

TRANSAMERICA INCOME SHARES, INC.

Form N-Q

February 27, 2015

**As filed with the SEC on February 27, 2015**

**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)**

**4600 S. Syracuse St., Ste. 1100, Denver, CO 80237**

**(Address of Principal Executive Offices) (Zip Code)**

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**Registrant's Telephone Number, including Area Code: (720) 482-1501**

**Tané T. Tyler, General Counsel, 4600 S. Syracuse St., Ste. 1100, Denver, CO 80237**

**(Name and Address of Agent for Service)**

Date of fiscal year end: **March 31**

Date of reporting period: **October 1, 2014** **December 31, 2014**

**Item 1. Schedule of Investments.**

The unaudited Schedules of Investments of Registrant as of December 31, 2014 are attached.

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS****At December 31, 2014****(unaudited)**

|  | <b>Principal</b> | <b>Value</b> |
|--|------------------|--------------|
| <b>U.S. GOVERNMENT OBLIGATIONS - 2.9%</b>        |                  |              |
| U.S. Treasury Inflation Indexed Bond             |                  |              |
| 2.50%, 01/15/2029                                | \$ 995,373       | \$ 1,235,117 |
| U.S. Treasury Note                               |                  |              |
| 2.50%, 08/15/2023                                | 2,822,000        | 2,912,612    |
| <b>Total U.S. Government Obligations</b>         |                  |              |
| <b>(Cost \$3,854,351)</b>                        |                  | 4,147,729    |
| <b>U.S. GOVERNMENT AGENCY OBLIGATIONS - 2.7%</b> |                  |              |
| Federal Home Loan Mortgage Corp., IO             |                  |              |
| 5.00%, 08/01/2035                                | 942,063          | 185,089      |
| Federal National Mortgage Association            |                  |              |
| 3.50%, TBA                                       | 3,455,000        | 3,649,883    |
| <b>Total U.S. Government Agency Obligations</b>  |                  |              |
| <b>(Cost \$4,154,939)</b>                        |                  | 3,834,972    |
| <b>FOREIGN GOVERNMENT OBLIGATIONS - 2.2%</b>     |                  |              |
| Canada Housing Trust No. 1                       |                  |              |
| 3.15%, 06/15/2015, 144A                          | CAD 1,500,000    | 1,303,365    |
| Mexican Bonos                                    |                  |              |
| 7.25%, 12/15/2016                                | MXN 14,000,000   | 1,012,164    |
| 8.50%, 12/13/2018                                | 10,285,700       | 785,566      |
| <b>Total Foreign Government Obligations</b>      |                  |              |
| <b>(Cost \$3,413,185)</b>                        |                  | 3,101,095    |
| <b>MORTGAGE-BACKED SECURITIES - 14.4%</b>        |                  |              |
| 7 WTC Depositor LLC Trust                        |                  |              |
| Series 2012-7WTC, Class A                        |                  |              |
| 4.08%, 03/13/2031, 144A                          | \$ 365,308       | 375,255      |
| Alternative Loan Trust                           |                  |              |
| Series 2004-3T1, Class A3                        |                  |              |
| 5.00%, 05/25/2034                                | 213,530          | 218,822      |
| Series 2005-14, Class 4A1                        |                  |              |
| 0.39%, 05/25/2035 <sup>(A)</sup>                 | 1,235,750        | 1,055,192    |

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|   |                  |              |
|---|------------------|--------------|
| Series 2006-OC1, Class 2A3A<br>0.49%, 03/25/2036 <sup>(A)</sup>       | 1,360,682        | 1,195,411    |
| Banc of America Funding Trust   |                  |              |
| Series 2007-3, Class TA2<br>0.35%, 04/25/2037 <sup>(A)</sup>          | 775,215          | 537,841      |
| BBCMS Trust   |                  |              |
| Series 2013-TYSN, Class B<br>4.04%, 09/05/2032, 144A                  | 600,000          | 635,323      |
| Series 2014-BXO, Class C<br>2.16%, 08/15/2027, 144A <sup>(A)</sup>    | 765,000          | 765,767      |
| BCAP LLC Trust  |                  |              |
| Series 2009-RR10, Class 2A1<br>2.69%, 08/26/2035, 144A <sup>(A)</sup> | 254,884          | 252,057      |
| Series 2009-RR14, Class 1A1<br>6.00%, 05/26/2037, 144A <sup>(A)</sup> | 292,230          | 310,320      |
| Series 2009-RR6, Class 2A1<br>2.55%, 08/26/2035, 144A <sup>(A)</sup>  | 460,911          | 459,407      |
| Series 2010-RR1, Class 12A1<br>5.25%, 08/26/2036, 144A <sup>(A)</sup> | 315,985          | 323,754      |
| Boca Hotel Portfolio Trust  |                  |              |
| Series 2013-BOCA, Class C<br>2.31%, 08/15/2026, 144A <sup>(A)</sup>   | 1,000,000        | 1,001,652    |
| Citigroup Commercial Mortgage Trust                                   |                  |              |
| Series 2014-388G, Class D<br>1.91%, 06/15/2033, 144A <sup>(A)</sup>   | 320,000          | 320,134      |
| Citigroup Mortgage Loan Trust   |                  |              |
| Series 2014-A, Class A<br>4.00%, 01/25/2035, 144A <sup>(A)</sup>      | 527,477          | 548,598      |
|   | <b>Principal</b> | <b>Value</b> |
| <b>MORTGAGE-BACKED SECURITIES (continued)</b>                         |                  |              |
| COMM Mortgage Trust   |                  |              |
| Series 2013-FL3, Class B<br>2.31%, 10/13/2028, 144A <sup>(A)</sup>    | \$ 907,000       | \$ 920,635   |
| Series 2014-PAT, Class D<br>2.31%, 08/13/2027, 144A <sup>(A)</sup>    | 930,000          | 921,289      |
| CSMC Trust  |                  |              |
| Series 2010-18R, Class 1A11<br>3.75%, 08/26/2035, 144A <sup>(A)</sup> | 135,619          | 135,095      |
| GSR Mortgage Loan Trust   |                  |              |
| Series 2007-OA1, Class 2A1<br>0.29%, 05/25/2037 <sup>(A)</sup>        | 391,679          | 232,390      |
| Hilton USA Trust  |                  |              |
| Series 2013-HLF, Class CFL<br>2.06%, 11/05/2030, 144A <sup>(A)</sup>  | 394,186          | 394,206      |
| Impac CMB Trust   |                  |              |
| Series 2007-A, Class A<br>0.42%, 05/25/2037 <sup>(A)</sup>            | 554,627          | 532,334      |
| Independent National Mortgage Corp. Index Mortgage Loan Trust         |                  |              |
| Series 2007-AR15, Class 2A1<br>4.35%, 08/25/2037 <sup>(A)</sup>       | 282,727          | 237,262      |
| Jefferies Re-REMIC Trust  |                  |              |

