TRANSAMERICA INCOME SHARES, INC. Form N-CSR May 29, 2008

As filed with the SEC on May 29, 2008.

#### **UNITED STATES**

### SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### **FORM N-CSR**

# CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

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 March 31

end:

Date of reporting period: April 1, 2007 - March 31, 2008

Item 1: Report(s) to Shareholders. The Annual Report is attached.

### TRANSAMERICA

### INCOME SHARES, INC.

**Annual Report** 

March 31, 2008

#### MARKET ENVIRONMENT

For fixed-income investors, the seminal event of the twelve months ended March 31, 2008, was a credit-and-liquidity crisis of exceptional proportions. Beginning in the spring of 2007, a sharp rise in defaults for sub-prime mortgages triggered the first of more than \$150 billion (and counting) in losses for banks and others that owned large quantities of the low-quality loans or securities backed by them. As the banks continued to take write-downs, weakening their balance sheets, they turned decidedly risk-averse. By the first quarter of 2008, banks had tightened their lending standards so dramatically that the economy was in danger of experiencing a full-blown liquidity crisis.

Beginning in August 2007, the Federal Reserve Board (Fed) took increasingly numerous, sometimes unprecedented, steps to shore up confidence in the system. To counter the illiquidity and, by early 2008, provide a boost to the flagging U.S. economy, the Fed lowered the federal funds rate (by 300 basis points, to 2.25%) and discount rate (by 375 basis points, to 2.50%). It also instituted lending facilities that opened up the discount window to additional borrowers and put its weight behind the buyout of an investment bank (Bear Stearns & Co.) hobbled by sub-prime-related losses. Congress joined in the stimulus effort, passing an act that will provide consumers and businesses with \$168 billion in tax rebates and credits later in 2008.

Against this backdrop, investors repeatedly sought the relative safety of U.S. Treasury securities. Accordingly, all non-government sectors underperformed Treasuries for the full period as the yield differential between government and non-government sectors widened. The bonds of companies with near-term refinancing needs or those reliant on continued access to capital fared worst in this environment.

#### **PERFORMANCE**

For the year ended March 31, 2008, Transamerica Income Shares, Inc. returned (6.17) %.

#### STRATEGY REVIEW

We believe the focus on a combination of investment-grade and high-yield bonds, complemented by selective investments in asset-backed securities, was most consistent with the portfolio s income orientation. However, as the sub-prime contagion spread, we deemed it prudent to take a more defensive stance, gradually reducing the overall exposure to high-yield securities (from approximately 30% of assets to 20%) and trading securities with the lowest rating (CCC) for BB-rated bonds. In addition, we sold financial services holdings and those sensitive to consumer spending, replacing them with fundamentally sound industrial companies benefiting from strong global growth.

These precautions, though helpful, were not sufficient to insulate the portfolio from underperformance as investors increasingly sought refuge in the Treasury market. Despite this flight to quality, we chose to maintain the exposure to non-government securities. We believed (and continue to believe) that Treasury yields were falling too low given the vast amount of stimulus and liquidity being pumped into the system. In our view, a move to Treasuries, while defensive in the short run, would have violated the income mandate while exposing the portfolio to additional trading costs and undue risk if Treasury yields reverse course as we believe they will.

Heidi Y. Hu, CFA

Portfolio Manager

Transamerica Investment Management, LLC

### SCHEDULE OF INVESTMENTS

### At March 31, 2008

(all amounts except share amounts in thousands)

	Principal	Value
U.S. GOVERNMENT OBLIGATIONS (13.4%)	Timeipui	, arac
U.S. Treasury Bond		
5.00%, due 05/15/2037	\$ 2,7	10 \$ 3,031
U.S. Treasury Note		
2.00%, due 02/28/2010 ^	5,60	5,639
2.75%, due 02/28/2013	58	33 591
2.88%, due 01/31/2013 ^	1,00	00 1,019
3.50%, due 02/15/2018	3	13 315
4.13%, due 08/31/2012 ^	2,85	3,063
4.25%, due 11/15/2013	1,12	25 1,228
4.88%, due 06/30/2012	2,45	55 2,705
Total U.S. Government Obligations (cost \$17,057)		17,591
H.C. COMPRIMENT A CENCY OF ICATIONS (4 Fg)		
U.S. GOVERNMENT AGENCY OBLIGATIONS (1.5%)		
Freddie Mac, Series 2631, Class CE	2.0	2 002
4.25%, due 10/15/2026	2,00	<i>'</i>
Total U.S. Government Agency Obligations (cost \$1,960)		2,002
MORTGAGE-BACKED SECURITIES (4.5%)		
American Tower Trust		
Series 2007-1A, Class C-144A		
5.62%, due 04/15/2037	1,30	05 1,141
Citigroup/Deutsche Bank Commercial Mortgage Trust	,-	
Series 2007-CD4, Class J-144A		
5.69%, due 12/11/2049	1,55	50 753
SBA CMBS Trust	1,00	700
Series 2006-1A, Class D-144A		
5.85%, due 11/15/2036	1,2	1,105
Wachovia Bank Commercial Mortgage Trust	,	,
Series 2006-C28, Class H-144A		
5.97%, due 10/15/2048	1,24	40 806
Crown Castle Towers LLC -144A	,	
5.47%, due 11/15/2036	1,70	00 1,580
SBA CMBS Trust -144A	,	,- ,-
6.17%, due 11/15/2036	54	494
Total Mortgage-Backed Securities (cost \$7,291)	_	5,879
The state of the s		
CORPORATE DEBT SECURITIES (77.7%)		
Aerospace & Defense (3.2%)		
Boeing Co. (The)		
8.75%, due 08/15/2021	2,00	2,653
Embraer Overseas, Ltd.	,	,
6.38%, due 01/24/2017	1,52	25 1,521
Air Freight & Logistics (0.9%)	,	·
FedEx Corp.		
9.65%, due 06/15/2012	1,00	00 1,196
Airlines (2.6%)	, , ,	
Continental Airlines, Inc. Series B		
6.90%, due 04/19/2022	2,00	00 1,670

