

TRANSAMERICA INCOME SHARES, INC.
Form N-Q
August 29, 2008

As filed with the SEC on August 28, 2008.

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 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: April 1, 2008 June 30,
2008

Item 1. Schedule of Investments.

The unaudited Schedule of Investments of Registrant as of June 30, 2008 are attached.

TRANSAMERICA

INCOME SHARES, INC.

N-Q

June 30, 2008

Transamerica Income Shares, Inc.

SCHEDULE OF INVESTMENTS

At June 30, 2008

(all amounts except share amounts in thousands)

(unaudited)

| | Principal | Value |
|--|-----------|---------------|
| U.S. GOVERNMENT OBLIGATIONS (8.3%) | | |
| U.S. Treasury Note | | |
| 2.00%, due 02/28/2010 ^ | \$ 600 | \$ 596 |
| 2.88%, due 01/31/2013 | 500 | 491 |
| 3.50%, due 05/31/2013 ^ | 2,185 | 2,201 |
| 3.88%, due 05/15/2018 ^ | 740 | 734 |
| 4.13%, due 08/31/2012 ^ | 1,855 | 1,920 |
| 4.50%, due 03/31/2009 | 3,000 | 3,048 |
| 4.88%, due 06/30/2012 ^ | 1,455 | 1,546 |
| Total U.S. Government Obligations (cost \$10,364) | | 10,536 |
| U.S. GOVERNMENT AGENCY OBLIGATIONS (1.5%) | | |
| Freddie Mac, Series 2631, Class CE | | |
| 4.25%, due 10/15/2026 | 1,876 | 1,880 |
| Total U.S. Government Agency Obligations (cost \$1,838) | | 1,880 |
| MORTGAGE-BACKED SECURITIES (4.0%) | | |
| American Tower Trust | | |
| Series 2007-1A, Class C-144A | | |
| 5.62%, due 04/15/2037 | 1,305 | 1,133 |
| Citigroup/Deutsche Bank Commercial | | |
| Mortgage Trust | | |
| Series 2007-CD4, Class J-144A | | |
| 5.69%, due 12/11/2049 | 1,550 | 681 |
| Crown Castle Towers LLC | | |
| Series 2006-1A, Class C-144A | | |
| 5.47%, due 11/15/2036 | 1,100 | 1,015 |
| SBA CMBS Trust | | |
| Series 2006-1A, Class D-144A | | |
| 5.85%, due 11/15/2036 | 1,212 | 1,091 |
| SBA CMBS Trust | | |
| Series 2006-1A, Class E-144A | | |
| 6.17%, due 11/15/2036 | 540 | 477 |
| Wachovia Bank Commercial Mortgage Trust | | |
| Series 2006-C28, Class H-144A | | |
| 6.16%, due 10/15/2048 | 1,240 | 685 |
| Total Mortgage-Backed Securities (cost \$6,691) | | 5,082 |
| CORPORATE DEBT SECURITIES (82.6%) | | |
| <u>Aerospace & Defense (3.1%)</u> | | |