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|  |         |         |
|--|---------|---------|
| Series 2009-R2, Class 2A                             |         |         |
| 2.58%, 12/26/2037, 144A <sup>(A)</sup>               | 206,069 | 205,495 |
| Series 2009-R7, Class 10A3                           |         |         |
| 6.00%, 12/26/2036, 144A                              | 123,129 | 128,338 |
| Series 2009-R7, Class 12A1                           |         |         |
| 2.62%, 08/26/2036, 144A <sup>(A)</sup>               | 92,688  | 91,696  |
| Series 2009-R7, Class 1A1                            |         |         |
| 2.34%, 02/26/2036, 144A <sup>(A)</sup>               | 405,977 | 399,071 |
| Series 2009-R7, Class 4A1                            |         |         |
| 2.39%, 09/26/2034, 144A <sup>(A)</sup>               | 215,894 | 212,134 |
| Series 2009-R9, Class 1A1                            |         |         |
| 2.24%, 08/26/2046, 144A <sup>(A)</sup>               | 259,878 | 262,831 |
| JPMorgan Chase Commercial Mortgage Securities Trust  |         |         |
| Series 2007-LD11, Class AM                           |         |         |
| 5.79%, 06/15/2049 <sup>(A)</sup>                     | 760,000 | 787,570 |
| Series 2007-LD11, Class ASB                          |         |         |
| 5.79%, 06/15/2049 <sup>(A)</sup>                     | 287,667 | 301,298 |
| Series 2013-ALC, Class B                             |         |         |
| 3.01%, 07/17/2026, 144A <sup>(A)</sup>               | 710,000 | 714,888 |
| Series 2014-FBLU, Class C                            |         |         |
| 2.16%, 12/15/2028, 144A <sup>(A)</sup>               | 900,000 | 900,913 |
| JPMorgan Commercial Mortgage-Backed Securities Trust |         |         |
| Series 2009-RR2, Class MLB                           |         |         |
| 5.74%, 06/15/2050, 144A <sup>(A)</sup>               | 936,000 | 989,422 |
| JPMorgan Re-REMIC Trust                              |         |         |
| Series 2009-7, Class 8A1                             |         |         |
| 2.80%, 01/27/2047, 144A <sup>(A)</sup>               | 131,490 | 132,554 |
| LB Commercial Mortgage Trust                         |         |         |
| Series 2007-C3, Class A1A                            |         |         |
| 5.86%, 07/15/2044 <sup>(A)</sup>                     | 401,052 | 436,759 |
| Morgan Stanley Re-REMIC Trust                        |         |         |
| Series 2010-GG10, Class A4A                          |         |         |
| 5.80%, 08/15/2045, 144A <sup>(A)</sup>               | 820,765 | 879,711 |
| Series 2010-R4, Class 3A                             |         |         |
| 5.50%, 08/26/2047, 144A                              | 392,434 | 405,769 |

*The notes are an integral part of this report.*

Transamerica Income Shares, Inc.

Page 1

December 31, 2014 Form N-Q

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At December 31, 2014****(unaudited)**

|   | <b>Principal</b> | <b>Value</b>      |
|---|------------------|-------------------|
| <b>MORTGAGE-BACKED SECURITIES (continued)</b> |                  |                   |
| ORES LLC                                      |                  |                   |
| Series 2014-LV3, Class A                      |                  |                   |
| 3.00%, 03/27/2024, 144A                       | \$ 229,706       | \$ 229,690        |
| RALI Trust                                    |                  |                   |
| Series 2006-QO1, Class 3A1                    |                  |                   |
| 0.44%, 02/25/2046 <sup>(A)</sup>              | 1,114,620        | 689,572           |
| Series 2006-QO2, Class A1                     |                  |                   |
| 0.39%, 02/25/2046 <sup>(A)</sup>              | 143,305          | 68,935            |
| Series 2007-QH5, Class A11                    |                  |                   |
| 0.38%, 06/25/2037 <sup>(A)</sup>              | 555,609          | 421,816           |
| Residential Asset Securitization Trust        |                  |                   |
| Series 2004-A4, Class A11                     |                  |                   |
| 5.50%, 08/25/2034                             | 938,036          | 982,895           |
| Wells Fargo Mortgage-Backed Securities Trust  |                  |                   |
| Series 2003-G, Class A1                       |                  |                   |
| 2.49%, 06/25/2033 <sup>(A)</sup>              | 80,338           | 81,100            |
| Series 2003-L, Class 1A2                      |                  |                   |
| 2.49%, 11/25/2033 <sup>(A)</sup>              | 63,005           | 63,005            |
| <b>Total Mortgage-Backed Securities</b>       |                  |                   |
| <b>(Cost \$19,896,857)</b>                    |                  | <b>20,758,206</b> |
| <b>ASSET-BACKED SECURITIES - 6.9%</b>         |                  |                   |
| Countrywide Asset-Backed Certificates         |                  |                   |
| Series 2006-6, Class 2A3                      |                  |                   |
| 0.45%, 09/25/2036 <sup>(A)</sup>              | 2,000,000        | 1,698,260         |
| Diamond Resorts Owner Trust                   |                  |                   |
| Series 2013-1, Class A                        |                  |                   |
| 1.95%, 01/20/2025, 144A                       | 256,404          | 254,044           |
| Series 2014-1, Class A                        |                  |                   |
| 2.54%, 05/20/2027, 144A                       | 696,287          | 694,060           |
| GSAA Trust                                    |                  |                   |
| Series 2006-1, Class A3                       |                  |                   |
| 0.50%, 01/25/2036 <sup>(A)</sup>              | 988,335          | 693,185           |
| GSAMP Trust                                   |                  |                   |
| Series 2006-HE1, Class A2D                    |                  |                   |

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|  |           |           |
|--|-----------|-----------|
| 0.48%, 01/25/2036 <sup>(A)</sup>         | 1,230,000 | 1,128,096 |
| Hilton Grand Vacations Trust             |           |           |
| Series 2013-A, Class A                   |           |           |
| 2.28%, 01/25/2026, 144A                  | 293,137   | 294,726   |
| HSBC Home Equity Loan Trust              |           |           |
| Series 2006-3, Class A4                  |           |           |
| 0.41%, 03/20/2036 <sup>(A)</sup>         | 668,533   | 663,215   |
| Series 2007-2, Class M1                  |           |           |
| 0.48%, 07/20/2036 <sup>(A)</sup>         | 100,000   | 94,275    |
| Lehman XS Trust                          |           |           |
| Series 2005-8, Class 1A3                 |           |           |
| 0.52%, 12/25/2035 <sup>(A)</sup>         | 1,045,734 | 693,225   |
| Popular ABS Mortgage Pass-Through Trust  |           |           |
| Series 2006-A, Class A4                  |           |           |
| 0.49%, 02/25/2036 <sup>(A)</sup>         | 540,680   | 531,803   |
| Sierra Timeshare Receivables Funding LLC |           |           |
| Series 2014-1A, Class A                  |           |           |
| 2.07%, 03/20/2030, 144A                  | 383,804   | 385,644   |
| Spirit Master Funding LLC                |           |           |
| Series 2014-3A, Class A                  |           |           |
| 5.74%, 03/20/2042, 144A                  | 1,673,771 | 1,868,866 |
| Truman Capital Mortgage Loan Trust       |           |           |
| Series 2005-1, Class A                   |           |           |
| 0.60%, 03/25/2037, 144A <sup>(A)</sup>   | 443,644   | 433,080   |
| Westgate Resorts LLC                     |           |           |
| Series 2013-1A, Class A                  |           |           |
| 2.25%, 08/20/2025, 144A                  | 536,026   | 536,862   |