Delta Air Lines, Inc144A		
6.82%, due 08/10/2022	953	897
United Airlines, Inc.	,,,,	
6.64%, due 07/02/2022	900	826
Automobiles (0.1%)		
General Motors Corp.		
7.13%, due 07/15/2013 ^	150	115
Beverages (1.1%)		
Brown-Forman Corp.		
5.20%, due 04/01/2012	1,400	1,482
Building Products (0.6%)		
CRH America, Inc.		
5.30%, due 10/15/2013	770	750
Capital Markets (2.2%)		
Ameriprise Financial, Inc.		
7.52%, due 06/01/2066 ;	1,005	952
Lazard Group	,	
7.13%, due 05/15/2015	1,000	973
Morgan Stanley	,	
6.63%, due 04/01/2018	1,025	1,025
Chemicals (1.6%)		
Mosaic Co. (The) -144A		
7.88%, due 12/01/2016	400	430
Nalco Co.		
7.75%, due 11/15/2011	600	607
PPG Industries, Inc.		
5.75%, due 03/15/2013	1,070	1,104
Commercial Banks (3.8%)		
HBOS PLC -144A		
6.66%, due 05/21/2037 ;	750	536
HSBC Capital Funding LP -144A		
10.18%, due 06/30/2030	1,500	1,797
ICICI Bank, Ltd. Series A -144A	1,000	2,177
6.63%, due 10/03/2012	1,245	1,243
Shinsei Finance Cayman, Ltd144A	, -	, -
6.42%, due 07/20/2016 ;	700	464
ZFS Finance USA Trust II -144A	700	101
6.45%, due 12/15/2065 j	1,030	936
Commercial Services & Supplies (0.2%)	1,030	930
FTI Consulting, Inc.		
7.75%, due 10/01/2016	300	311
Construction Materials (1.3%)	300	311
Lafarge SA		
7.13%, due 07/15/2036	1,300	1,176
Texas Industries, Inc.	1,500	1,170
7.25%, due 07/15/2013	500	486
Consumer Finance (0.4%)	200	100
Cardtronics, Inc.		
9.25%, due 08/15/2013	525	493

The notes to financial statements are an integral part of this report.

	Principal	Value
Containers & Packaging (0.1%)	·	
Graham Packaging Co., Inc.		
9.88%, due 10/15/2014	5 160	\$ 134
<u>Diversified Financial Services (6.0%)</u>		
Galaxy Entertainment Finance Co., Ltd144A	500	407
9.88%, due 12/15/2012	500	496
Glencore Funding LLC -144A	1.500	1 166
6.00%, due 04/15/2014 ILFC E-Capital Trust II -144A	1,500	1,466
•	641	572
6.25%, due 12/21/2065 ; Mizuho JGB Investment LLC -144A	641	573
	2 000	2.012
9.87%, due 06/30/2008 ;	2,800	2,812
Pemex Finance, Ltd. 9.03%, due 02/15/2011	2,340	2.474
Electric Utilities (3.1%)	2,340	2,474
Dominion Resources, Inc.		
5.69%, due 05/15/2008	1,900	1,904
Sempra Energy	1,500	1,501
7.95%, due 03/01/2010	1,400	1,504
Southern California Edison Co.	,	,
5.95%, due 02/01/2038	630	631
Energy Equipment & Services (1.3%)		
Ocean RIG Norway As -144A		
8.38%, due 07/01/2013	650	715
Weatherford International, Ltd.	4.000	4.004
5.15%, due 03/15/2013	1,000	1,001
Food & Staples Retailing (0.9%)		
Stater Brothers Holdings, Inc. 8.13%, due 06/15/2012	1,200	1,203
Food Products (3.0%)	1,200	1,203
ConAgra Foods, Inc.		
9.75%, due 03/01/2021	235	319
General Mills, Inc.	200	01)
5.20%, due 03/17/2015	1,000	1,003
Kellogg Co.		
4.25%, due 03/06/2013	1,105	1,102
Michael Foods, Inc.		
8.00%, due 11/15/2013	1,500	1,462
Gas Utilities (1.6%)		
Intergas Finance BV -144A	260	225
6.38%, due 05/14/2017	260	227
Southern Union Co. 6.15%, due 08/16/2008	1 200	1,811
Health Care Equipment & Supplies (0.1%)	1,800	1,011
Bausch & Lomb, Inc144A		
9.88%, due 11/01/2015 ^	100	102
Hotels, Restaurants & Leisure (4.3%)	100	102
Harrah s Operating Co., Inc.		
5.50%, due 07/01/2010	600	525
Las Vegas Sands Corp.		
6.38%, due 02/15/2015	800	706
Royal Caribbean Cruises, Ltd.		
8.75%, due 02/02/2011	940	968
Starbucks Corp.		
6.25%, due 08/15/2017	1,235	1,288
Starwood Hotels & Resorts Worldwide	1.500	1.5//
7.88%, due 05/01/2012	1,500	1,566

