

TRANSAMERICA INCOME SHARES INC
Form N-Q
February 29, 2008

As filed with the SEC on February 29, 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 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, 2007 December 31, 2007

Item 1. Schedule of Investments.

The unaudited Schedule of Investments of Registrant as of December 31, 2007 are attached.

TRANSAMERICA

INCOME SHARES, INC.

Quarterly Report

December 31, 2007

Transamerica Income Shares, Inc.

SCHEDULE OF INVESTMENTS

At December 31, 2007

(all amounts except share amounts in thousands)

| | Principal | Value |
|--|-----------|--------------|
| U.S. GOVERNMENT OBLIGATIONS (6.2%) | | |
| U.S. Government Obligation (6.2%) | | |
| U.S. Treasury Note | | |
| 3.00%, due 11/30/2009 | \$ 1,500 | \$ 1,502 |
| 4.13%, due 08/31/2012 ^ | 2,855 | 2,939 |
| 4.25%, due 11/15/2013 11/15/2017 ^ | 1,015 | 1,045 |
| 4.75%, due 08/15/2017 ^ | 299 | 316 |
| 4.88%, due 06/30/2012 | 2,455 | 2,604 |
| Total U.S. Government Obligations (cost \$8,129) | | 8,406 |
| U.S. GOVERNMENT AGENCY OBLIGATIONS (1.5%) | | |
| U.S. Government Agency Obligation | | |
| Freddie Mac | | |
| 4.25%, due 10/15/2026 | 2,000 | 1,982 |
| Total U.S. Government Agency Obligations (cost \$1,960) | | 1,982 |
| MORTGAGE-BACKED SECURITIES (4.9%) | | |
| American Tower Trust | | |
| Series 2007-1A, Class C-144A | | |
| 5.62%, due 04/15/2037 * | 1,305 | 1,229 |
| Citigroup/Deutsche Bank Commercial | | |
| Mortgage Trust | | |
| Series 2007-CD4, Class J-144A | | |
| 5.88%, due 12/11/2049 * | 1,550 | 1,019 |
| SBA CMBS Trust | | |
| Series 2006-1A, Class D-144A | | |
| 5.85%, due 11/15/2036 | 1,212 | 1,176 |
| Wachovia Bank Commercial Mortgage | | |
| Trust | | |
| Series 2006-C28, Class H-144A | | |
| 6.16%, due 10/15/2048 | 1,240 | 1,058 |
| Crown Castle Towers LLC | | |
| 5.47%, due 11/15/2036 | 1,700 | 1,655 |
| SBA CMBS Trust-144A | | |
| 6.17%, due 11/15/2036 | 540 | 516 |
| Total Mortgage-Backed Securities (cost \$7,291) | | 6,653 |
| CORPORATE DEBT SECURITIES (84.0%) | | |
| <u>Aerospace & Defense (3.0%)</u> | | |