**Total Asset-Backed Securities**

**(Cost \$7,966,638)** 9,969,341

|   | <b>Principal</b> | <b>Value</b> |
|---|------------------|--------------|
| <b>MUNICIPAL GOVERNMENT OBLIGATIONS - 1.2%</b>              |                  |              |
| Rhode Island Economic Development Corp., Revenue Bonds, AGM |                  |              |
| 6.00%, 11/01/2015 <sup>(B)</sup>                            | \$ 295,000       | \$ 304,012   |
| State of California, General Obligation Unlimited           |                  |              |
| 7.95%, 03/01/2036   | 1,195,000        | 1,484,119    |

**Total Municipal Government Obligations**

**(Cost \$1,517,357)** 1,788,131

**CORPORATE DEBT SECURITIES - 66.3%**

**Aerospace & Defense - 0.3%**

|  |         |         |
|--|---------|---------|
| Bombardier, Inc.                       |         |         |
| 4.75%, 04/15/2019, 144A <sup>(C)</sup> | 450,000 | 451,688 |

**Airlines - 2.1%**

|  |         |         |
|--|---------|---------|
| America West Airlines Pass-Through Trust |         |         |
| 8.06%, 01/02/2022                        | 409,113 | 464,343 |
| American Airlines Pass-Through Trust     |         |         |
| 4.00%, 01/15/2027                        | 659,363 | 670,902 |

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|  |         |           |
|--|---------|-----------|
| <b>Continental Airlines Pass-Through Trust</b> |         |           |
| 6.90%, 10/19/2023                              | 645,083 | 682,175   |
| 7.46%, 10/01/2016                              | 44,774  | 45,472    |
| <b>U.S. Airways Pass-Through Trust</b>         |         |           |
| 3.95%, 05/15/2027                              | 427,187 | 435,731   |
| <b>UAL Pass-Through Trust</b>                  |         |           |
| 10.40%, 05/01/2018                             | 414,737 | 462,141   |
| <b>Virgin Australia Trust</b>                  |         |           |
| 5.00%, 04/23/2025, 144A                        | 286,404 | 294,997   |
|  |         | 3,055,761 |

**Banks - 8.5%**

|   |           |            |
|---|-----------|------------|
| <b>Barclays Bank PLC</b>                                  |           |            |
| 10.18%, 06/12/2021, 144A                                  | 1,212,000 | 1,627,218  |
| <b>BBVA Bancomer SA</b>                                   |           |            |
| 6.50%, 03/10/2021, 144A                                   | 800,000   | 866,320    |
| <b>CIT Group, Inc.</b>                                    |           |            |
| 4.75%, 02/15/2015, 144A                                   | 310,000   | 310,233    |
| <b>Cooperatieve Centrale Raiffeisen-Boerenleenbank BA</b> |           |            |
| 11.00%, 06/30/2019, 144A (A) (D)                          | 1,095,000 | 1,409,265  |
| <b>HBOS PLC</b>   |           |            |
| <b>Series MTN</b>   |           |            |
| 6.75%, 05/21/2018, 144A                                   | 1,015,000 | 1,131,213  |
| <b>HSBC Holdings PLC</b>                                  |           |            |
| 6.38%, 09/17/2024 (A) (C) (D)                             | 615,000   | 621,150    |
| <b>ING Bank NV</b>  |           |            |
| 5.80%, 09/25/2023, 144A                                   | 925,000   | 1,026,083  |
| <b>Intesa Sanpaolo SpA</b>                                |           |            |
| 3.13%, 01/15/2016   | 1,070,000 | 1,086,911  |
| 5.02%, 06/26/2024, 144A                                   | 480,000   | 465,847    |
| <b>Regions Bank</b>                                       |           |            |
| 7.50%, 05/15/2018   | 1,115,000 | 1,294,398  |
| <b>Royal Bank of Scotland Group PLC</b>                   |           |            |
| 5.13%, 05/28/2024   | 935,000   | 951,074    |
| <b>Turkiye Halk Bankasi AS</b>                            |           |            |
| 4.75%, 06/04/2019, 144A                                   | 230,000   | 232,944    |
| <b>Wells Fargo &amp; Co.</b>                              |           |            |
| 7.98%, 03/15/2018 (A) (D)                                 | 1,065,000 | 1,175,494  |
|   |           | 12,198,150 |

**Beverages - 0.3%**

|   |               |         |
|---|---------------|---------|
| <b>Anheuser-Busch InBev Worldwide, Inc.</b> |               |         |
| 9.75%, 11/17/2015                           | BRL 1,200,000 | 437,890 |

*The notes are an integral part of this report.*

**December 31, 2014 Form N-Q**



**Transamerica Income Shares, Inc.**

**Page 2**

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At December 31, 2014****(unaudited)**

|  | <b>Principal</b> | <b>Value</b> |
|--|------------------|--------------|
| <b>CORPORATE DEBT SECURITIES (continued)</b>     |                  |              |
| <b>Building Products - 1.3%</b>                  |                  |              |
| Associated Materials LLC / AMH New Finance, Inc. |                  |              |
| 9.13%, 11/01/2017                                | \$ 550,000       | \$ 453,750   |
| Owens Corning                                    |                  |              |
| 4.20%, 12/15/2022                                | 1,390,000        | 1,410,682    |
|  |                  | 1,864,432    |
| <b>Capital Markets - 1.8%</b>                    |                  |              |
| Goldman Sachs Group, Inc.                        |                  |              |
| 5.70%, 05/10/2019 (A) (D)                        | 395,000          | 399,543      |
| Morgan Stanley                                   |                  |              |
| 5.45%, 07/15/2019 (A) (D)                        | 305,000          | 305,549      |
| 5.75%, 01/25/2021                                | 400,000          | 459,180      |
| Prospect Capital Corp.                           |                  |              |
| 5.88%, 03/15/2023                                | 805,000          | 827,619      |
| UBS AG   |                  |              |
| 7.63%, 08/17/2022                                | 490,000          | 576,904      |
|  |                  | 2,568,795    |
| <b>Commercial Services &amp; Supplies - 1.0%</b> |                  |              |
| Steelcase, Inc.                                  |                  |              |
| 6.38%, 02/15/2021                                | 800,000          | 923,454      |
| Trinity Industries, Inc.                         |                  |              |
| 4.55%, 10/01/2024                                | 535,000          | 519,635      |
|  |                  | 1,443,089    |
| <b>Communications Equipment - 0.7%</b>           |                  |              |
| Motorola Solutions, Inc.                         |                  |              |
| 3.50%, 09/01/2021                                | 1,005,000        | 1,005,030    |
| <b>Construction Materials - 0.8%</b>             |                  |              |
| Martin Marietta Materials, Inc.                  |                  |              |
| 4.25%, 07/02/2024                                | 1,115,000        | 1,142,991    |

**Consumer Finance - 1.5%**

|   |           |           |
|---|-----------|-----------|
| Ally Financial, Inc.<br>4.63%, 06/26/2015                   | 650,000   | 654,875   |
| Springleaf Finance Corp.<br>Series MTN<br>6.90%, 12/15/2017 | 1,430,000 | 1,522,950 |
|   |           | 2,177,825 |

**Containers & Packaging - 0.7%**

|   |         |         |
|---|---------|---------|
| Beverage Packaging Holdings Luxembourg II SA / Beverage Packaging Holdings II Is<br>6.00%, 06/15/2017, 144A | 190,000 | 185,250 |
| Exopack Holding Corp.<br>10.00%, 06/01/2018, 144A   | 720,000 | 763,200 |
|   |         | 948,450 |