Wyndham Worldwide Corp.		
6.00%, due 12/01/2016	675	617
Independent Power Producers & Energy Traders (2.8%)		
AES Corp. (The)		
8.00%, due 10/15/2017	650	658
AES Gener SA		
7.50%, due 03/25/2014	1,500	1,594
Empresa Nacional de Electricidad SA/Chile Class B		
8.50%, due 04/01/2009	1,300	1,359
Industrial Conglomerates (0.5%)		
Susser Holdings LLC		
10.63%, due 12/15/2013	704	723
Insurance (1.9%)		
Oil Insurance, Ltd144A		
7.56%, due 06/30/2011	1,500	1,308
Reinsurance Group of America, Inc.		
6.75%, due 12/15/2065 ;	1,400	1,228
IT Services (0.7%)	1,100	1,220
ACE Cash Express, Inc144A		
10.25%, due 10/01/2014	250	203
Aramark Corp.	250	203
8.50%, due 02/01/2015	700	702
Machinery (3.0%)	700	, 02
Cummins, Inc.		
5.65%, due 03/01/2098	2,000	1,549
Polypore, Inc.		2,0 1,
8.75%, due 05/15/2012	450	432
Titan International, Inc.		
8.00%, due 01/15/2012	600	588
Tyco Electronics Group SA -144A		
6.55%, due 10/01/2017	1,334	1,398
Media (8.6%)	,	,
AMFM, Inc.		
8.00%, due 11/01/2008	1,415	1,460
Echostar DBS Corp.	,	,
7.13%, due 02/01/2016	250	233
Historic TW, Inc.		
9.13%, due 01/15/2013	3,500	3,923
McGraw-Hill Cos., Inc. (The)		
5.38%, due 11/15/2012	1,095	1,118
News America Holdings, Inc.		,
9.25%, due 02/01/2013	2,985	3,464
Omnicom Group, Inc.		
5.90%, due 04/15/2016	1,035	1,028

The notes to financial statements are an integral part of this report.