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| | | |
|--|-------|-------|
| Boeing Co. | | |
| 8.75%, due 08/15/2021 | 2,000 | 2,513 |
| Embraer Overseas, Ltd. | | |
| 6.38%, due 01/24/2017 | 1,525 | 1,487 |
| <u>Air Freight & Logistics (0.9%)</u> | | |
| FedEx Corp. | | |
| 9.65%, due 06/15/2012 | 1,000 | 1,151 |
| <u>Airlines (1.1%)</u> | | |
| Delta Air Lines, Inc. | | |
| 6.82%, due 08/10/2022 | 953 | 798 |
| United Airlines, Inc. | | |
| 6.64%, due 07/02/2022 | 715 | 581 |
| <u>Automobiles (0.8%)</u> | | |
| Daimler Finance North America LLC | | |
| 8.00%, due 06/15/2010 | 1,000 | 1,063 |
| <u>Beverages (2.1%)</u> | | |
| Brown-Forman Corp. | | |
| 5.20%, due 04/01/2012 | 1,400 | 1,411 |
| SabMiller PLC -144A | | |
| 6.20%, due 07/01/2011 | 1,250 | 1,282 |
| <u>Building Products (0.6%)</u> | | |
| CRH America, Inc. | | |
| 5.30%, due 10/15/2013 | 770 | 717 |
| <u>Capital Markets (1.7%)</u> | | |
| Lazard Group | | |
| 7.13%, due 05/15/2015 | 1,300 | 1,216 |
| Morgan Stanley | | |
| 6.63%, due 04/01/2018 | 1,025 | 971 |
| <u>Chemicals (1.9%)</u> | | |
| Momentive Performance Materials, Inc. | | |
| 9.75%, due 12/01/2014 | 400 | 342 |
| Mosaic Co. -144A | | |
| 7.63%, due 12/01/2016 | 400 | 426 |
| Nalco Co. | | |
| 7.75%, due 11/15/2011 | 600 | 600 |
| PPG Industries, Inc. | | |
| 5.75%, due 03/15/2013 | 1,070 | 1,088 |
| <u>Commercial Banks (6.9%)</u> | | |
| Barclays Bank PLC -144A | | |
| 7.70%, due 04/25/2018 | 950 | 968 |
| General Electric Capital Corp. | | |
| 4.80%, due 05/01/2013 | 1,145 | 1,122 |
| HBOS PLC -144A | | |
| 6.66%, due 05/21/2037 | 1,435 | 1,005 |
| HSBC Capital Funding LP -144A | | |
| 10.18%, due 06/30/2030 | 1,500 | 1,840 |
| ICICI Bank, Ltd. -144A | | |
| 6.63%, due 10/03/2012 | 1,245 | 1,229 |
| JPMorgan Chase Bank NA | | |
| 6.00%, due 10/01/2017 | 1,300 | 1,263 |
| PNC Bank NA | | |
| 6.88%, due 04/01/2018 | 730 | 724 |
| Shinsei Finance Cayman, Ltd. -144A | | |
| 6.42%, due 07/20/2016 | 876 | 615 |
| <u>Commercial Services & Supplies (0.2%)</u> | | |
| FTI Consulting, Inc. | | |
| 7.75%, due 10/01/2016 | 300 | 308 |
| <u>Construction Materials (1.1%)</u> | | |
| Lafarge SA | | |
| 7.13%, due 07/15/2036 | 1,000 | 909 |

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| | Principal | Value |
|--|-----------|--------|
| <u>Construction Materials (continued)</u> | | |
| Texas Industries, Inc. | | |
| 7.25%, due 07/15/2013 | \$ 500 | \$ 497 |
| <u>Consumer Finance (0.7%)</u> | | |
| Cardtronics, Inc. | | |
| 9.25%, due 08/15/2013 | 525 | 496 |
| Ford Motor Credit Co. LLC | | |
| 9.88%, due 08/10/2011 | 475 | 400 |
| <u>Containers & Packaging (1.3%)</u> | | |
| Graham Packaging Co., Inc. | | |
| 9.88%, due 10/15/2014 ^ | 160 | 142 |
| Graphic Packaging International Corp. | | |
| 9.50%, due 08/15/2013 | 425 | 406 |
| Rexam PLC -144A | | |
| 6.75%, due 06/01/2013 | 1,180 | 1,178 |
| <u>Diversified Financial Services (5.8%)</u> | | |
| Bank of America Corp. | | |
| 5.75%, due 12/01/2017 | 1,300 | 1,221 |
| Citigroup, Inc. | | |
| 6.13%, due 05/15/2018 | 1,275 | 1,220 |
| Galaxy Entertainment Finance Co., Ltd. -144A | | |
| 9.88%, due 12/15/2012 | 500 | 485 |
| Glencore Funding LLC -144A | | |
| 6.00%, due 04/15/2014 | 1,500 | 1,433 |
| Kar Holdings, Inc. | | |
| 10.00%, due 05/01/2015 | 500 | 420 |
| Pemex Finance, Ltd. | | |
| 9.03%, due 02/15/2011 | 2,145 | 2,290 |
| Sensus Metering Systems, Inc. | | |
| 8.63%, due 12/15/2013 | 300 | 285 |
| <u>Diversified Telecommunication Services (0.3%)</u> | | |
| West Corp. | | |
| 11.00%, due 10/15/2016 ^ | 400 | 338 |
| <u>Electric Utilities (1.9%)</u> | | |
| Energy Future Holdings Corp. -144A | | |
| 10.88%, due 11/01/2017 | 300 | 303 |
| Sempra Energy | | |
| 7.95%, due 03/01/2010 | 1,400 | 1,476 |
| Southern California Edison Co. | | |
| 5.95%, due 02/01/2038 | 630 | 623 |
| <u>Electronic Equipment & Instruments (0.3%)</u> | | |
| NXP BV | | |
| 9.50%, due 10/15/2015 ^ | 400 | 348 |
| <u>Energy Equipment & Services (0.8%)</u> | | |
| Weatherford International, Ltd. | | |
| 5.15%, due 03/15/2013 | 1,000 | 994 |
| <u>Food & Staples Retailing (3.2%)</u> | | |
| Aramark Corp. | | |
| 8.50%, due 02/01/2015 | 700 | 686 |
| Kroger Co. | | |
| 8.05%, due 02/01/2010 | 1,220 | 1,277 |
| Safeway, Inc. | | |
| 4.95%, due 08/16/2010 | 1,000 | 1,006 |
| Stater Brothers Holdings, Inc. | | |
| 8.13%, due 06/15/2012 | 1,200 | 1,206 |
| <u>Food Products (1.4%)</u> | | |
| ConAgra Foods, Inc. | | |
| 9.75%, due 03/01/2021 | 235 | 303 |