**Distributors - 0.4%**

|  |         |         |
|--|---------|---------|
| Owens & Minor, Inc.<br>3.88%, 09/15/2021 | 615,000 | 621,956 |
|--|---------|---------|

**Diversified Financial Services - 4.3%**

|   |                  |              |
|---|------------------|--------------|
| Citigroup, Inc.<br>5.95%, 01/30/2023 (A) (D)                | 1,070,000        | 1,053,950    |
| General Electric Capital Corp.<br>7.13%, 06/15/2022 (A) (D) | 700,000          | 814,625      |
| ILFC E-Capital Trust I<br>4.37%, 12/21/2065, 144A (A)       | 575,000          | 534,750      |
| Jefferies Group LLC<br>5.13%, 01/20/2023                    | 440,000          | 447,268      |
|   | <b>Principal</b> | <b>Value</b> |

**CORPORATE DEBT SECURITIES (continued)****Diversified Financial Services (continued)**

|   |            |            |
|---|------------|------------|
| JPMorgan Chase & Co.<br>5.15%, 05/01/2023 (A) (D)         | \$ 700,000 | \$ 659,400 |
| Oaktree Capital Management, LP<br>6.75%, 12/02/2019, 144A | 1,110,000  | 1,310,227  |
| Vesey Street Investment Trust I<br>4.40%, 09/01/2016 (E)  | 835,000    | 875,980    |
| Voya Financial, Inc.<br>5.50%, 07/15/2022                 | 470,000    | 530,920    |
|   |            | 6,227,120  |

**Diversified Telecommunication Services - 3.1%**

|  |         |         |
|--|---------|---------|
| CenturyLink, Inc.<br>5.80%, 03/15/2022             | 710,000 | 736,625 |
| Frontier Communications Corp.<br>7.63%, 04/15/2024 | 710,000 | 731,300 |

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|  |           |           |
|--|-----------|-----------|
| <b>Hughes Satellite Systems Corp.</b>                            |           |           |
| 6.50%, 06/15/2019  | 200,000   | 214,500   |
| <b>Level 3 Communications, Inc.</b>                              |           |           |
| 8.88%, 06/01/2019  | 85,000    | 90,117    |
| <b>Level 3 Financing, Inc.</b>                                   |           |           |
| 8.13%, 07/01/2019  | 660,000   | 701,250   |
| <b>Unison Ground Lease Funding LLC</b>                           |           |           |
| 6.39%, 04/15/2040, 144A  | 1,515,000 | 1,736,261 |
| <b>Verizon Communications, Inc.</b>                              |           |           |
| 1.77%, 09/15/2016 <sup>(A)</sup>                                 | 250,000   | 254,533   |
|  |           | 4,464,586 |
| <b>Electric Utilities - 0.3%</b>                                 |           |           |
| <b>EDP Finance BV</b>  |           |           |
| 5.25%, 01/14/2021, 144A  | 365,000   | 384,075   |
| <b>Electrical Equipment - 0.8%</b>                               |           |           |
| <b>Anixter, Inc.</b>   |           |           |
| 5.95%, 03/01/2015  | 1,200,000 | 1,203,000 |
| <b>Electronic Equipment, Instruments &amp; Components - 0.5%</b> |           |           |
| <b>Thermo Fisher Scientific, Inc.</b>                            |           |           |
| 3.30%, 02/15/2022  | 730,000   | 731,207   |
| <b>Energy Equipment &amp; Services - 2.3%</b>                    |           |           |
| <b>Enterprise Products Operating LLC</b>                         |           |           |
| 8.38%, 08/01/2066 <sup>(A)</sup>                                 | 600,000   | 644,250   |
| <b>NuStar Logistics, LP</b>                                      |           |           |
| 8.15%, 04/15/2018  | 975,000   | 1,093,560 |
| <b>Seadrill, Ltd.</b>  |           |           |
| 6.13%, 09/15/2017, 144A <sup>(C)</sup>                           | 325,000   | 287,625   |
| <b>Transocean, Inc.</b>  |           |           |
| 6.38%, 12/15/2021 <sup>(C)</sup>                                 | 490,000   | 452,000   |
| <b>Weatherford International, Ltd.</b>                           |           |           |
| 9.63%, 03/01/2019  | 730,000   | 865,838   |
|  |           | 3,343,273 |
| <b>Food &amp; Staples Retailing - 0.5%</b>                       |           |           |
| <b>Walgreens Boots Alliance, Inc.</b>                            |           |           |
| 3.30%, 11/18/2021  | 720,000   | 725,009   |
| <b>Food Products - 0.4%</b>                                      |           |           |
| <b>Post Holdings, Inc.</b>                                       |           |           |
| 7.38%, 02/15/2022  | 635,000   | 635,000   |
| <b>Health Care Equipment &amp; Supplies - 1.0%</b>               |           |           |
| <b>Becton Dickinson and Co.</b>                                  |           |           |
| 2.68%, 12/15/2019  | 500,000   | 506,575   |

*The notes are an integral part of this report.*

**Transamerica Income Shares, Inc.**

**Page 3**

**December 31, 2014 Form N-Q**

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At December 31, 2014****(unaudited)**

|   | <b>Principal</b> | <b>Value</b> |
|---|------------------|--------------|
| <b>CORPORATE DEBT SECURITIES (continued)</b>                        |                  |              |
| <b>Health Care Equipment &amp; Supplies (continued)</b>             |                  |              |
| Hologic, Inc.   |                  |              |
| 6.25%, 08/01/2020   | \$ 290,000       | \$ 301,600   |
| Mallinckrodt International Finance SA                               |                  |              |
| 3.50%, 04/15/2018   | 680,000          | 657,050      |
|   |                  | 1,465,225    |
| <b>Health Care Providers &amp; Services - 0.9%</b>                  |                  |              |
| CHS / Community Health Systems, Inc.                                |                  |              |
| 7.13%, 07/15/2020   | 500,000          | 533,125      |
| Express Scripts Holding Co.   |                  |              |
| 4.75%, 11/15/2021   | 660,000          | 728,345      |
|   |                  | 1,261,470    |
| <b>Hotels, Restaurants &amp; Leisure - 0.6%</b>                     |                  |              |
| Scientific Games International, Inc.                                |                  |              |
| 7.00%, 01/01/2022, 144A   | 182,000          | 184,275      |
| Wyndham Worldwide Corp.   |                  |              |
| 2.50%, 03/01/2018   | 755,000          | 753,710      |
|   |                  | 937,985      |
| <b>Household Durables - 0.4%</b>                                    |                  |              |
| Meritage Homes Corp.  |                  |              |
| 4.50%, 03/01/2018   | 525,000          | 525,000      |
| <b>Household Products - 0.6%</b>                                    |                  |              |
| Reynolds Group Issuer, Inc. / Reynolds Group Issuer LLC             |                  |              |
| 5.75%, 10/15/2020   | 780,000          | 799,500      |
| <b>Independent Power and Renewable Electricity Producers - 0.8%</b> |                  |              |
| NRG Energy, Inc.  |                  |              |
| 7.88%, 05/15/2021   | 1,080,000        | 1,163,700    |