Method Marchian Coper & Gold, Inc.   18,38%, die 04001/2017   3		Principal	Value
8.88%, the OHOLZOLT         \$ 125         \$ 133           PNA Group, Inc.         375         36           10.75%, the OEOLZOLO         375         36           426 Oversea, the         1,250         1,245           Multilitus Result (1/6%)         1,275         1,275           Neiman-Murcus Group, Inc.         1,275         1,275           900%, the 10/15/2015         1,275         1,275           OLI, Gas & Consumble Pools (8.7%)         1         480         545           Enterprise Group Control         480         545         545           Chesquelac Energy Corp.         688%, due OHIS/2016         1,500         1,485         545	Metals & Mining (1.3%)	•	
PNG GROUP, Inc.   1,250   1,	Freeport-McMoRan Copper & Gold, Inc.		
10.75%, die 0901/2016   375   326   Vale Oversen, It.d.		\$ 125	\$ 133
Vale Overseas, Ltd.         1,250         1,245           C525%, due 1/15/2015         1,275         1,275           Multime Readit (1,0%)         1,275         1,275           Meiman-Marcas Group, Inc.         1,275         1,275           9,00%, due 1/015/2015         1,285         1,275           Burlington Resources, Inc.         88%, due 0/015/2010         480         545           5,88%, due 0/015/2016         1,500         1,485           5,88%, due 0/015/2016         1,500         1,885           Drugy Hollings, Inc.         7         775%, due 06001/2019         1,500         1,885           1,75%, due 06001/2019         1,500         584         622         1,500	· ·		
6.25%, due 01/23/2017         1,250         1,245           Multilline Result (1.056)         1,275         1,275           9.00%, due 107/5/2015         1,275         1,275           9.00%, due 107/5/2015         1,275         1,275           0.00%, due 107/5/2016         480         545           Chesapeake Energy Corp.         1,500         1,485           Chesapeake Energy Corp.         750         701           Enterprise Products Operating, LP         838, due 080/10/206 f         600         84           S.38%, due 080/10/206 f         600         84         52           Gazpron International SA-144A         54         54         54           7.20%, due 020/10/200         51         52         50         1,50 <td></td> <td>375</td> <td>326</td>		375	326
Multiline Retail (1.0%)   Netimary Group, Inc.   1,275   1,2	,		
Neman Marcus Group, Inc.   1,275   1		1,250	1,245
9.00%, due 10/15/2015         1,275         1,275           011. Gas & Consumable Fuels (8.7%)         3         545           Burlington Resources, the         3         545           Chesspeake Finergy Corp.         3         748           Chesspeake Finergy Corp.         75%, due 0601/2019         750         701           Enterprise Products Operating, LP         8.38%, due 0801/2066 j         60         584           8.38%, due 0801/2066 j         60         584         524           Kinder Morgan Energy Partners, LP         1,500         1,597           Markwest Energy Finance Corp.         20         20           Markwest Energy Finance Corp.         200         20           Markwest Energy Finance Corp.         200         20           VETY-15%, due 03/15/2032         1,500         1,597           Markwest Energy Finance Corp.         200         20           VETY-15%, due 03/15/2018         1000         1,000         90           Petro-Hawk Energy Finance Corp.         1,000         1,000         1,002           Petro-Hawk Energy Finance Corp.         1,000         1,028         1,002         1,028           Petro-Isanda, Inc.         1,000         1,028         1,002         1,028			
Oil Clask & Consumable Fuels (8.7%)         88 (15201)         480         545           P.88%, due 06(15/2010)         480         545           Chesspeake Energy Corp.         1,500         1,835           Oxynegy Holdings, Inc.         750         701           Crips, due Offol/2019         750         70           Enterprise Products Operating, LP         8.38%, due 080/1/2066 [         600         584           Gazprom International SA - 144A         3         4         24           7.20%, due 070/1/2020         31         50         1,50         1,50         1,50           S.00%, due 070/1/20216         20         202 </td <td>•</td> <td>1 277</td> <td>1.075</td>	•	1 277	1.075
Burlington Resources, Inc.		1,2/5	1,2/5
9.88%, due 00/15/2010       480       458         Chesapeake Energy Corp.       1,500       1,485         O.88%, due 01/15/2016       1,500       1,485         Dynegy Holdings, Inc.       750       70         7.75%, due 06/01/2019       600       584         8.38%, due 08/01/2006 f       600       584         Gazyon International SA -144A       524       54       524         Kinder Morgan Energy Partners, LP       7.75%, due 03/15/2032       1,500       1,509         Markwest Energy Finance Corp.       2       2         8.50%, due 07/15/2016       20       20         OPTI Canada, Inc.       1,000       90         Petrobars International Finance Co.       1,000       1,00         5.88%, due 03/01/2018       1,300       1,251         PetroHawk Energy Corp.       1       400       400         9.13%, due 07/15/2013       1,000       1,008       400       400         Petroleum Development Corp144A       400 <td></td> <td></td> <td></td>			
Chesapeake Energy Corp.         1,500         1,485           Dynegy Holdings, Inc.         70         70           7,75%, due 06001/2019         70         70           Enterprise Products Operating, LP         8.83%, due 08001/2066 j         60         584           8,35%, due 08001/2020         514         524           Kinder Morgan Energy Partners, LP         514         524           7,25%, due 03015/2032         1,500         1,509           Markwest Energy Finance Corp.         200         202           S.95%, due 07/15/2016         20         20           OPTI Canada, Inc.         20         20           8,25%, due 121/3/2014         1,000         90           Petrobras International Finance Co.         1,300         1,20           \$,25%, due 121/3/2018         1,00         1,20           Petrobras International Finance Co.         1,300         1,20           \$,85%, due 07/15/2013         1,00         1,20           \$,91%, due 07/15/2013         1,00         1,20           \$,92         1,92         4,00         1,20           \$,100         4,00         1,00         1,00           \$,200         4,00         1,00         1,00         1,00 <td></td> <td>480</td> <td>545</td>		480	545
6.88%, due 01/15/2016       1,500       1,485         Dynegy Holdings, Inc.       75%, due 06/01/2019       701         Enterprise Products Operating, LP       8         8.38%, due 080/12/066 †       600       584         Gazprom International SA-144A       524         Kinder Morgan Energy Partners, LP       7,75%, due 03/15/2032       150       205         7,75%, due 03/15/2032       200       202         8,50%, due 07/15/2016       200       202         8,50%, due 07/15/2016       200       202         8,25%, due 12/15/2014       1,000       900         Petrobas International Finance Co.       3       1,300       1,251         8,88%, due 03/10/2018       1,000       1,002       1,002         9,13%, due 07/15/2013       1,000       1,002       1,002         Petroleum Development Corp144A       12,00%, due 1/13/02/016       85       80       80         8,25%, due 1/13/02/016       85       80		100	313
