

TRANSAMERICA INCOME SHARES INC
Form N-Q
March 01, 2005

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 33716
(Address of principal executive offices) (Zip code)
John K. Carter, Esq.
P.O. Box 5068,
Clearwater,
Florida 33758-5068
(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, 2004 December 31, 2004

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to Rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles. A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments.

The unaudited Schedule of Investments of registrant as of December 31, 2004 are attached.

Transamerica Income Shares

SCHEDULE OF INVESTMENTS

At December 31, 2004 (Unaudited)

(all amounts except share amounts in thousands)

| | Principal | Value |
|--|-----------|--------------|
| U.S. GOVERNMENT OBLIGATIONS (3.2%) | | |
| U.S. Treasury Bond | | |
| 5.38%, due 02/15/2031 (a) | \$ 1,208 | \$ 1,306 |
| U.S. Treasury Note | | |
| 1.88%, due 12/31/2005 | 3,500 | 3,470 |
| Total U.S. Government Obligations (cost: \$4,797) | | 4,776 |

| | Principal | Value |
|---|-----------|-------|
| CORPORATE DEBT SECURITIES (91.5%) | | |
| <u>Aerospace (1.8%)</u> | | |
| Boeing Co. (The) | | |
| 8.75%, due 08/15/2021 | 2,000 | 2,673 |
| <u>Agriculture (0.3%)</u> | | |
| Michael Foods, Inc. | | |
| 8.00%, due 11/15/2013 | 500 | 527 |
| <u>Amusement & Recreation Services (1.4%)</u> | | |
| Speedway Motorsports, Inc. | | |
| 6.75%, due 06/01/2013 | 2,000 | 2,105 |
| <u>Automotive (2.8%)</u> | | |
| General Motors Corp. | | |
| 9.40%, due 07/15/2021 | 3,750 | 4,234 |
| <u>Beverages (2.3%)</u> | | |
| Cia Brasileira de Bebidas | | |
| 8.75%, due 09/15/2013 | 3,000 | 3,495 |
| <u>Business Credit Institutions (3.7%)</u> | | |
| Pemex Finance, Ltd. | | |
| 9.03%, due 02/15/2011 | 4,900 | 5,650 |
| <u>Chemicals & Allied Products (1.7%)</u> | | |
| Lubrizol Corp. | | |
| 5.50%, due 10/01/2014 | 2,500 | 2,515 |
| <u>Commercial Banks (1.5%)</u> | | |
| HSBC Capital Funding LP 144A | | |
| 10.18%, due 12/31/2049 (b) | 1,500 | 2,322 |
| <u>Communication (4.1%)</u> | | |
| Echostar DBS Corp. | | |
| 6.38%, due 10/01/2011 | 1,000 | 1,022 |
| News America Holdings | | |
| 9.25%, due 02/01/2013 (a) | 3,985 | 5,136 |
| <u>Communications Equipment (0.8%)</u> | | |
| Motorola, Inc. | | |
| 4.61%, due 11/16/2007 | 1,250 | 1,275 |
| <u>Department Stores (0.7%)</u> | | |
| JC Penney Co., Inc. | | |

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| | | |
|--|-------|-------|
| 6.88%, due 10/15/2015 | 1,000 | 1,082 |
| <u>Electric Services (8.5%)</u> | | |
| AES Gener SA, 144A | | |
| 7.50%, due 03/25/2014 | 3,000 | 3,150 |
| DPL, Inc. | | |
| 8.25%, due 03/01/2007 | 2,000 | 2,168 |
| Duke Energy Corp. | | |
| 4.20%, due 10/01/2008 | 3,400 | 3,426 |
| FPL Group Capital, Inc. | | |
| 4.09%, due 02/16/2007 | 2,000 | 2,021 |
| TXU Electric Delivery Co. | | |
| 5.00%, due 09/01/2007 | 2,000 | 2,059 |
| <u>Food & Kindred Products (2.0%)</u> | | |
| ConAgra Foods, Inc. | | |
| 9.75%, due 03/01/2021 | 1,375 | 1,938 |
| Smithfield Foods, Inc. | | |
| 7.00%, due 08/01/2011 | 1,000 | 1,067 |
| <u>Food Stores (1.1%)</u> | | |
| Stater Brothers Holdings, Inc. | | |
| 8.13%, due 06/15/2012 | 1,500 | 1,586 |
| <u>Furniture & Fixtures (0.7%)</u> | | |
| Lear Corp. | | |
| 7.96%, due 05/15/2005 | 1,000 | 1,016 |
| <u>Gas Production & Distribution (0.7%)</u> | | |
| Northwest Pipeline | | |
| 9.00%, due 08/01/2022 | 1,087 | 1,128 |
| <u>Holding & Other Investment Offices (3.4%)</u> | | |
| EOP Operating Limited Partnership | | |
| 8.38%, due 03/15/2006 | 3,000 | 3,164 |
| Raytheon Co. | | |
| 3.50%, due 05/15/2006 | 3,700 | 1,941 |
| <u>Hotels & Other Lodging Places (2.5%)</u> | | |
| Host Marriott, LP | | |
| 7.13%, due 11/01/2013 | 2,000 | 2,137 |
| Park Place Entertainment Corp. | | |
| 7.00%, due 04/15/2013 | 1,500 | 1,654 |