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| | | |
|--|-------|-------|
| Michael Foods, Inc. | | |
| 8.00%, due 11/15/2013 | 1,500 | 1,478 |
| <u>Gas Utilities (1.6%)</u> | | |
| Intergas Finance BV -144A | | |
| 6.38%, due 05/14/2017 | 260 | 231 |
| Southern Union Co. | | |
| 6.15%, due 08/16/2008 | 1,800 | 1,802 |
| <u>Health Care Equipment & Supplies (0.1%)</u> | | |
| Bausch & Lomb, Inc. -144A | | |
| 9.88%, due 11/01/2015 | 100 | 101 |
| <u>Hotels, Restaurants & Leisure (5.0%)</u> | | |
| Carrols Corp. | | |
| 9.00%, due 01/15/2013 | 450 | 392 |
| Harrah's Operating Co., Inc. | | |
| 5.50%, due 07/01/2010 | 600 | 536 |
| Las Vegas Sands Corp. | | |
| 6.38%, due 02/15/2015 ^ | 800 | 680 |
| Royal Caribbean Cruises, Ltd. | | |
| 8.75%, due 02/02/2011 | 940 | 946 |
| Starwood Hotels & Resorts Worldwide | | |
| 7.88%, due 05/01/2012 | 1,500 | 1,526 |
| Wyndham Worldwide Corp. | | |
| 6.00%, due 12/01/2016 | 675 | 596 |
| Yum! Brands, Inc. | | |
| 8.88%, due 04/15/2011 | 1,575 | 1,702 |
| <u>Independent Power Producers & Energy Traders (2.8%)</u> | | |
| AES Corp. | | |
| 8.00%, due 10/15/2017 | 650 | 637 |
| AES Gener SA | | |
| 7.50%, due 03/25/2014 ^ | 1,500 | 1,608 |
| Empresa Nacional de Electricidad | | |
| SA/Chile -Class B | | |
| 8.50%, due 04/01/2009 | 1,300 | 1,336 |
| <u>Industrial Conglomerates (1.5%)</u> | | |
| Hutchison Whampoa International, Ltd. -144A | | |
| 5.45%, due 11/24/2010 | 1,250 | 1,260 |
| Susser Holdings LLC | | |
| 10.63%, due 12/15/2013 | 704 | 715 |
| <u>Insurance (1.0%)</u> | | |
| Oil Insurance, Ltd. -144A | | |
| 7.56%, due 06/30/2011 | 740 | 630 |
| Reinsurance Group of America, Inc. | | |
| 6.75%, due 12/15/2065 | 850 | 668 |
| <u>IT Services (0.1%)</u> | | |
| ACE Cash Express, Inc. -144A | | |
| 10.25%, due 10/01/2014 | 125 | 94 |