Dynagy Holdings, Inc.   75%, due 06001/2019   750   701     Enterprise Products Operating, LP   8.38%, due 08/01/2066   60		1.500	1.485
7.75%, due 06/01/2019       750       701         Enterprise Products Operating, LP       600       584         6.38%, due 08/01/2066 †       600       584         6.32pron International SA - 144A       ************************************		2,2 0 0	2,100
Enterprise Products Operating, LP         8.38%, due 08/01/2066 i         600         584           Gapprom International SA - 144A         7.20%, due 02/01/2020         514         524           Kinder Morgan Energy Partners, LP         7.75%, due 03/15/2032         1,500         1,597           Markwest Energy Finance Corp.         200         202           S.05%, due 07/15/2016         200         202           OPTI Canada, Inc.         1,000         990           8.25%, due 12/15/2014         1,000         990           Petrobras International Finance Co.         1,300         1,251           8.25%, due 03/01/2018         1,000         1,008           Petroblaw Energy Corp.         1         1,000         1,008           Petroblaw Energy Corp.         1,000         1,008		750	701
8.38%, due 08/01/2066 j       600       584         Gazpron International SA - 144A       524         7.20%, due 02/01/2020       514       524         Kinder Morgan Energy Partners, LP       1,500       1,597         7.57%, due 03/15/2032       1,500       202         8.50%, due 07/15/2016       20       202         0.9TT Canada, Inc.       1,000       902         8.25%, due 12/15/2014       1,000       1,251         Petrobras International Finance Co.       1,300       1,251         9.13%, due 07/15/2013       1,000       1,028         Petrolawk Energy Corp.       1,000       1,028         9.13%, due 07/15/2013       1,000       1,028         Petrolum Development Corp144A       1,000       400         2,000%, due 07/15/2018       400       400         Sabine Pass LNG, LP       1,500       1,285         7,50%, due 11/30/2016       850       820         Tapper & Forest Products (17%)       2       1,200         Cellulosa Arauco y Constitucion SA       2,000       2,221         Real Estate Investment Trusts (3,6%)       1,244         Hospitality Properties Trust       1,26       1,444         Hospitality Properties Trust       <	Enterprise Products Operating, LP		
Gazpron International SA - 144A         514         524           7.20%, due 02/01/2020         514         524           Kinder Morgan Energy Partners, LP         1,500         1,593           7.5%, due 03/15/2032         1,500         202           Markwest Energy Finance Corp.         200         202           8.50%, due 07/15/2016         1,000         990           Petrolanda, Inc.         1,000         990           8.58%, due 03/01/2018         1,300         1,251           Petrolawk Energy Corp.         1,000         1,002           9.13%, due 07/15/2013         1,000         400           8 bine Pass LNG, LP         400         400           7.50%, due 01/15/2018         850         820           8 bine Pass LNG, LP         850         820           7.50%, due 01/15/2016         850         820           Tepper Partners, LP         1,500         1,285           7.00%, due 06/01/2067 †         1,500         1,285           Pager & Forest Products (1.7%)         2,000         2,21           Real Estate Investment Trusts (3.6%)         1         1,444           Hospitality Properties Trust         1         1,500         1,444           Hospitality Prope		600	584
7.20%, due 02/01/2020       514       524         Kinder Morgan Energy Partners, LP       1,500       1,597         Markwest Energy Finance Corp.       200       202         A50%, due 07/15/2016       200       902         OPTI Canada, Inc.       1,000       902         8.25%, due 12/15/2014       1,000       1,251         Petrobras International Finance Co.       1,000       1,251         5.85%, due 03/01/2018       1,000       1,252         Petrolary Environal Finance Corp.       1,000       1,028         1,31%, due 07/15/2013       1,000       1,028         Petrolary Environal Environa		000	
Kinder Morgan Energy Partners, LP         1,500         1,597           Markwest Energy Finance Corp.         200         202           8,50%, due 07/15/2016         200         202           OPTT Canada, Inc.         1,000         990           8,25%, due 12/15/2014         1,000         990           Petrolanda Finance Co.         1,500         1,251           5,88%, due 30/1/2018         1,500         1,028           Petroleum Evelopment Corp 144A         1,000         400         400           1,30%, due 07/15/2013         400<	·	514	524
7.75%, due 03/15/2032 1,500 1,597 Markwest Energy Finance Corp. 8.50%, due 07/15/2016 200 202 OPTI Canada, Inc. 8.25%, due 12/15/2014 1,000 990 Petrobras International Finance Co. 5.88%, due 03/01/2018 1,300 1,251 Petrolauk Energy Corp. 9.13%, due 07/15/2013 1,000 1,008 Petrolauk Energy Corp. 9.13%, due 07/15/2013 1,000 1,008 Petrolauk Energy Corp. 9.13%, due 07/15/2018 400 400 Sabine Pass LNG, LP 7.50%, due 11/30/2016 850 820 Teppo Partners, LP 7.00%, due 06/01/2067 1, 1500 1,285 Paper & Forest Products (L.75%) Celulosa Arauco y Constituction SA 8.63%, due 08/15/2010 2,000 2,221 Real Estate Investment Trusts (3.6%) Healthcare Realty Trust, Inc. 8.13%, due 05/01/2011 1,350 1,444 Hospitality Properties Trust 6.30%, due 06/5/2016 1,968 1,743 Host Hotels & Resorts, LP 7.13%, due 11/01/2013 1,500 1,500 Road & Rail (3.4%) CSX Corp. 6.75%, due 03/15/2011 1,500 1,584 Hertz Corp. (The) 10.50%, due 01/01/2016 1,500 1,584 Hertz Corp. (The) 10.50%, due 01/01/2016 1,500 1,584 Hertz Corp. (The) 10.50%, due 01/01/2016 1,000 9,300 1,584 Hertz Corp. (The) 10.50%, due 01/01/2016 1,500 1			
8.50%, due 07/15/2016       200       202         OPTI Canada, Inc.       ****         8.25%, due 12/15/2014       1,000       990         Petrobras International Finance Co.       ****         5.85%, due 03/01/2018       1,300       1,251         PetroHawk Energy Corp.       ****         9.13%, due 07/15/2013       1,000       1,028         Petroleum Development Corp144A       400       400         Sabine Pass LNG, LP       ***       ***         7.50%, due 11/30/2016       850       820         Teppeo Partners, LP       ***       ***         7.00%, due 06/01/2067 †       1,500       1,285         Pager & Forest Products (1.7%)       2,000       2,221         Celulosa Arauco y Constitucion SA       2,000       2,221         Real Estate Investment Trusts (3.6%)       2,000       2,221         Healthcare Realty Trust, Inc.       1,350       1,444         Hospitality Properties Trust       1,500       1,474         1,057 (due 06/15/2016       1,500       1,470         1,058 (due 06/15/2016       1,500       1,504         1,057 (due 03/15/2011       1,500       1,504         1,057 (due 03/15/2011       1,500       1,584		1,500	1,597
