00%, due 06/25/2019 - 09/01/2037		5,213		5,313
5.50%, due 07/01/2038 - 11/01/2038		6,937		7,118
Freddie Mac				
4.25%, due 10/15/2026		1,591		1,597
5.00%, due 02/01/2036		3,082		3,154
6.16%, due 12/01/2036 *		1,624		1,672
<b>Total U.S. Government Agency Obligations (cost \$20,732)</b>				<b>21,091</b>
<b>FOREIGN GOVERNMENT OBLIGATIONS (5.3%)</b>				
France Government Bond				
4.00%, due 04/25/2018	EUR	2,500		3,648
U.K. Gilt				
4.50%, due 03/07/2013	GBP	1,500		2,333
<b>Total Foreign Government Obligations (cost \$5,878)</b>				<b>5,981</b>
<b>MORTGAGE-BACKED SECURITIES (2.6%)</b>				
American Tower Trust				
Series 2007-1A, Class C				
5.62%, due 04/15/2037 -144A	\$	1,305		876
Crown Castle Towers LLC				

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Series 2006-1A, Class C			
5.47%, due 11/15/2036 -144A		1,100	773
SBA CMBS Trust			
Series 2006-1A, Class D			
5.85%, due 11/15/2036 -144A		1,212	861
Series 2006-1A, Class E			
6.17%, due 11/15/2036 -144A		540	373
<b>Total Mortgage-Backed Securities (cost \$4,160)</b>			<b>2,883</b>
<b>CORPORATE DEBT SECURITIES (53.2%)</b>			
<u>Airlines (0.1%)</u>			
Delta Air Lines, Inc.			
6.82%, due 08/10/2022		234	148
<u>Auto Components (0.4%)</u>			
Tenneco, Inc.			
8.13%, due 11/15/2015		895	412
<u>Automobiles (2.2%)</u>			
Daimler Finance North America LLC			
2.35%, due 03/13/2009 *		1,100	1,099
2.43%, due 03/13/2009 *		450	434
8.00%, due 06/15/2010		1,000	941
<u>Beverages (2.3%)</u>			
Brown-Forman Corp.			
5.20%, due 04/01/2012		1,400	1,385
SabMiller PLC			
6.20%, due 07/01/2011 -144A		1,250	1,238
<u>Chemicals (0.8%)</u>			
Momentive Performance Materials, Inc.			
9.75%, due 12/01/2014		765	325
Nalco Co.			
7.75%, due 11/15/2011 ^		600	576
<u>Commercial Banks (2.5%)</u>			
Barclays Bank PLC			
7.70%, due 04/25/2018 -144A ¾		950	628
HSBC Capital Funding LP			
10.18%, due 06/30/2030 -144A ¾		1,500	1,222
PNC Bank NA			
6.88%, due 04/01/2018		730	777
Shinsei Finance Cayman, Ltd.			
6.42%, due 07/20/2016 -144A ¾		526	110
<u>Construction Materials (0.8%)</u>			
CRH America, Inc.			
5.30%, due 10/15/2013		770	542
Texas Industries, Inc.			
7.25%, due 07/15/2013		500	386
<u>Consumer Finance (0.3%)</u>			
Cardtronics, Inc.			
9.25%, due 08/15/2013		525	352
<u>Containers &amp; Packaging (0.9%)</u>			
Rexam PLC			
6.75%, due 06/01/2013 -144A		1,180	1,044
<u>Diversified Financial Services (3.6%)</u>			
American Honda Finance Corp.			

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5.13%, due 12/15/2010 -144A ^	1,250	1,233
Galaxy Entertainment Finance Co., Ltd.		
9.88%, due 12/15/2012 -144A ^	500	220
Glencore Funding LLC		
6.00%, due 04/15/2014 -144A	1,500	607
Pemex Finance, Ltd.		
9.03%, due 02/15/2011	1,755	1,790
Sensus Metering Systems, Inc.		
8.63%, due 12/15/2013	300	219
Diversified Telecommunication Services (2.4%)		
Telefonica Europe BV		
7.75%, due 09/15/2010	1,170	1,188
Verizon Communications, Inc.		
8.75%, due 11/01/2018	1,200	1,408
Electric Utilities (0.1%)		
Energy Future Holdings Corp.		
10.88%, due 11/01/2017 -144A	200	142
Energy Equipment & Services (0.8%)		
Weatherford International, Ltd.		
5.15%, due 03/15/2013	1,000	881
Food & Staples Retailing (3.0%)		
Kroger Co.		
8.05%, due 02/01/2010	1,220	1,240
Safeway, Inc.		
4.95%, due 08/16/2010	1,000	989
Stater Brothers Holdings, Inc.		
8.13%, due 06/15/2012	1,200	1,086
Food Products (1.5%)		
ConAgra Foods, Inc.		
9.75%, due 03/01/2021	235	284