**Insurance - 8.3%**

|   |           |            |
|---|-----------|------------|
| American Financial Group, Inc.<br>9.88%, 06/15/2019                             | 920,000   | 1,181,799  |
| Chubb Corp.<br>6.38%, 03/29/2067 <sup>(A)</sup>                                 | 879,000   | 942,332    |
| Fidelity National Financial, Inc.<br>6.60%, 05/15/2017                          | 1,405,000 | 1,545,123  |
| Hanover Insurance Group, Inc.<br>6.38%, 06/15/2021                              | 865,000   | 979,896    |
| Lincoln National Corp.<br>8.75%, 07/01/2019                                     | 525,000   | 656,003    |
| Oil Insurance, Ltd.<br>3.24%, 02/02/2015, 144A <sup>(A) (D)</sup>               | 675,000   | 600,750    |
| Principal Financial Group, Inc.<br>8.88%, 05/15/2019                            | 285,000   | 358,589    |
| Reinsurance Group of America, Inc.<br>6.75%, 12/15/2065 <sup>(A) (C)</sup>      | 810,000   | 826,200    |
| Sompo Japan Nipponkoa Insurance, Inc.<br>5.33%, 03/28/2073, 144A <sup>(A)</sup> | 1,250,000 | 1,312,500  |
| Stone Street Trust<br>5.90%, 12/15/2015, 144A                                   | 1,400,000 | 1,457,347  |
| ZFS Finance USA Trust II<br>6.45%, 12/15/2065, 144A <sup>(A)</sup>              | 1,930,000 | 2,033,583  |
|   |           | 11,894,122 |

**Media - 1.4%**

|   |         |         |
|---|---------|---------|
| CCO Holdings LLC / CCO Holdings Capital Corp.<br>7.25%, 10/30/2017 <sup>(C)</sup> | 509,000 | 529,614 |
| Clear Channel Worldwide Holdings, Inc.<br>7.63%, 03/15/2020                       | 695,000 | 730,213 |

|  |                  |              |
|--|------------------|--------------|
|  | <b>Principal</b> | <b>Value</b> |
|--|------------------|--------------|

**CORPORATE DEBT SECURITIES (continued)****Media (continued)**

|   |            |            |
|---|------------|------------|
| Numericable-SFR<br>4.88%, 05/15/2019, 144A                | \$ 340,000 | \$ 337,025 |
| Univision Communications, Inc.<br>7.88%, 11/01/2020, 144A | 350,000    | 372,750    |
|   |            | 1,969,602  |

**Metals & Mining - 1.8%**

|  |         |         |
|--|---------|---------|
| Anglo American Capital PLC<br>9.38%, 04/08/2019, 144A <sup>(C)</sup> | 555,000 | 691,220 |
| Glencore Finance Canada, Ltd.<br>5.80%, 11/15/2016, 144A             | 325,000 | 347,666 |
| Glencore Funding LLC<br>2.50%, 01/15/2019, 144A <sup>(C)</sup>       | 620,000 | 610,499 |
| Rio Tinto Finance USA, Ltd.<br>9.00%, 05/01/2019                     | 700,000 | 885,613 |

2,534,998

**Multi-Utilities - 0.6%**

Black Hills Corp.

5.88%, 07/15/2020 700,000 801,100

**Oil, Gas & Consumable Fuels - 4.4%**

California Resources Corp.

5.00%, 01/15/2020, 144A (C) 323,000 280,203

Chesapeake Energy Corp.

3.48%, 04/15/2019 (A) 100,000 98,000

6.50%, 08/15/2017 675,000 718,875

CITGO Petroleum Corp.

6.25%, 08/15/2022, 144A 379,000 384,685

Energy Transfer Partners, LP

4.90%, 02/01/2024 590,000 618,243

Linn Energy LLC / Linn Energy Finance Corp.

6.25%, 11/01/2019 (C) 695,000 587,275

Lukoil International Finance BV

3.42%, 04/24/2018, 144A 525,000 446,250

Petrobras Global Finance BV

3.00%, 01/15/2019 650,000 574,646

Petroleum Co., of Trinidad &amp; Tobago, Ltd.

9.75%, 08/14/2019, 144A 571,000 672,352

Ras Laffan Liquefied Natural Gas Co., Ltd. III

6.75%, 09/30/2019, 144A (C) 925,000 1,086,875

Rosneft Finance SA

6.25%, 02/02/2015, 144A 650,000 647,725

Rosneft Oil Co. via Rosneft International Finance, Ltd.

3.15%, 03/06/2017, 144A 270,000 238,950

6,354,079

**Paper & Forest Products - 0.7%**

Ainsworth Lumber Co., Ltd.

7.50%, 12/15/2017, 144A 315,000 324,450

Boise Cascade Co.

6.38%, 11/01/2020 480,000 504,000

Coveris Holdings SA

7.88%, 11/01/2019, 144A 200,000 206,000

1,034,450

**Pharmaceuticals - 0.7%**

Actavis Funding SCS

1.30%, 06/15/2017 560,000 549,799

Actavis, Inc.

3.25%, 10/01/2022 (C) 465,000 452,733

1,002,532



*The notes are an integral part of this report.*

**Transamerica Income Shares, Inc.**

**Page 4**

**December 31, 2014 Form N-Q**

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At December 31, 2014****(unaudited)**

|  | <b>Principal</b> | <b>Value</b> |
|--|------------------|--------------|
| <b>CORPORATE DEBT SECURITIES (continued)</b>               |                  |              |
| <b>Professional Services - 0.6%</b>                        |                  |              |
| Cardtronics, Inc.  |                  |              |
| 5.13%, 08/01/2022, 144A                                    | \$ 880,000       | \$ 858,000   |
| <b>Real Estate Investment Trusts - 3.4%</b>                |                  |              |
| ARC Properties Operating Partnership LP                    |                  |              |
| 2.00%, 02/06/2017 <sup>(C)</sup>                           | 685,000          | 652,852      |
| CBL & Associates, LP                                       |                  |              |
| 5.25%, 12/01/2023  | 490,000          | 525,030      |
| EPR Properties   |                  |              |
| 7.75%, 07/15/2020  | 1,190,000        | 1,427,461    |
| Government Properties Income Trust                         |                  |              |
| 3.75%, 08/15/2019  | 805,000          | 817,194      |
| Kilroy Realty, LP  |                  |              |
| 6.63%, 06/01/2020  | 1,320,000        | 1,538,734    |
|  |                  | 4,961,271    |
| <b>Road &amp; Rail - 1.6%</b>                              |                  |              |
| Aviation Capital Group Corp.                               |                  |              |
| 4.63%, 01/31/2018, 144A                                    | 530,000          | 550,778      |
| 7.13%, 10/15/2020, 144A                                    | 1,500,000        | 1,726,577    |
|  |                  | 2,277,355    |
| <b>Semiconductors &amp; Semiconductor Equipment - 0.3%</b> |                  |              |
| KLA-Tencor Corp.   |                  |              |
| 4.13%, 11/01/2021  | 400,000          | 409,733      |
| <b>Software - 0.6%</b>                                     |                  |              |
| First Data Corp.   |                  |              |
| 6.75%, 11/01/2020, 144A                                    | 423,000          | 451,552      |
| 7.38%, 06/15/2019, 144A                                    | 370,000          | 389,425      |
|  |                  | 840,977      |

**Specialty Retail - 0.4%**

|                         |         |         |
|-------------------------|---------|---------|
| Claire's Stores, Inc.   |         |         |
| 9.00%, 03/15/2019, 144A | 635,000 | 625,475 |