OPTI Canada, Inc.         8.25%, due 12/15/2014         1,000         99           Petrobras International Finance Co.         1,300         1,251           5.88%, due 03/01/2018         1,300         1,251           PetroHawk Energy Corp.         1,000         1,028           9.13%, due 07/15/2013         1,000         1,028           Petroleum Development Corp144A         2.000         400         400           12,00%, due 02/15/2018         80         820           Petroleum Development Corp144A         850         820           Reine Pass LNG, LP         850         820           7,50%, due 11/30/2016         850         820           Tepper Partners, LP         1,500         1,285           7,00%, due 06/01/2067 †         1,500         1,285           Pager & Forest Products (1,7%)         2,000         2,221           Real Estate Investment Trusts (3,6%)         2,000         2,221           Real Estate Investment Trusts (3,6%)         1,350         1,444           Rospitality Properties Trust         1,500         1,444           Rospitality Properties Trust         1,500         1,470           Rost (4,00 60/15/2016         1,500         1,500         1,470           Rost	Markwest Energy Finance Corp.		
8.25%, due 12/15/2014       1,000       990         Petrobras International Finance Co.       1,300       1,251         PetroHawk Energy Corp.       1,300       1,028         9.13%, due 07/15/2013       1,000       1,028         Petroleum Development Corp144A       400       400         2,00%, due 02/15/2018       400       400         Sabine Pass LNG, LP       500       820         7,50%, due 11/30/2016       850       820         Teppeo Partners, LP       500       1,285         Paper & Forest Products (1,7%)       1,500       1,285         Paper & Forest Products (1,7%)       2,000       2,221         Real Estate Investment Trusts (3,6%)       2,000       2,221         Real Estate Investment Trusts (3,6%)       1,350       1,444         Hospitality Properties Trust       1,350       1,444         Hospitality Properties Trust       1,500       1,470         6,30%, due 06/15/2016       1,968       1,745         1,35%, due 1/10/12013       1,500       1,470         Road & Rail (3,4%)       1,500       1,500         CSX Corp.       1,500       1,504         6,75%, due 03/15/2011       1,500       1,504         Hertz	8.50%, due 07/15/2016	200	202
Petrobras International Finance Co.         1,300         1,251           5.88%, due 03/01/2018         1,300         1,251           PetroHawk Energy Corp.         1,000         1,028           9.13%, due 07/15/2018         400         400           Petroleum Development Corp144A         400         400           12.00%, due 02/15/2018         400         400           Sabine Pass LNG, LP         850         820           7.50%, due 11/30/2016         850         820           Teppe Partners, LP         1,500         1,285           7.00%, due 06/01/2067 †         1,500         1,285           Paper & Forest Products (1.7%)         2         2           Celulosa Arauco y Constitucion SA         2,000         2,221           8.63%, due 08/15/2010         2,000         2,221           Real Estate Investment Trusts (3.6%)         1         1,350         1,444           Hospitality Properties Trust         1,968         1,743           Host Hotels & Resorts, LP         1,968         1,743           Host Hotels & Resorts, LP         1,500         1,470           T.13%, due 11/01/2013         1,500         1,500           Road & Rail (3.4%)         2         1,500         1,584<	OPTI Canada, Inc.		
5.88%, due 03/01/2018       1,300       1,251         Petrolawk Energy Corp.       1,000       1,028         Petroleum Development Corp144A       2.00%, due 02/15/2018       400       400         Sabine Pass LNG, LP       850       820         7.50%, due 11/30/2016       850       820         Teppco Partners, LP       1,500       1,285         7.00%, due 06/01/2067 †       1,500       1,285         Paper & Forest Products (1,7%)       2,000       2,221         Real Estate Investment Trusts (3,6%)       2,000       2,221         Real Estate Investment Trusts (3,6%)       1,350       1,444         Hospitality Properties Trust       1,350       1,444         Hosy tally properties Trust       1,968       1,743         6,30%, due 06/15/2016       1,968       1,743         Host Hotels & Resorts, LP       1,500       1,400         7,13%, due 11/01/2013       1,500       1,584         Host Corp.       1,500       1,584         Hertz Corp. (The)       1,000       936         Kansas City Southern de Mexico SA       71         Norfolk Southern Corp.       1,145       1,178         6,20%, due 04/15/2009       1,145       1,178	8.25%, due 12/15/2014	1,000	990
PetroHawk Energy Corp.         1,3%, due 07/15/2013         1,000         1,028           Petroleum Development Corp144A         12.00%, due 02/15/2018         400         400           Sabine Pass LNG, LP         850         820           7.50%, due 11/30/2016         850         820           Teppco Partners, LP         1,500         1,285           7.00%, due 06/01/2067;         1,500         1,285           Paper & Forest Products (1,7%)         2,000         2,221           Real Estate Investment Trusts (3.6%)         2,000         2,221           Real Estate Investment Trusts (3.6%)         1,350         1,444           Hospitality Properties Trust         1,350         1,444           Hospitality Properties Trust         1,968         1,743           Host Hotels & Resorts, LP         1,500         1,470           7.13%, due 11/01/2013         1,500         1,470           Road & Rail (3.4%)         1         1,500         1,504           CSX Corp.         5,75%, due 03/15/2011         1,500         1,504         1,504           Hertz Corp. (The)         1,000         936         4           Hertz Corp. (The)         1,000         936         4           Kansa City Southern de Mexico			
9.13%, due 07/15/2013       1,000       1,028         Petroleum Development Corp144A		1,300	1,251
Petroleum Development Corp 144A         12.00%, due 02/15/2018       400       400         Sabine Pass LNG, LP			
12.00%, due 02/15/2018		1,000	1,028
Sabine Pass LNG, LP       850       820         7.50%, due 11/30/2016       850       820         Teppco Partners, LP       1,500       1,285         7.00%, due 06/01/2067;       1,500       1,285         Paper & Forest Products (1.7%)       ************************************		400	400
7.50%, due 11/30/2016       850       820         Teppeo Partners, LP		400	400
Teppco Partners, LP       T.500%, due 06/01/2067 j       1,500       1,285         Paper & Forest Products (1.7%)       Celulosa Arauco y Constitucion SA         8.63%, due 08/15/2010       2,000       2,221         Real Estate Investment Trusts (3.6%)       Healthcare Realty Trust, Inc.         8.13%, due 05/01/2011       1,350       1,444         Hospitality Properties Trust       1,968       1,743         6.30%, due 06/15/2016       1,968       1,743         Host Hotels & Resorts, LP       1,500       1,470         7.13%, due 11/01/2013       1,500       1,470         Road & Rail (3.4%)       CSX Corp.         6.75%, due 03/15/2011       1,500       1,584         Hertz Corp. (The)       1,000       936         Kansas City Southern de Mexico SA       7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.       6.20%, due 04/15/2009       1,145       1,178		950	920