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| | | |
|--|-------|-------|
| Boeing Co. (The) | | |
| 8.75%, due 08/15/2021 | 2,000 | 2,656 |
| Embraer Overseas, Ltd. | | |
| 6.38%, due 01/24/2017 | 1,525 | 1,447 |
| <u>Air Freight & Logistics (0.9%)</u> | | |
| FedEx Corp. | | |
| 9.65%, due 06/15/2012 | 1,000 | 1,172 |
| <u>Airlines (3.0%)</u> | | |
| Continental Airlines, Inc. | | |
| 6.90%, due 04/19/2022 | 2,000 | 1,800 |
| Delta Air Lines, Inc. -144A | | |
| 6.82%, due 08/10/2022 | 980 | 934 |
| United Airlines, Inc. | | |
| 6.64%, due 07/02/2022 | 1,425 | 1,338 |
| <u>Automobiles (0.1%)</u> | | |
| General Motors Corp. | | |
| 7.13%, due 07/15/2013 ^ | 150 | 130 |
| <u>Beverages (1.1%)</u> | | |
| Brown-Forman Corp. | | |
| 5.20%, due 04/01/2012 | 1,400 | 1,432 |
| <u>Building Products (0.9%)</u> | | |
| CRH America, Inc. | | |
| 5.30%, due 10/15/2013 | 770 | 754 |
| Goodman Global Holdings, Inc. | | |
| 7.88%, due 12/15/2012 | 400 | 412 |
| <u>Capital Markets (2.0%)</u> | | |
| Ameriprise Financial, Inc. | | |
| 7.52%, due 06/01/2066 * 1 | 1,005 | 1,001 |
| JP Morgan Chase Capital XVIII | | |
| 6.95%, due 08/17/2036 | 700 | 665 |
| Lazard Group | | |
| 7.13%, due 05/15/2015 | 1,000 | 1,017 |
| <u>Chemicals (0.8%)</u> | | |
| Mosaic Co. (The) -144A | | |
| 7.63%, due 12/01/2016 | 400 | 432 |
| Nalco Co. | | |
| 7.75%, due 11/15/2011 | 600 | 608 |
| <u>Commercial Banks (5.8%)</u> | | |
| HBOS PLC -144A | | |
| 6.66%, due 05/21/2037 * , 1 | 750 | 621 |
| HSBC Capital Funding LP -144A | | |
| 10.18%, due 06/30/2030 , 1 | 1,500 | 1,894 |
| ICICI Bank, Ltd. -144A | | |
| 6.63%, due 10/03/2012 | 1,245 | 1,234 |
| Lloyds TSB Group PLC -144A | | |
| 6.27%, due 11/14/2016 * | 803 | 728 |
| Rabobank Capital Funding II -144A | | |
| 5.26%, due 12/31/2013 * | 1,175 | 1,095 |
| Shinsei Finance Cayman, Ltd. -144A | | |
| 6.42%, due 07/20/2016 , 1 | 700 | 594 |
| Wachovia Capital Trust III | | |
| 5.80%, due 03/15/2011 , 1 | 796 | 711 |
| ZFS Finance USA Trust II -144A | | |
| 6.45%, due 12/15/2065 1 | 1,030 | 960 |
| <u>Commercial Services & Supplies (0.2%)</u> | | |
| FTI Consulting, Inc. | | |
| 7.75%, due 10/01/2016 | 300 | 312 |
| <u>Construction Materials (1.3%)</u> | | |
| Lafarge SA | | |
| 7.13%, due 07/15/2036 | 1,300 | 1,263 |
| Texas Industries, Inc. | | |
| 7.25%, due 07/15/2013 | 500 | 490 |