**Tobacco - 0.5%**

|                       |         |         |
|-----------------------|---------|---------|
| Lorillard Tobacco Co. |         |         |
| 8.13%, 06/23/2019     | 575,000 | 697,088 |

**Trading Companies & Distributors - 0.9%**

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| International Lease Finance Corp. |           |           |
| 6.75%, 09/01/2016, 144A           | 1,280,000 | 1,363,200 |

**Wireless Telecommunication Services - 4.2%**

|  |           |           |
|--|-----------|-----------|
| Crown Castle Towers LLC                                  |           |           |
| 4.88%, 08/15/2040, 144A (C)                              | 965,000   | 1,060,753 |
| 6.11%, 01/15/2040, 144A                                  | 1,065,000 | 1,223,304 |
| SBA Tower Trust  |           |           |
| 5.10%, 04/15/2042, 144A                                  | 1,440,000 | 1,515,705 |
| Sprint Communications, Inc.                              |           |           |
| 9.00%, 11/15/2018, 144A                                  | 700,000   | 796,180   |
| WCP Wireless Site Funding / WCP Wireless Site RE Funding |           |           |
| 6.83%, 11/15/2040, 144A                                  | 1,445,000 | 1,483,495 |
|  |           | 6,079,437 |

**Total Corporate Debt Securities  
(Cost \$90,423,204)**

95,485,626

|   | Principal    | Value        |
|---|--------------|--------------|
| <b>SHORT-TERM U.S. GOVERNMENT OBLIGATION - 2.8%</b> |              |              |
| U.S. Treasury Bill                                  |              |              |
| 0.03%, 03/12/2015 (F)                               | \$ 3,990,000 | \$ 3,989,802 |

**Total Short-Term U.S. Government Obligation  
(Cost \$3,989,802)**

3,989,802

|  | Shares | Value   |
|--|--------|---------|
| <b>CONVERTIBLE PREFERRED STOCKS - 0.5%</b>                     |        |         |
| <b>Multi-Utilities - 0.3%</b>                                  |        |         |
| Dominion Resources, Inc.                                       |        |         |
| Series A, 6.13%  | 7,000  | 420,070 |
| <b>Real Estate Investment Trusts - 0.2%</b>                    |        |         |
| Weyerhaeuser Co.   |        |         |
| Series A, 6.38%  | 5,000  | 288,500 |
| <b>Total Convertible Preferred Stocks<br/>(Cost \$625,410)</b> |        | 708,570 |

**PREFERRED STOCKS - 1.5%**

**Banks - 0.3%**

|                                      |       |         |
|--------------------------------------|-------|---------|
| CoBank ACB                           |       |         |
| Series F, 6.25%, 144A <sup>(A)</sup> | 4,530 | 456,539 |

**Consumer Finance - 0.5%**

|                                |        |         |
|--------------------------------|--------|---------|
| Ally Financial, Inc.           |        |         |
| Series A, 8.50% <sup>(A)</sup> | 24,800 | 666,624 |

**Diversified Telecommunication Services - 0.7%**

|                       |     |           |
|-----------------------|-----|-----------|
| Centaur Funding Corp. |     |           |
| Series B, 9.08%, 144A | 852 | 1,066,065 |

**Total Preferred Stocks**

|                           |  |           |
|---------------------------|--|-----------|
| <b>(Cost \$1,910,661)</b> |  | 2,189,228 |
|---------------------------|--|-----------|

**SECURITIES LENDING COLLATERAL - 5.5%**

|   |           |           |
|---|-----------|-----------|
| State Street Navigator Securities Lending Trust - Prime Portfolio |           |           |
| 0.18% <sup>(F)</sup>  | 7,950,020 | 7,950,020 |

**Total Securities Lending Collateral**

|                           |  |           |
|---------------------------|--|-----------|
| <b>(Cost \$7,950,020)</b> |  | 7,950,020 |
|---------------------------|--|-----------|

|   | Principal  | Value   |
|---|------------|---------|
| <b>REPURCHASE AGREEMENT - 0.7%</b>  |            |         |
| State Street Bank & Trust Co.   |            |         |
| 0.01% <sup>(F)</sup> , dated 12/31/2014, to be repurchased at \$944,042 on 01/02/2015. Collateralized by a U.S. Government Agency Obligation, 2.50%, due 11/01/2027, and with a value of \$964,128. | \$ 944,042 | 944,042 |
| <b>Total Repurchase Agreement</b>   |            |         |
| <b>(Cost \$944,042)</b>   |            | 944,042 |

**Total Investments**

|  |  |             |
|--|--|-------------|
| <b>(Cost \$146,646,466) <sup>(G)</sup></b> |  | 154,866,762 |
|--|--|-------------|

|  |  |              |
|--|--|--------------|
| <b>Net Other Assets (Liabilities) - (7.6)%</b> |  | (10,879,180) |
|--|--|--------------|

|                            |  |                |
|----------------------------|--|----------------|
| <b>Net Assets - 100.0%</b> |  | \$ 143,987,582 |
|----------------------------|--|----------------|

*The notes are an integral part of this report.*

## Transamerica Income Shares, Inc.

## SCHEDULE OF INVESTMENTS (continued)

At December 31, 2014

(unaudited)

## SECURITY VALUATION:

Valuation Inputs <sup>(H)</sup>

|  | Level 1<br>Quoted<br>Prices | Level 2<br>Other<br>Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Value at<br>December 31, 2014 |
|--|-----------------------------|---|--|-------------------------------|
| <b>ASSETS</b>                            |                             |   |  |                               |
| <b>Investments</b>                       |                             |   |  |                               |
| U.S. Government Obligations              | \$                          | \$ 4,147,729  | \$   | \$ 4,147,729                  |
| U.S. Government Agency<br>Obligations    |                             | 3,834,972   |  | 3,834,972                     |
| Foreign Government<br>Obligations        |                             | 3,101,095   |  | 3,101,095                     |
| Mortgage-Backed Securities               |                             | 20,758,206  |  | 20,758,206                    |
| Asset-Backed Securities                  |                             | 9,969,341   |  | 9,969,341                     |
| Municipal Government<br>Obligations      |                             | 1,788,131   |  | 1,788,131                     |
| Corporate Debt Securities                |                             | 95,485,626  |  | 95,485,626                    |
| Short-Term U.S. Government<br>Obligation |                             | 3,989,802   |  | 3,989,802                     |
| Convertible Preferred Stocks             | 708,570                     |   |  | 708,570                       |
| Preferred Stocks                         | 2,189,228                   |   |  | 2,189,228                     |
| Securities Lending Collateral            | 7,950,020                   |   |  | 7,950,020                     |
| Repurchase Agreement                     |                             | 944,042   |  | 944,042                       |
| <b>Total Investments</b>                 | <b>\$ 10,847,818</b>        | <b>\$ 144,018,944</b>                                   | <b>\$</b>  | <b>\$ 154,866,762</b>         |