7.00%, due 06/01/2067;       1,500       1,285         Paper & Forest Products (1.7%)         Celulosa Arauco y Constitucion SA         8.63%, due 08/15/2010       2,000       2,221         Real Estate Investment Trusts (3.6%)         Healthcare Realty Trust, Inc.         8.13%, due 05/01/2011       1,350       1,444         Hospitality Properties Trust         6.30%, due 06/15/2016       1,968       1,743         Hospitality Properties Trust         6.30%, due 01/15/2018       1,500       1,470         Road & Rail (3.4%)         CSX Corp.         6.75%, due 03/15/2011       1,500       1,584         Hertz Corp. (The)         10.50%, due 01/01/2016       1,000       936         Kansas City Southern de Mexico SA       7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.       6.20%, due 04/15/2009       1,145       1,178		830	820
Paper & Forest Products (1.7%)         Celulosa Arauco y Constitucion SA       2,000       2,221         8.63%, due 08/15/2010       2,000       2,221         Real Estate Investment Trusts (3.6%)         Healthcare Realty Trust, Inc.         8.13%, due 05/01/2011       1,350       1,444         Hospitality Properties Trust         6.30%, due 06/15/2016       1,968       1,743         Host Hotels & Resorts, LP       1,500       1,470         7.13%, due 11/01/2013       1,500       1,470         Road & Rail (3.4%)         CSX Corp.         6.75%, due 03/15/2011       1,500       1,584         Hertz Corp. (The)         10.50%, due 01/01/2016       1,000       936         Kansas City Southern de Mexico SA       7,63%, due 12/01/2013       820       771         Norfolk Southern Corp.       6.20%, due 04/15/2009       1,145       1,178		1.500	1 205
Celulosa Arauco y Constitucion SA       2,000       2,221         8.63%, due 08/15/2010       2,000       2,221         Real Estate Investment Trusts (3.6%)       Healthcare Realty Trust, Inc.         8.13%, due 05/01/2011       1,350       1,444         Hospitality Properties Trust       1,968       1,743         Host Hotels & Resorts, LP       1,500       1,470         Road & Rail (3.4%)       2       1,500       1,470         Road & Rail (3.4%)       1,500       1,584         CSX Corp.       1,500       1,584         Hertz Corp. (The)       1,000       936         Kansas City Southern de Mexico SA       3,00       771         Norfolk Southern Corp.       820       771         Norfolk Southern Corp.       1,145       1,178		1,500	1,285
8.63%, due 08/15/20102,0002,221Real Estate Investment Trusts (3.6%)Healthcare Realty Trust, Inc.8.13%, due 05/01/20111,3501,444Hospitality Properties Trust6.30%, due 06/15/20161,9681,743Host Hotels & Resorts, LP1,5001,4707.13%, due 11/01/20131,5001,470Road & Rail (3.4%)1,5001,584CSX Corp.5.75%, due 03/15/20111,5001,584Hertz Corp. (The)1,000936Kansas City Southern de Mexico SA380771Norfolk Southern Corp.7.63%, due 04/15/20091,1451,178			
Real Estate Investment Trusts (3.6%)         Healthcare Realty Trust, Inc.       1,350       1,444         8.13%, due 05/01/2011       1,350       1,444         Hospitality Properties Trust       1       1,968       1,743         6.30%, due 06/15/2016       1,968       1,743         Host Hotels & Resorts, LP       1,500       1,470         7.13%, due 11/01/2013       1,500       1,470         Road & Rail (3.4%)       2       1,504         CSX Corp.       6.75%, due 03/15/2011       1,500       1,584         Hertz Corp. (The)       1,000       936         Kansas City Southern de Mexico SA       71         7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.         6.20%, due 04/15/2009       1,145       1,178	•	2 000	2 221
Healthcare Realty Trust, Inc.  8.13%, due 05/01/2011 1,350 1,444  Hospitality Properties Trust 6.30%, due 06/15/2016 1,968 1,743  Host Hotels & Resorts, LP 7.13%, due 11/01/2013 1,500 1,470  Road & Rail (3.4%)  CSX Corp. 6.75%, due 03/15/2011 1,500 1,584  Hertz Corp. (The) 10.50%, due 01/01/2016 1,000 936  Kansas City Southern de Mexico SA 7.63%, due 12/01/2013 820 771  Norfolk Southern Corp. 6.20%, due 04/15/2009 1,145 1,178	,	2,000	2,221
8.13%, due 05/01/2011       1,350       1,444         Hospitality Properties Trust       1,968       1,743         6.30%, due 06/15/2016       1,968       1,743         Host Hotels & Resorts, LP       1,500       1,470         7.13%, due 11/01/2013       1,500       1,470         Road & Rail (3.4%)       500       1,584         CSX Corp.       500       1,500       1,584         Hertz Corp. (The)       1,000       936         Kansas City Southern de Mexico SA       700       936         7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.       500%, due 04/15/2009       1,145       1,178			
Hospitality Properties Trust         6.30%, due 06/15/2016       1,968       1,743         Host Hotels & Resorts, LP       7.13%, due 11/01/2013       1,500       1,470         Road & Rail (3.4%)       CSX Corp.         6.75%, due 03/15/2011       1,500       1,584         Hertz Corp. (The)       10.50%, due 01/01/2016       1,000       936         Kansas City Southern de Mexico SA       7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.       6.20%, due 04/15/2009       1,145       1,178		1.350	1.444
6.30%, due 06/15/20161,9681,743Host Hotels & Resorts, LP		1,000	2,
Host Hotels & Resorts, LP 7.13%, due 11/01/2013 1,500 1,470  Road & Rail (3.4%)  CSX Corp. 6.75%, due 03/15/2011 1,500 1,584  Hertz Corp. (The) 10.50%, due 01/01/2016 1,000 936  Kansas City Southern de Mexico SA 7.63%, due 12/01/2013 820 771  Norfolk Southern Corp. 6.20%, due 04/15/2009 1,145 1,178		1,968	1,743
7.13%, due 11/01/2013       1,500       1,470         Road & Rail (3.4%)         CSX Corp.         6.75%, due 03/15/2011       1,500       1,584         Hertz Corp. (The)         10.50%, due 01/01/2016       1,000       936         Kansas City Southern de Mexico SA         7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.         6.20%, due 04/15/2009       1,145       1,178		,	,
CSX Corp. 6.75%, due 03/15/2011 1,500 1,584  Hertz Corp. (The) 10.50%, due 01/01/2016 1,000 936  Kansas City Southern de Mexico SA 7.63%, due 12/01/2013 820 771  Norfolk Southern Corp. 6.20%, due 04/15/2009 1,145 1,178		1,500	1,470
6.75%, due 03/15/2011 1,500 1,584 Hertz Corp. (The) 10.50%, due 01/01/2016 1,000 936 Kansas City Southern de Mexico SA 7.63%, due 12/01/2013 820 771 Norfolk Southern Corp. 6.20%, due 04/15/2009 1,145 1,178			
Hertz Corp. (The) 10.50%, due 01/01/2016 1,000 936 Kansas City Southern de Mexico SA 7.63%, due 12/01/2013 820 771 Norfolk Southern Corp. 6.20%, due 04/15/2009 1,145 1,178	CSX Corp.		
10.50%, due 01/01/2016       1,000       936         Kansas City Southern de Mexico SA       7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.       6.20%, due 04/15/2009       1,145       1,178	6.75%, due 03/15/2011	1,500	1,584
Kansas City Southern de Mexico SA       820       771         7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.       5.20%, due 04/15/2009       1,145       1,178	Hertz Corp. (The)		
7.63%, due 12/01/2013       820       771         Norfolk Southern Corp.       5.20%, due 04/15/2009       1,145       1,178		1,000	936
Norfolk Southern Corp. 6.20%, due 04/15/2009 1,145 1,178	·		
6.20%, due 04/15/2009 1,145 1,178		820	771
Tobacco (0.3%)		1,145	1,178
	10bacco (0.5%)		