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| | Principal | Value |
|--|-----------|--------|
| <u>Consumer Finance (0.4%)</u> | | |
| Cardtronics, Inc. | | |
| 9.25%, due 08/15/2013 | \$ 525 | \$ 512 |
| <u>Containers & Packaging (0.2%)</u> | | |
| Graham Packaging Co., Inc. | | |
| 9.88%, due 10/15/2014 ^ | 325 | 299 |
| <u>Diversified Financial Services (6.8%)</u> | | |
| Galaxy Entertainment Finance Co., Ltd. -144A | | |
| 9.88%, due 12/15/2012 | 500 | 527 |
| Glencore Funding LLC -144A | | |
| 6.00%, due 04/15/2014 | 1,500 | 1,509 |
| ILFC E-Capital Trust II -144A | | |
| 6.25%, due 12/21/2065 1 | 1,000 | 956 |
| Mizuho JGB Investment LLC -144A | | |
| 9.87%, due 06/30/2008 * , 1 | 2,800 | 2,826 |
| MUFG Capital Finance 1, Ltd. | | |
| 6.35%, due 07/25/2016 * , 1 | 750 | 710 |
| Pemex Finance, Ltd. | | |
| 9.03%, due 02/15/2011 | 2,535 | 2,681 |
| <u>Diversified Telecommunication Services (1.0%)</u> | | |
| Verizon Global Funding Corp. | | |
| 7.75%, due 12/01/2030 | 1,100 | 1,290 |
| <u>Electric Utilities (2.7%)</u> | | |
| Dominion Resources, Inc. | | |
| 5.69 due 05/15/2008 2 | 1,900 | 1,904 |
| Sempra Energy | | |
| 7.95%, due 03/01/2010 | 1,400 | 1,496 |
| Texas Competitive Electric Holdings Co. LLC -144A | | |
| 10.25%, due 11/01/2015 | 275 | 272 |
| <u>Energy Equipment & Services (0.5%)</u> | | |
| Ocean RIG Norway As -144A | | |
| 8.38%, due 07/01/2013 | 650 | 691 |
| <u>Food & Staples Retailing (0.9%)</u> | | |
| Stater Brothers Holdings, Inc. | | |
| 8.13%, due 06/15/2012 | 1,200 | 1,185 |
| <u>Food Products (1.3%)</u> | | |
| ConAgra Foods, Inc. | | |
| 9.75%, due 03/01/2021 | 235 | 312 |
| Michael Foods, Inc. | | |
| 8.00%, due 11/15/2013 | 1,500 | 1,485 |
| <u>Gas Utilities (1.5%)</u> | | |
| Intergas Finance BV -144A | | |
| 6.38%, due 05/14/2017 | 260 | 234 |
| Southern Union Co. | | |
| 6.15%, due 08/16/2008 | 1,800 | 1,806 |
| <u>Health Care Equipment & Supplies (0.1%)</u> | | |
| Bausch & Lomb, Inc. -144A | | |
| 9.88%, due 11/01/2015 | 100 | 102 |
| <u>Hotels, Restaurants & Leisure (6.7%)</u> | | |
| Caesars Entertainment, Inc. | | |
| 7.00%, due 04/15/2013 | 1,500 | 1,716 |
| Harrah s Operating Co., Inc. | | |
| 5.50%, due 07/01/2010 | 1,000 | 930 |
| Las Vegas Sands Corp. | | |
| 6.38%, due 02/15/2015 | 800 | 752 |
| Royal Caribbean Cruises, Ltd. | | |
| 8.75%, due 02/02/2011 | 2,000 | 2,085 |

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| | | |
|---|-------|-------|
| Starbucks Corp. 6.25%, due 08/15/2017 | 1,235 | 1,282 |
| Starwood Hotels & Resorts Worldwide, 7.88%, due 05/01/2012 | 1,500 | 1,594 |
| Wyndham Worldwide Corp. 6.00%, due 12/01/2016 | 675 | 640 |
| <u>Independent Power Producers & Energy Traders (2.7%)</u> | | |
| AES Corp. (The) -144A 8.00%, due 10/15/2017 | 650 | 665 |
| AES Gener SA 7.50%, due 03/25/2014 | 1,500 | 1,583 |
| Empresa Nacional de Electricidad SA/Chile Class B 8.50%, due 04/01/2009 | 1,300 | 1,359 |
| <u>Industrial Conglomerates (0.5%)</u> | | |
| Susser Holdings LLC 10.63%, due 12/15/2013 | 704 | 729 |
| <u>Insurance (3.0%)</u> | | |
| MetLife, Inc. 6.40%, due 12/15/2036 | 1,395 | 1,279 |
| Oil Insurance, Ltd. -144A 7.56%, due 06/30/2011 * , 1 | 1,500 | 1,528 |
| Reinsurance Group of America, Inc. 6.75%, due 12/15/2065 * 1 | 1,400 | 1,258 |
| <u>IT Services (1.2%)</u> | | |
| ACE Cash Express, Inc. -144A 10.25%, due 10/01/2014 | 250 | 241 |
| Aramark Corp. 8.50%, due 02/01/2015 | 700 | 709 |
| Western Union Co. (The) 5.93%, due 10/01/2016 | 685 | 684 |
| <u>Machinery (3.0%)</u> | | |
| Cummins, Inc. 5.65%, due 03/01/2098 | 2,000 | 1,590 |
| Polypore, Inc. 8.75%, due 05/15/2012 | 450 | 440 |
| Titan International, Inc. 8.00%, due 01/15/2012 | 600 | 579 |
| Tyco Electronics Group SA -144A 6.55%, due 10/01/2017 | 1,334 | 1,372 |
| <u>Media (9.0%)</u> | | |
| Clear Channel Communications 8.00%, due 11/01/2008 | 1,415 | 1,463 |
| Echostar DBS Corp. 7.13%, due 02/01/2016 | 250 | 255 |