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| | Principal | Value |
|--|-----------|--------|
| <u>Machinery (3.2%)</u> | | |
| Accuride Corp. | | |
| 8.50%, due 02/01/2015 ^ | \$ 400 | \$ 294 |
| Cummins, Inc. | | |
| 5.65%, due 03/01/2098 | 2,000 | 1,373 |
| Polypore, Inc. | | |
| 8.75%, due 05/15/2012 | 450 | 448 |
| Titan International, Inc. | | |
| 8.00%, due 01/15/2012 | 600 | 588 |
| Tyco Electronics Group SA | | |
| 6.55%, due 10/01/2017 | 1,334 | 1,346 |
| <u>Media (7.3%)</u> | | |
| AMFM, Inc. | | |
| 8.00%, due 11/01/2008 | 1,415 | 1,436 |
| Comcast Cable Holdings LLC | | |
| 9.80%, due 02/01/2012 | 1,500 | 1,691 |
| Historic TW, Inc. | | |
| 9.13%, due 01/15/2013 | 1,600 | 1,757 |
| News America Holdings, Inc. | | |
| 9.25%, due 02/01/2013 | 2,985 | 3,420 |
| Omnicom Group, Inc. | | |
| 5.90%, due 04/15/2016 | 1,035 | 1,011 |
| <u>Metals & Mining (2.4%)</u> | | |
| BHP Billiton Finance, Ltd. | | |
| 5.00%, due 12/15/2010 | 1,225 | 1,238 |
| Freeport-McMoRan Copper & Gold, Inc. | | |
| 8.38%, due 04/01/2017 | 125 | 132 |
| PNA Group, Inc. | | |
| 10.75%, due 09/01/2016 | 375 | 441 |
| Vale Overseas, Ltd. | | |
| 6.25%, due 01/23/2017 | 1,250 | 1,210 |
| <u>Multiline Retail (1.0%)</u> | | |
| Neiman-Marcus Group, Inc. | | |
| 9.00%, due 10/15/2015 | 1,275 | 1,259 |
| <u>Oil, Gas & Consumable Fuels (8.9%)</u> | | |
| Burlington Resources, Inc. | | |
| 9.88%, due 06/15/2010 | 480 | 533 |
| Chesapeake Energy Corp. | | |
| 6.88%, due 01/15/2016 | 1,500 | 1,447 |
| Dynegy Holdings, Inc. | | |
| 7.75%, due 06/01/2019 | 750 | 682 |
| Enterprise Products Operating, LP | | |
| 8.38%, due 08/01/2066 | 600 | 600 |
| Gazprom International SA -144A | | |
| 7.20%, due 02/01/2020 | 514 | 512 |
| Kinder Morgan Energy Partners, LP | | |
| 7.75%, due 03/15/2032 | 1,500 | 1,624 |
| Markwest Energy Finance Corp. | | |
| 8.50%, due 07/15/2016 | 200 | 203 |
| OPTI Canada, Inc. | | |
| 8.25%, due 12/15/2014 | 1,000 | 995 |
| Petrobras International Finance Co. | | |
| 5.88%, due 03/01/2018 | 1,300 | 1,251 |
| PetroHawk Energy Corp. | | |
| 9.13%, due 07/15/2013 | 1,000 | 1,025 |
| Petroleum Development Corp. | | |
| 12.00%, due 02/15/2018 | 400 | 423 |
| Sabine Pass LNG, LP | | |