## FOOTNOTES TO SCHEDULE OF INVESTMENTS:

- (A) *Floating or variable rate security. Rate is listed as of December 31, 2014.*
- (B) *Total aggregate value of illiquid securities is \$304,012, representing 0.21% of the Fund's net assets.*
- (C) *All or a portion of the security is on loan. The value of all securities on loan is \$7,785,423. The amount of securities on loan indicated may not correspond with the securities on loan identified because securities with pending sales are in the process of recall from the brokers.*
- (D) *The security has a perpetual maturity; the date shown is the next call date.*
- (E) *Step bond. Coupon rate changes in increments to maturity; the rate is as of December 31, 2014. Maturity date disclosed is the ultimate maturity date.*
- (F) *Rate disclosed reflects the yield at December 31, 2014.*
- (G) *Aggregate cost for federal income tax purposes is \$146,646,466. Aggregate gross unrealized appreciation and depreciation for all securities is \$10,151,797 and \$1,931,501, respectively. Net unrealized appreciation for tax purposes is \$8,220,296.*
- (H) *The Fund recognizes transfers between Levels at the end of the reporting period. There were no transfers between Levels 1, 2 and 3 during the period ended December 31, 2014. See the Notes to Schedule of Investments for more information regarding security valuation and pricing inputs.*

**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, 2014, these securities aggregated \$57,506,000, representing 39.94% of the Fund's net assets.*

AGM *Assured Guaranty Municipal Corp.*

IO *Interest only portion of a STRIPS (Separate Trading of Registered Interest and Principal of Securities)*

MTN *Medium Term Note*

TBA *To Be Announced*

**CURRENCY ABBREVIATIONS:**

BRL *Brazilian Real*

CAD *Canadian Dollar*

MXN *Mexican Peso*

*The notes are an integral part of this report.*

**Transamerica Income Shares, Inc.**

**Page 6**

**December 31, 2014 Form N-Q**

## Notes to Schedule of Investments

At December 31, 2014

(unaudited)

### NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Transamerica Income Shares, Inc. (the Fund) is a diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund applies investment company accounting and reporting guidance. The following is a summary of significant accounting policies followed by the Fund.

**Securities lending:** Securities are lent to qualified financial institutions and brokers. State Street serves as securities lending agent to the Fund pursuant to a Securities Lending Agreement. The lending of securities exposes the Fund to risks such as the following, the borrowers may fail to return the loaned securities, the borrowers may not be able to provide additional collateral, the Fund may experience delays in recovery of the loaned securities or delays in access to collateral, or the Fund may experience losses related to the investment collateral. To minimize certain risks, loan counterparties pledge cash collateral with a value of at least 102% of the current value of the loaned securities for securities traded on U.S. exchanges and a value of at least 105% for all other securities loaned. The lending agent has agreed to indemnify the Fund in the case of default of any securities borrower.

Cash collateral received is invested in the State Street Navigator Securities Lending Trust-Prime Portfolio, a money market mutual fund registered under the 1940 Act. The value of loaned securities and related collateral outstanding at December 31, 2014, if any, are shown on a gross basis in the Schedule of Investments.

**Repurchase agreements:** In a repurchase agreement, the Fund purchases a security and simultaneously commits to resell that security to the seller at an agreed-upon price on an agreed-upon date. Securities purchased subject to a repurchase agreement are held at the Fund's custodian, or designated sub-custodian related to tri-party repurchase agreements, and, pursuant to the terms of the repurchase agreement, must be collateralized by securities with an aggregate market value greater than or equal to 100% of the resale price. The Fund will bear the risk of value fluctuations until the securities can be sold and may encounter delays and incur costs in liquidating the securities. In the event of bankruptcy or insolvency of the seller, delays and costs may be incurred.

Repurchase agreements are subject to netting agreements, which are agreements between the Fund and its counterparties that provide for the net settlement of all transactions and collateral with the Fund, through a single payment, in the event of default or termination. Amounts presented on the Schedule of Investments, and as part of Repurchase agreements, at value on the Statement of Assets and Liabilities are shown on a gross basis. The value of the related collateral for each repurchase agreement, as reflected in the Schedule of Investments, exceeds the value of each repurchase agreement at December 31, 2014.

Open repurchase agreements at December 31, 2014, if any, are shown on the Schedule of Investments.

**Foreign currency denominated investments:** The accounting records of the Fund are maintained in U.S. dollars. Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the closing exchange rate each day. The cost of foreign securities purchased and any realized gains or losses are

translated at the prevailing exchange rates in effect on the date of the respective transaction.

Foreign currency denominated assets may involve risks not typically associated with domestic transactions. These risks include revaluation of currencies, adverse fluctuations in foreign currency values, and possible adverse political, social, and economic developments, including those particular to a specific industry, country or region.

**Foreign taxes:** The Fund may be subjected to taxes imposed by the countries in which it invests, with respect to its investments in issuers existing or operating in such countries. The Fund may also be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund accrues such taxes and recoveries as applicable when the related income or capital gains are earned or unrealized, and based upon the current interpretation of tax rules and regulations that exist in the markets in which the Fund invests. Some countries require governmental approval for the repatriation of investment income, capital, or the proceeds of sales earned by foreign investors. In addition, if there is deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions of foreign capital remittances abroad.

**To be announced ( TBA ) commitments:** TBA commitments are entered into to purchase or sell securities for a fixed price at a future date, typically not to exceed 45 days. They are considered securities in themselves, and involve a risk of loss if the value of the security to be purchased declines, or the value of the security sold increases, prior to settlement date, in addition to the risk of decline in the value of the Fund's other assets. Unsettled TBA commitments are valued at the current value of the underlying securities, according to the procedures described under Security Valuations.



**Notes to Schedule of Investments (continued)**

**At December 31, 2014**

**(unaudited)**

**NOTE 1. (continued)**

TBA commitments held at December 31, 2014, if any, are identified in the Schedule of Investments.

**When-Issued, forward delivery securities and delayed delivery settlements:** The Fund may purchase or sell securities on a when-issued, forward (delayed) delivery basis or delayed settlement. When-issued and forward delivery transactions are made conditionally because a security, although authorized, has not yet been issued in the market. Settlement of such transactions normally occurs within a month or more after the purchase or sale commitment is made. The Fund engages in when-issued transactions to obtain an advantageous price and yield at the time of the transaction. The Fund engages in when-issued and forward delivery transactions for the purpose of acquiring securities, but may enter into a separate agreement to sell the securities before the settlement date. Since the value of securities purchased may fluctuate prior to settlement, the Fund may be required to pay more at settlement than the security is worth. In addition, the Fund is not entitled to any of the interest earned prior to settlement.

Delayed delivery transactions involve a commitment by the Fund to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed delivery transactions are outstanding, the Fund will segregate with its custodian either cash, U.S. government securities, or other liquid assets at least equal to the value or purchase commitments until payment is made. When purchasing a security on a delayed delivery basis, the Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations. These transactions also involve a risk to the Fund if the other party to the transaction defaults on its obligation to make payment or delivery, and the Fund is delayed or prevented from completing the transaction. The Fund may dispose of or renegotiate a delayed delivery transaction after it is entered into, which may result in a realized gain or loss. When the Fund sells a security on a delayed delivery basis, the Fund does not participate in future gains and losses on the security.

Open when-issued securities at December 31, 2014, if any, are identified in the Schedule of Investments.

**Treasury inflation-protected securities ( TIPS ):** The Fund may invest in TIPS. TIPS are fixed income securities whose principal value is periodically adjusted according to the rate of inflation/deflation. If the index measuring inflation/deflation rises or falls, the principal value of TIPS will be adjusted upward or downward, and consequently the interest payable on these securities (calculated with respect to a larger or smaller principal amount) will be increased or reduced, respectively. Any upward or downward adjustment in the principal amount of a TIPS will be included as interest income in the Statements of Operations, even though investors do not receive their principal until maturity. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

TIPS held at December 31, 2014, if any, are identified in the Schedule of Investments.