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| | Principal | Value |
|---|-----------|----------|
| Historic Tw, Inc. | | |
| 9.13%, due 01/15/2013 | \$ 3,500 | \$ 3,976 |
| McGraw-Hill Cos., Inc. | | |
| 5.38%, due 11/15/2012 | 1,095 | 1,115 |
| News America Holdings, Inc. | | |
| 9.25%, due 02/01/2013 | 2,985 | 3,489 |
| Omnicom Group, Inc. | | |
| 5.90%, due 04/15/2016 | 1,035 | 1,050 |
| RH Donnelley Corp. -144A | | |
| 8.88%, due 10/15/2017 | 800 | 740 |
| <u>Metals & Mining (1.3%)</u> | | |
| Freeport-McMoRan Copper & Gold, Inc. | | |
| 8.38%, due 04/01/2017 | 125 | 134 |
| Pna Group, Inc. | | |
| 10.75%, due 09/01/2016 | 375 | 352 |
| Vale Overseas, Ltd. | | |
| 6.25%, due 01/23/2017 | 1,250 | 1,254 |
| <u>Multiline Retail (1.0%)</u> | | |
| Neiman-Marcus Group, Inc. | | |
| 9.00%, due 10/15/2015 | 1,275 | 1,315 |
| <u>Oil, Gas & Consumable Fuels (7.4%)</u> | | |
| Burlington Resources, Inc. | | |
| 9.88%, due 06/15/2010 | 480 | 538 |
| Chesapeake Energy Corp. | | |
| 6.88%, due 01/15/2016 | 1,500 | 1,485 |
| Dynegy Holdings, Inc. -144A | | |
| 7.75%, due 06/01/2019 | 750 | 692 |
| Enterprise Products Operating, LP | | |
| 8.38%, due 08/01/2066 * 1 | 600 | 614 |
| Gazprom International SA -144A | | |
| 7.20%, due 02/01/2020 | 544 | 551 |
| Kinder Morgan Energy Partners, LP | | |
| 7.75%, due 03/15/2032 | 1,500 | 1,676 |
| Markwest Energy Partners, LP / | | |
| 8.50%, due 07/15/2016 | 200 | 201 |
| Opti Canada, Inc. -144A | | |
| 8.25%, due 12/15/2014 | 1,000 | 990 |
| PetroHawk Energy Corp. | | |
| 9.13%, due 07/15/2013 | 1,000 | 1,053 |
| Sabine Pass Lng, LP | | |
| 7.50%, due 11/30/2016 | 850 | 812 |
| Teppco Partners, LP | | |
| 7.00%, due 06/01/2067 * 1 | 1,500 | 1,370 |
| <u>Paper & Forest Products (1.6%)</u> | | |
| Celulosa Arauco y Constitucion SA | | |
| 8.63%, due 08/15/2010 | 2,000 | 2,183 |
| <u>Real Estate Investment Trusts (3.6%)</u> | | |
| Healthcare Realty Trust, Inc. | | |
| 8.13%, due 05/01/2011 | 1,350 | 1,474 |
| Hospitality Properties Trust | | |
| 6.30%, due 06/15/2016 | 1,968 | 1,929 |
| Host Hotels & Resorts, LP | | |
| 7.13%, due 11/01/2013 | 1,500 | 1,511 |
| <u>Road & Rail (5.0%)</u> | | |
| CSX Corp. | | |
| 6.75%, due 03/15/2011 | 1,500 | 1,574 |
| Erac USA Finance Co. -144A | | |