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| | | |
|---|-------|-------|
| <u>Industrial Machinery & Equipment (0.9%)</u> | | |
| Caterpillar Inc. | | |
| 9.38%, due 03/15/2021 | 1,000 | 1,402 |
| <u>Insurance (0.6%)</u> | | |
| ACE Capital Trust II | | |
| 9.70%, due 04/01/2030 | 629 | 836 |
| <u>Insurance Agents, Brokers & Service (1.3%)</u> | | |
| Metlife, Inc. | | |
| 3.91%, due 05/15/2005 | 2,000 | 2,009 |
| <u>Lumber & Wood Products (2.3%)</u> | | |
| Ainsworth Lumber Co. Ltd 144A | | |
| 5.67%, due 10/01/2010 (b) | 1,000 | 1,020 |
| Weyerhaeuser Co. | | |
| 7.38%, due 03/15/2032 | 2,000 | 2,372 |
| <u>Manufacturing Industries (0.7%)</u> | | |
| Bombardier Recreational Products, Inc. | | |
| 8.38%, due 12/15/2013 (a) | 1,000 | 1,067 |
| <u>Metal Mining (3.7%)</u> | | |
| Barrick Gold Finance, Inc. | | |
| 7.50%, due 05/01/2007 | 2,000 | 2,168 |
| Falconbridge, Ltd. | | |
| 7.35%, due 11/01/2006 | 3,200 | 3,408 |
| <u>Mortgage Bankers & Brokers (1.7%)</u> | | |
| Countrywide Home Loans, Inc. | | |
| 5.50%, due 08/01/2006 | 2,500 | 2,578 |
| <u>Motion Pictures (4.2%)</u> | | |
| Blockbuster, Inc. 144A | | |
| 9.00%, due 09/01/2012 (a) | 500 | 494 |
| Time Warner, Inc. | | |
| 9.13%, due 01/15/2013 | 4,500 | 5,785 |
| <u>Oil & Gas Extraction (8.8%)</u> | | |
| Chesapeake Energy Corp. | | |
| 6.88%, due 01/15/2016 | 2,500 | 2,619 |
| Comstock Resources, Inc. | | |
| 6.88%, due 03/01/2012 | 2,000 | 2,065 |
| El Paso CGP Co. | | |
| 7.63%, due 09/01/2008 | 1,000 | 1,045 |
| Evergreen Resources, Inc. | | |
| 5.88%, due 03/15/2012 | 3,000 | 3,135 |
| Husky Oil, Ltd. | | |
| 8.90%, due 08/15/2028 (b) | 1,370 | 1,560 |
| Kerr-McGee Corp. | | |
| 6.95%, due 07/01/2024 | 2,000 | 2,212 |
| Occidental Petroleum Corp. | | |
| 10.13%, due 09/15/2009 | 500 | 617 |
| <u>Paper & Allied Products (6.2%)</u> | | |
| Domtar Inc. | | |
| 7.88%, due 10/15/2011 | 2,000 | 2,308 |
| Georgia Pacific Corp. | | |
| 7.70%, due 06/15/2015 | 1,000 | 1,142 |
| International Paper Co. | | |
| 5.50%, due 01/15/2014 | 3,750 | 3,874 |
| Westvaco Corp. | | |
| 7.95%, due 02/15/2031 | 1,600 | 1,955 |
| <u>Petroleum Refining (1.9%)</u> | | |
| Amerada Hess Corp. | | |
| 7.13%, due 03/15/2033 | 1,750 | 1,924 |
| Enterprise Products Operating, LP, 144A | | |

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| | | |
|---|-------|-------|
| 5.60%, due 10/15/2014 | 1,000 | 1,009 |
| <u>Primary Metal Industries (1.4%)</u> | | |
| Phelps Dodge Corp. | | |
| 8.75%, due 06/01/2011 | 1,725 | 2,103 |
| <u>Radio & Television Broadcasting (1.9%)</u> | | |
| Chancellor Media Corp. | | |
| 8.00%, due 11/01/2008 | 2,500 | 2,807 |
| <u>Railroads (0.7%)</u> | | |
| Burlington Northern Santa Fe | | |
| 9.25%, due 10/01/2006 | 1,000 | 1,083 |
| <u>Residential Building Construction (1.4%)</u> | | |
| Ryland Group, Inc. | | |
| 9.75%, due 09/01/2010 | 1,996 | 2,171 |
| <u>Security & Commodity Brokers (1.1%)</u> | | |
| E*Trade Financial Corp. 144A | | |
| 8.00%, due 06/15/2011 | 1,500 | 1,612 |
| <u>Stone, Clay & Glass Products (2.6%)</u> | | |
| Cemex SA | | |
| 9.63%, due 10/01/2009 | 3,250 | 3,851 |
| <u>Telecommunications (4.7%)</u> | | |
| Cincinnati Bell, Inc. | | |
| 8.38%, due 01/15/2014 (a) | 1,000 | 1,012 |
| Liberty Media Corp. | | |
| 5.70%, due 05/15/2013 | 2,500 | 2,481 |
| Millicom International Cellular 144A | | |
| 10.00%, due 12/01/2013 | 1,000 | 1,046 |
| Sprint Capital Corp. | | |
| 7.13%, due 01/30/2006 | 2,500 | 2,600 |