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| | | |
|---|-------|----------------|
| 7.50%, due 11/30/2016 | 850 | 765 |
| Teppco Partners, LP | | |
| 7.00%, due 06/01/2067 | 1,500 | 1,300 |
| <u>Paper & Forest Products (2.0%)</u> | | |
| Celulosa Arauco y Constitucion SA | | |
| 8.63%, due 08/15/2010 | 2,000 | 2,146 |
| Exopack Holding, Inc. | | |
| 11.25%, due 02/01/2014 | 475 | 441 |
| <u>Real Estate Investment Trusts (2.9%)</u> | | |
| Healthcare Realty Trust, Inc. | | |
| 8.13%, due 05/01/2011 | 1,350 | 1,390 |
| Hospitality Properties Trust | | |
| 6.30%, due 06/15/2016 | 1,000 | 885 |
| Host Hotels & Resorts, LP | | |
| 7.13%, due 11/01/2013 | 1,500 | 1,395 |
| <u>Road & Rail (3.5%)</u> | | |
| CSX Corp. | | |
| 6.75%, due 03/15/2011 | 1,500 | 1,555 |
| Hertz Corp. | | |
| 10.50%, due 01/01/2016 ^ | 1,000 | 910 |
| Kansas City Southern de Mexico SA | | |
| 7.63%, due 12/01/2013 | 820 | 795 |
| Norfolk Southern Corp. | | |
| 6.20%, due 04/15/2009 | 1,145 | 1,163 |
| <u>Software (0.8%)</u> | | |
| Oracle Corp. | | |
| 5.75%, due 04/15/2018 | 1,074 | 1,073 |
| <u>Specialty Retail (0.2%)</u> | | |
| Michaels Stores, Inc. | | |
| 11.38%, due 11/01/2016 ^ | 360 | 286 |
| <u>Tobacco (0.4%)</u> | | |
| Alliance One International, Inc. | | |
| 11.00%, due 05/15/2012 | 450 | 463 |
| <u>Wireless Telecommunication Services (1.8%)</u> | | |
| American Tower Corp. -144A | | |
| 7.00%, due 10/15/2017 | 750 | 743 |
| AT&T Wireless | | |
| 8.13%, due 05/01/2012 | 1,400 | 1,533 |
| Total Corporate Debt Securities (cost \$108,204) | | 105,382 |

| | Shares | Value |
|--|--------|--------------|
| PREFERRED STOCKS (1.2%) | | |
| <u>Diversified Telecommunication Services (0.6%)</u> | | |
| Centaur Funding Corp. -144A, 9.08% | 852 | \$ 840 |
| <u>Real Estate Investment Trusts (0.6%)</u> | | |
| Tanger Factory Outlet Centers, 7.50% | 33,334 | 756 |
| Total Preferred Stocks (cost \$1,671) | | 1,596 |

| | Principal | Value |
|--|-----------|--------------|
| REPURCHASE AGREEMENT (3.6)% | | |
| State Street Repurchase Agreement | \$ 4,634 | 4,634 |
| 1.05%, dated 06/30/2008 to be repurchased at \$4,634 on 07/01/2008 O | | |
| Total Repurchase Agreement (cost \$4,634) | | 4,634 |

| | Shares | Value |
|--|--------|-------------------|
| SECURITIES LENDING COLLATERAL (8.6%) | | |
| State Street Navigator Securities Lending | | |
| Trust - Prime Portfolio, 2.66% | 11,041 | 11,041 |
| Total Securities Lending Collateral (cost \$11,041) | | 11,041 |
| Total Investment Securities (cost \$144,443) # | | \$ 140,151 |

NOTES TO SCHEDULE OF INVESTMENTS:

- ^ At June 30, 2008, all or a portion of this security is on loan. The value at June 30, 2008, of all securities on loan is \$10,792. 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 June 30, 2008.
- O State Street Corp., serves as the accounting, custody and lending agent for the Fund and provides various administrative services on behalf of the Fund. The security has a perpetual maturity. The date shown is the next call date. Interest rate shown reflects the yield at June 30, 2008.
- # Aggregate cost for federal income tax purposes is \$144,443. Aggregate gross unrealized appreciation/depreciation for all securities in which there is an excess of value over tax cost were \$1,492 and \$5,784, respectively. Net unrealized depreciation for tax purposes is \$4,292.

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.

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The following is a summary of the inputs used to value the Fund's net assets as of June 30, 2008:

| Investments in Securities | | | |
|---------------------------|------------|---------|---------------------------------|
| Level 1 | Level 2 | Level 3 | Total Investments in Securities |
| \$ 12,637 | \$ 127,514 | \$ | \$ 140,151 |

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 June 30, 2008, these securities aggregated to \$20,257 or 15.87% of the Fund's net assets.

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.

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: August 28, 2008

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: August 28, 2008

By: /s/ Joseph P. Carusone
Principal Financial Officer
Date: August 28, 2008