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	Principal		Value	
<b>Food Products (continued)</b>				
Michael Foods, Inc.				
8.00%, due 11/15/2013	\$	1,500	\$	1,290
<b>Gas Utilities (0.1%)</b>				
Intergas Finance BV				
6.38%, due 05/14/2017 -144A		260		151
<b>Hotels, Restaurants &amp; Leisure (2.7%)</b>				
Carrols Corp.				
9.00%, due 01/15/2013		450		304
MGM Mirage, Inc.				
8.50%, due 09/15/2010		1,000		840
Wyndham Worldwide Corp.				
6.00%, due 12/01/2016		675		272
Yum! Brands, Inc.				
8.88%, due 04/15/2011		1,575		1,595
<b>Independent Power Producers &amp; Energy Traders (1.2%)</b>				
Empresa Nacional de Electricidad SA -Class B				
8.50%, due 04/01/2009		1,300		1,322
<b>Industrial Conglomerates (0.6%)</b>				
Susser Holdings LLC				
10.63%, due 12/15/2013		704		616
<b>Insurance (0.5%)</b>				
Oil Insurance, Ltd.				
7.56%, due 06/30/2011 -144A <sup>3</sup> / <sub>4</sub>		740		279
Reinsurance Group of America, Inc.				
6.75%, due 12/15/2065 <sup>3</sup> / <sub>4</sub> ^		850		321
<b>IT Services (0.3%)</b>				
ACE Cash Express, Inc.				
10.25%, due 10/01/2014 -144A		125		25
Aramark Corp.				
8.50%, due 02/01/2015 ^		400		362
<b>Machinery (1.7%)</b>				
Polypore, Inc.				
8.75%, due 05/15/2012		450		324
Titan International, Inc.				
8.00%, due 01/15/2012		600		444
Tyco Electronics Group SA				
6.55%, due 10/01/2017		1,334		1,121
<b>Media (8.5%)</b>				
Comcast Cable Holdings LLC				
9.80%, due 02/01/2012		1,500		1,581
Historic TW, Inc.				
9.13%, due 01/15/2013		1,600		1,586
News America Holdings, Inc.				
9.25%, due 02/01/2013		2,985		3,214
Omnicom Group, Inc.				
5.90%, due 04/15/2016 ^		1,035		840
Viacom, Inc.				
2.27%, due 06/16/2009 *		2,240		2,198

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<u>Metals &amp; Mining (2.2%)</u>			
BHP Billiton Finance, Ltd.			
5.00%, due 12/15/2010		1,225	1,205
Vale Overseas, Ltd.			
6.25%, due 01/23/2017 ^		1,250	1,179
<u>Oil, Gas &amp; Consumable Fuels (7.1%)</u>			
Anadarko Petroleum Corp.			
2.40%, due 09/15/2009 *		2,500	2,392
Energy Transfer Partners, LP			
9.70%, due 03/15/2019 ^		1,000	1,030
Enterprise Products Operating, LP			
8.38%, due 08/01/2066 <sup>3</sup> / <sub>4</sub>		600	330
Markwest Energy Finance Corp.			
8.50%, due 07/15/2016		200	128
Opti Canada, Inc.			
8.25%, due 12/15/2014 ^		1,000	540
Petrobras International Finance Co.			
5.88%, due 03/01/2018 ^		800	719
PetroHawk Energy Corp.			
9.13%, due 07/15/2013		1,000	810
Petroleum Development Corp.			
12.00%, due 02/15/2018 ^		400	250
Sempra Energy			
9.80%, due 02/15/2019		1,090	1,216
Teppco Partners, LP			
7.00%, due 06/01/2067 <sup>3</sup> / <sub>4</sub>		1,300	696
<u>Paper &amp; Forest Products (0.2%)</u>			
Exopack Holding, Inc.			
11.25%, due 02/01/2014		475	278
<u>Professional Services (0.2%)</u>			
FTI Consulting, Inc.			
7.75%, due 10/01/2016		300	247
<u>Real Estate Investment Trusts (1.1%)</u>			
Healthcare Realty Trust, Inc.			
8.13%, due 05/01/2011		1,060	836
Hospitality Properties Trust			
6.30%, due 06/15/2016		1,000	461
<u>Road &amp; Rail (3.8%)</u>			
Burlington Northern Santa Fe Corp.			
6.13%, due 03/15/2009		980	982
CSX Corp.			
6.75%, due 03/15/2011 ^		1,500	1,494
Kansas City Southern Railway			
7.63%, due 12/01/2013		820	672
Norfolk Southern Corp.			
6.20%, due 04/15/2009		1,145	1,147
<u>Software (1.0%)</u>			
Oracle Corp.			
5.75%, due 04/15/2018 ^		1,074	1,123
<u>Tobacco (0.3%)</u>			
Alliance One International, Inc.			
11.00%, due 05/15/2012		450	374