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| | | |
|--|-------|----------------|
| Transportation & Public Utilities (2.4%) | | |
| Magellan Midstream Partners, L.P. | | |
| 6.45%, due 06/01/2014 | 3,300 | 3,569 |
| Water Transportation (0.8%) | | |
| Royal Caribbean Cruises, Ltd. | | |
| 8.75%, due 02/02/2011 | 1,000 | 1,181 |
| Wholesale Trade Nondurable Goods (2.2%) | | |
| Domino's, Inc. | | |
| 8.25%, due 07/01/2011 | 1,094 | 1,195 |
| Unilever Capital Corp. | | |
| 6.88%, due 11/01/2005 | 2,000 | 2,062 |
| Total Corporate Debt Securities (cost: \$130,604) | | 137,868 |

| | Shares | Value |
|---|--------|--------------|
| PREFERRED STOCKS (3.3%) | | |
| Telecommunications (3.3%) | | |
| Centaur Funding Corp.144A | 3,750 | 4,939 |
| Total Preferred Stocks (cost: \$3,786) | | 4,939 |

| | Principal | Value |
|---|-----------|-------|
| SECURITY LENDING COLLATERAL (6.2%) | | |
| Debt (5.8%) | | |
| Bank Notes (0.3%) | | |
| Bank of America | | |
| 2.26%, due 02/15/2005 | 500 | 500 |
| Euro Dollar Overnight (0.7%) | | |
| Fortis Bank | | |
| 2.26%, due 01/05/2005 | 1,000 | 1,000 |
| Euro Dollar Terms (4.8%) | | |
| Bank of Montreal | | |
| 2.26%, due 01/28/2005 | 1,281 | 1,281 |
| Bank of Nova Scotia | | |
| 2.33%, due 01/13/2005 | 1,000 | 1,000 |
| Calyon | | |
| 2.44%, due 03/16/2005 | 500 | 500 |
| Citigroup | | |
| 2.08%, due 01/28/2005 | 1,000 | 1,000 |
| Dexia Group | | |
| 2.04%, due 01/21/2005 | 1,000 | 1,000 |
| Lloyds TSB Bank | | |
| 2.28%, due 02/02/2005 | 1,000 | 1,000 |
| Royal Bank of Scotland | | |
| 2.01%, due 01/20/2005 | 1,500 | 1,500 |

| | Shares | Value |
|--|---------|----------------|
| Investment Companies (0.4%) | | |
| Money Market Funds (0.4%) | | |
| BGI Institutional Money Market Fund | | |
| 1 day yield of 2.25% | 500,000 | 500 |
| Merrimac Cash Fund, Premium Class (c) | | |
| 1 day yield of 1.76% | 130,000 | 130 |
| Total Security Lending Collateral (cost: \$9,411) | | 9,411 |
| Total Investment Securities (cost: \$148,598) | | 156,994 |

SUMMARY:

| | | |
|--|-----------|---------|
| Investments, at Value | 104.2% | 156,994 |
| Liabilities in excess of other assets | (4.2)% | (6,378) |
| Net Assets | 100.0% \$ | 150,616 |

NOTES TO SCHEDULE OF INVESTMENTS:

- (a) At December 31, 2004, all or a portion of this security is on loan. The value at December 31, 2004, of all securities on loan is \$9,209.
- (b) Floating or variable rate note. Rate is listed as of December 31, 2004.
- (c) Regulated investment company advised by Investors Bank and Trust Co. (IBT). IBT is also the accounting, custody and lending agent for the Fund.

DEFINITIONS:

144A 144A Securites are registered pursuant to Rule 144A of the Securites 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 December 31, 2004, these securities aggregated \$15,592 or 10.4% of the net assets of the Fund.

Item 2. Controls and Procedures.

(a) Based on their evaluation of registrant's disclosure controls and procedures (as defined in rule 30a-3(c) under the Investment Company Act of 1940, as of December 31, 2004, registrant's principal executive officer and principal financial officer found registrant's disclosure controls and procedures to be appropriately designed to ensure that information required to be disclosed by 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) Effective September 14, 2004, Transamerica Fund Services, Inc., the registrant's administrator, entered into an agreement with Investors Bank & Trust Company (IBT) for IBT to provide certain administrative services on behalf of the registrant, which may be deemed to be a change that has materially affected, or is likely to materially affect, registrant's internal control over financial reporting.

Item 3. Exhibits.

A certification for registrant's principal executive officer and principal financial officer, as required by Rule 30a-2(a) under the 1940 Act, is attached.

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/ Brian C. Scott
President and Chief Executive Officer
Date: February 28, 2005

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/ Brian C. Scott
President and Chief Executive Officer
Date: February 28, 2005

By: /s/ Kim D. Day
Senior Vice President, Treasurer and Chief Financial Officer
Date: February 28, 2005