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| | | |
|---|-------|----------------|
| 6.80%, due 02/15/2008 | 2,100 | 2,103 |
| Hertz Corp. (The) | | |
| 10.50%, due 01/01/2016 | 1,000 | 1,035 |
| Kansas City Southern de Mexico SA de | | |
| 7.63%, due 12/01/2013 | 820 | 809 |
| Norfolk Southern Corp. | | |
| 6.20%, due 04/15/2009 | 1,145 | 1,169 |
| <u>Specialty Retail (0.9%)</u> | | |
| Claire s Stores, Inc. -144A | | |
| 10.50%, due 06/01/2017 ^ | 350 | 187 |
| Petro Stopping Centers, LP / Petro | | |
| 9.00%, due 02/15/2012 | 1,000 | 1,045 |
| <u>Thriffs & Mortgage Finance (0.6%)</u> | | |
| Sovereign Capital Trust VI | | |
| 7.91%, due 06/13/2036 | 875 | 846 |
| <u>Tobacco (0.3%)</u> | | |
| Alliance One International, Inc. | | |
| 11.00%, due 05/15/2012 | 450 | 470 |
| <u>Wireless Telecommunication Services (1.7%)</u> | | |
| American Tower Corp. -144A | | |
| 7.00%, due 10/15/2017 | 750 | 754 |
| New Cingular Wireless Services, Inc. | | |
| 8.13%, due 05/01/2012 | 1,400 | 1,556 |
| Total Corporate Debt Securities (cost \$113,505) | | 113,282 |

| | Shares | Value |
|---|--------|-------------------|
| PREFERRED STOCKS (1.8%) | | |
| <u>Diversified Telecommunication Services (0.7%)</u> | | |
| Centaur Funding Corp. -144A | 852 | 987 |
| <u>Real Estate Investment Trusts (0.6%)</u> | | |
| Tanger Factory Outlet Centers | 33,334 | 733 |
| <u>Thriffs & Mortgage Finance (0.5%)</u> | | |
| IndyMac Bank Fsb -144A | 59,200 | 640 |
| Total Preferred Stocks (cost \$3,007) | | 2,360 |
| Total Securities Lending Collateral (cost \$5,070) £ | | 5,070 |
| Total Investment Securities (cost \$138,962) # | | \$ 137,753 |

NOTES TO SCHEDULE OF INVESTMENTS:

- [^] *At December 31, 2007, all or a portion of this security is on loan. The value at December 31, 2007, of all securities on loan is \$4,967.*
- ^{*} *Floating or variable rate note. Rate is listed as of December 31, 2007.*
- ¹ *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 December 31, 2007.*
- ² *Step Bond. Interest rate may increase or decrease as the credit rating changes. The security has a perpetual maturity. The date shown is the next call date.*
- [#] *Aggregate cost for federal income tax purposes is \$140,038. Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$2,285. Net unrealized depreciation for tax purposes is \$2,285.*
- [£] *Securities Lending Collateral is comprised of the following:*

| | | |
|---|----|--------------|
| <i>Reserve Primary Money Market fund, 4.95%</i> | \$ | <i>2,070</i> |
| <i>Morgan Stanley & Co (Corp. Repo.),</i> | | |
| <i>Repurchase Agreement, 4.95% 1/2/2008</i> | \$ | <i>3,000</i> |
| | \$ | <i>5,070</i> |

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 December 31, 2007, these securities aggregated \$33,712 or 24.99% of net assets of the fund*

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: February 29, 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: February 29, 2008

By: */s/ Joseph P. Carusone*
Principal Financial Officer
Date: February 29, 2008