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<b>Total Corporate Debt Securities (cost \$69,248)</b>			59,700
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	Shares		
<b>PREFERRED STOCK (0.5%)</b>			
<u>Diversified Telecommunication Services (0.5%)</u>			
Centaur Funding Corp., 9.08% -144A	852		547
<b>Total Preferred Stock (cost \$838)</b>			547

	Principal		
<b>CONVERTIBLE BONDS (2.1%)</b>			
<u>Airlines (0.7%)</u>			
AMR Corp.			
4.50%, due 02/15/2024	\$	750	728
<u>Capital Markets (1.4%)</u>			
Merrill Lynch & Co., Inc., Zero Coupon		1,450	1,566
<b>Total Convertible Bonds (cost \$2,176)</b>			2,294



	Principal	Value
<b>REPURCHASE AGREEMENT (4.9%)</b>		
State Street Repurchase Agreement		
0.01%, dated 12/31/2008, to be repurchased at \$5,467 on 01/02/2009 ,	\$ 5,467	\$ 5,467
<b>Total Repurchase Agreement (cost \$5,467)</b>		<b>5,467</b>

	Shares	
<b>SECURITIES LENDING COLLATERAL (8.7%)</b>		
State Street Navigator Securities Lending Trust - Prime Portfolio, 2.14% , p	9,737,104	9,737
<b>Total Securities Lending Collateral (cost \$9,737)</b>		<b>9,737</b>
<b>Total Investment Securities (cost \$130,821) #</b>		
		<b>\$ 121,737</b>

**FORWARD FOREIGN CURRENCY CONTRACTS:**

Currency	Bought (Sold)	Settlement Date	Amount in U.S. Dollars Bought (Sold)	Net Unrealized Appreciation (Depreciation)
Euro	(2,547)	1/30/2009	\$ (3,252)	\$ (283)
British Pound Sterling	(1,552)	1/30/2009	(2,515)	286
			<b>\$</b>	<b>3</b>

**NOTES TO SCHEUDLE OF INVESTMENTS:**

- <sup>^</sup> All or a portion of this security is on loan. The value of all securities on loan is \$9,543.
- <sup>\*</sup> Floating or variable rate note. Rate is listed as of 12/31/2008. The security has a perpetual maturity. The date shown is the next call date.
- <sup>¾</sup> Coupon rate is fixed for a predetermined period of time and then converts to a floating rate until maturity/call date. Rate is listed as of 12/31/2008. Repurchase agreement is collateralized by a U.S. Government Obligation with a zero coupon interest rate, a maturity date of 05/14/2009, and with a market value plus accrued interest of \$5,579.
- <sup>,</sup> State Street Bank & Trust Company serves as the accounting, custody, and lending agent for the Fund and provides various services on behalf of the Fund.
- <sup>p</sup> Interest rate shown reflects the yield at 12/31/2008.
- <sup>#</sup> Aggregate cost for federal income tax purposes is \$130,821. Aggregate gross unrealized appreciation/depreciation for all securities in which there is an excess of value over tax cost were \$3,050 and \$12,134, respectively. Net unrealized depreciation for tax purposes is \$9,084.

**DEFINITIONS:**

- 144A 144A Securities are registered pursuant to Rule 144A of the Securities Act of 1933. These securities are deemed to be liquid for purposes of compliance limitations on holdings of illiquid securities and may be resold as transactions exempt from registration, normally to qualified institutional buyers. At 12/31/2008, these securities aggregated \$10,329, or 9.21% of the Fund's net assets.
- LLC Limited Liability Corporation
- LP Limited Partnership
- PLC Public Limited Company
- EUR Euro

GBP *British Pound Sterling*

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Effective January 1, 2008, the Fund adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 - Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risks associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's net assets as of December 31, 2008:

Investments in Securities			Other Financial Instruments*			Total Investments in Securities
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	
\$ 10,284	\$ 111,453	\$	\$	\$ 3	\$	\$ 121,737

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\*Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as futures, forwards, and swap contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.

**Item 2. Controls and Procedures.**

(a) The Registrant's principal executive officer and principal financial officer evaluated the Registrant's controls and procedures within 90 days of this filing and 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 appropriately designed to ensure that information required to be disclosed by the Registrant in the reports that it files on Form N-Q(a) is accumulated and communicated to Registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure, and (b) is recorded, processed, summarized and reported, within the time periods specified in the rules and forms adopted by the U.S. Securities and Exchange Commission.

(b) The Registrant's principal executive officer and principal financial officer are aware of no change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the Registrant's internal control over financial reporting.

**Item 3. Exhibits.**

Separate certifications by the Registrant's principal executive officer and principal financial officer, as required by Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

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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.

Transamerica Income Shares, Inc.  
(Registrant)

By: /s/ John K. Carter  
Chief Executive Officer  
Date: February 26, 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.

By: /s/ John K. Carter  
Chief Executive Officer  
Date: February 26, 2009

By: /s/ Joseph P. Carusone  
Principal Financial Officer  
Date: February 26, 2009

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