Alliance One International, Inc.		
11.00%, due 05/15/2012	450	457
Wireless Telecommunication Services (1.8%)		
American Tower Corp144A		
7.00%, due 10/15/2017	750	750
New Cingular Wireless Services, Inc.		
8.13%, due 05/01/2012	1,400	1,567
Total Corporate Debt Securities (cost \$103,185)		101,732

	Shares	Value
PREFERRED STOCKS (1.2%)		
<u>Diversified Telecommunication Services (0.6%)</u>		
Centaur Funding Corp144A	852	803
Real Estate Investment Trusts (0.6%)		
Tanger Factory Outlet Centers	33,334	775
Total Preferred Stocks (cost \$1,671)		1,578
Total Securities Lending Collateral (cost \$9,348)		9,348
Total Investment Securities (cost \$140,512) #	\$	138,130

#### NOTES TO SCHEDULE OF INVESTMENTS:

- ^ At March 31, 2008, all or a portion of this security is on loan (see Note 1). The value at March 31, 2008, of all securities on loan is \$9.160.
- 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 March 31, 2008.
  - The security has a perpetual maturity. The date shown is the next call date.
- # Aggregate cost for federal income tax purposes is \$141,700. Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value were \$2,495 and \$6,065, respectively. Net unrealized depreciation for tax purposes is \$3,570.

#### **DEFINITIONS:**

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 March 31, 2008, these securities aggregated \$23,959 or 18.29% of the Transamerica Income Shares, Inc. s (the Fund ) net assets.

The notes to financial statements are an integral part of this report.

#### GRAPHIC PRESENTATION OF PORTFOLIO HOLDINGS

(unaudited)

#### **Credit Rating Description**

- Aaa Prime grade obligations. Exceptional financial security and ability to meet senior financial obligations.
- Aa3 High grade obligations. Strong capacity to pay interest and repay principal.
- Al Upper medium grade obligations. Superior ability for repayments of senior short-term debt obligations.
- A2 Upper medium grade obligations. Strong ability for repayments of senior short-term debt obligations.
- 43 Upper medium grade obligations. Acceptable ability for repayments of senior short-term debt obligations.
- B1 Moderate vulnerability to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
- B2 More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
- Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
- Bal Moderate vulnerability in the near-term but faces major ongoing uncertainties in the event of adverse business, financial and economic conditions.
- Ba2 Vulnerable in the near-term but faces major ongoing uncertainties in the event of adverse business, financial and economic conditions.

- Ba3 More vulnerable in the near-term but faces major ongoing uncertainties in the event of adverse business, financial and economic conditions.
- Baal Medium grade obligations. Interest payments and principal security are adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over great length of time.
- Baa2 Medium grade obligations. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over great length of time.
- Baa3 Medium grade obligations. Interest payments and principal security are not as adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over great length of time.
- Caal Highly vulnerable. May be in default on their policyholder obligations or there may be present elements of danger with respect to payment of policyholder obligations and claims.

UNDERSTANDING YOUR FUND S EXPENSES

(unaudited)
SHAREHOLDER EXPENSES
Fund shareholders may incur ongoing costs, including management and advisory fees, distribution and service fees, and other fund expenses.
The following example is intended to help you understand your ongoing costs (in dollars and cents) of investing in the Fund and to compare these costs with the ongoing costs of investing in other funds.
The example is based on an investment of \$1,000 invested at October 1, 2007 and held for the entire period until March 31, 2008.
ACTUAL EXPENSES
The first line in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line of your Fund under the heading entitled Expenses Paid During Period to estimate the expenses you paid on your account during this period. If your account is an IRA, your expenses could have included a \$15 annual fee. The amount of any fee paid through your account would increase the estimate of expenses you paid during the period and decrease your ending account value.
HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The second line in the table below provides information about hypothetical account values and hypothetical expenses based on the Fund s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges, redemption fees, brokerage commissions paid on purchases and sales of fund shares. Therefore, the second line under the Fund in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If any of these transaction costs were included, your costs would be higher. The expenses shown in the table do not reflect any fees that may be charged to you by brokers, financial intermediaries or other financial institutions.

	eginning Account Value	Ending Account Value	Annualized Expense Ratio	Expenses Paid During Period (a)
Actual	\$ 1,000.00	\$ 966.42	0.77% \$	3.81
Hypothetical (b)	1,000.00	1,021.13	0.77	3.91

<sup>(</sup>a) Expenses are calculated using the Fund's annualized expense ratio (as disclosed in the table), multiplied by the average account value for the period, multiplied by the number of days in the period (183 days), and divided by the number of days in the year (366 days).

<sup>(</sup>b) 5% return per year before expenses.

Transamerica Income Shares, Inc.

### STATEMENT OF ASSETS AND LIABILITIES

### At March 31, 2008

(all amounts except per share amounts in thousands)

Assets:	
Investment securities, at value (cost: \$140,512)	
(including securities loaned of \$9,160)	\$ 138,130
Cash	860
Receivables:	
Investment securities sold	2,511
Interest	2,083
Income from loaned securities	18
	143,602
Liabilities:	
Investment securities purchased	2,379
Accounts payable and accrued liabilities:	
Management and advisory fees	56
Transfer agent fees	9
Administration fees	2
Dividends to shareholders	758
Payable for collateral for securities on loan	9,348
Other	71
	12,623
Net Assets applicable to 6,319 capital shares outstanding, \$1.00 par value	
(authorized 20,000 shares)	\$ 130,979
Net Asset Value Per Share	\$ 20.73
Net Assets Consist of:	