**Illiquid securities:** The Fund may invest in illiquid securities. A security may be considered illiquid if it lacks a readily available market or if its valuation has not changed for a certain period of time. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at the current valuation may be difficult.

The illiquid securities at December 31, 2014, if any, are identified in the Schedule of Investments.

**Real estate investment trusts ( REIT ):** There are certain additional risks involved in investing in REITs. These include, but are not limited to, economic conditions, changes in zoning laws, real estate values, property taxes, and interest rates.

REITs owned at December 31, 2014, if any, are identified in the Schedule of Investments.

## **NOTE 2. SECURITY VALUATION**

All investments in securities are recorded at their estimated fair value. The Fund values its investments at the close of the New York Stock Exchange ( NYSE ), normally 4:00 p.m. Eastern Time, each day the NYSE is open for business. The Fund utilizes various methods to measure the fair value of its investments on a recurring basis.

Generally Accepted Accounting Principles ( GAAP ) establishes a hierarchy that prioritizes inputs to valuation methods. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The three Levels of inputs of the fair value hierarchy are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical securities.

**Notes to Schedule of Investments (continued)**

**At December 31, 2014**

**(unaudited)**

**NOTE 2. (continued)**

Level 2 Inputs, other than quoted prices included in Level 1, that are observable, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level 3 Unobservable inputs, which may include TAM internal valuation committee's (the Valuation Committee) own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the sub-adviser, issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

The inputs used to measure fair value may fall into different Levels of the fair value hierarchy. In such cases, for disclosure purposes, the Level in the fair value hierarchy that is assigned to the fair value measurement of a security is determined based on the lowest Level input that is significant to the fair value measurement in its entirety. The hierarchy classification of inputs used to value the Fund's investments at December 31, 2014, is disclosed in the Security Valuation section of the Schedule of Investments.

Under supervision of the Board, TAM provides day-to-day valuation functions. TAM formed the Valuation Committee to monitor and implement the fair valuation policies and procedures as approved by the Board. These policies and procedures are reviewed at least annually by the Board. The Valuation Committee, among other tasks, monitors for when market quotations are not readily available or are unreliable and determines in good faith the fair value of the portfolio investments. For instances in which daily market quotes are not readily available, securities may be valued, pursuant to procedures adopted by the Board, with reference to other instruments or indices. Depending on the relative significance of valuation inputs, these instruments may be classified in either Level 2 or Level 3 of the fair value hierarchy.

The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the security to determine the fair value of the security. An income-based valuation approach may also be used in which the anticipated future cash flows of the security are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the securities. When the Fund uses fair value methods that rely on significant unobservable inputs to determine a security's value, the Valuation Committee will choose the method that is believed to accurately reflect fair value. These securities are categorized in Level 3 of the fair value hierarchy. The Valuation Committee reviews fair value measurements on a regular and ad hoc basis and may, as deemed appropriate, update the security valuations as well as the fair valuation guidelines. The Board reviews Valuation Committee determinations at its regularly scheduled meetings.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, but not limited to, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is generally greatest for instruments categorized in Level 3. Due to the inherent uncertainty of valuation, the Valuation Committee's determination of values may differ significantly from values that would have been realized had a ready market for investments existed, and the differences could be material. The Valuation Committee employs various methods for calibrating these valuation approaches, including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing, and reviews of any market related activity.

**Fair value measurements:** Descriptions of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis are as follows:

*Equity securities (common and preferred stocks):* Securities are stated at the last reported sales price or closing price on the day of valuation taken from the primary exchange where the security is principally traded. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

**Notes to Schedule of Investments (continued)**

**At December 31, 2014**

**(unaudited)**

**NOTE 2. (continued)**

Foreign securities, in which the primary trading market closes at the same time or after the NYSE, are valued based on quotations from the primary market in which they are traded and are categorized in Level 1. Because many foreign securities markets and exchanges close prior to the close of the NYSE, closing prices for foreign securities in those markets or on those exchanges do not reflect the events that occur after that close. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments such as American Depositary Receipts, financial futures, Exchange-Traded Funds, and the movement of the certain indices of securities based on a statistical analysis of their historical relationship; such valuations generally are categorized in Level 2.

Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are also generally categorized in Level 2 or Level 3 if inputs are unobservable.

*Securities lending collateral:* Securities lending collateral is invested in a money market fund which is valued at the NAV of the underlying securities and no valuation adjustments are applied. It is categorized in Level 1 of the fair value hierarchy.

*Repurchase agreements:* Repurchase agreements are traded on inactive markets or valued by reference to similar instruments and are generally categorized in Level 2.

*Corporate bonds:* The fair value of corporate bonds is estimated using various techniques, which consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. While most corporate bonds are categorized in Level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3.

*Asset-backed securities:* The fair value of asset-backed securities is estimated based on models that consider the estimated cash flows of each tranche of the entity, establish a benchmark yield, and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. To the extent the inputs are observable and timely, the values would generally be categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized in Level 3.

*Mortgage-backed securities:* The fair value of mortgage-backed securities is estimated based on models based that consider issuer type, coupon, cash flows, mortgage prepayment projection tables and adjustable rate mortgage evaluations that incorporate index data, periodic life caps and the next coupon reset date. To the extent the inputs are observable and timely, the values would generally be categorized in Level 2 of the fair value hierarchy; otherwise they

are categorized in Level 3.

*Municipal bonds & notes and variable rate notes:* The fair value of municipal bonds & notes and variable rate notes is estimated based on models that consider, among other factors, information received from market makers and broker-dealers, current trades, bid-want lists, offerings, market movements, the liquidity of the bond, state of issuance, benchmark yield curves, and bond or note insurance. To the extent the inputs are observable and timely, the values would generally be categorized in Level 2 of the fair value hierarchy; otherwise they are categorized in Level 3.

*Short-term notes:* Short-term notes are valued using amortized cost, which approximates fair value. To the extent the inputs are observable and timely, the values would be generally categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized in Level 3.

*Government securities:* Government securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued by principally using dealer quotations. Government securities generally are categorized in Level 2 of the fair value hierarchy, or Level 3 if inputs are unobservable.

**Notes to Schedule of Investments (continued)**

**At December 31, 2014**

**(unaudited)**

**NOTE 2. (continued)**

*U.S. government agency securities:* U.S. government agency securities are comprised of two main categories consisting of agency issued debt and mortgage pass-throughs. Generally, agency issued debt securities are valued in a manner similar to U.S. government securities. Mortgage pass-throughs include TBA securities and mortgage pass-through certificates. Generally, TBA securities and mortgage pass-throughs are valued using dealer quotations. Depending on market activity levels and whether quotations or other observable data are used, these securities are typically categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized in Level 3.

**NOTE 3. ACCOUNTING PRONOUNCEMENT**

In June 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-11, *Transfers and Servicing, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The guidance changes the accounting for certain repurchase agreements and expands disclosure requirements related to repurchase agreements, securities lending, repurchase-to-maturity and similar transactions. The guidance is required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. Management is currently evaluating the implication, if any, of the additional disclosure requirements and its impact on the Fund's financial statements.

**Item 2. Controls and Procedures.**

- (a) The Registrant's principal executive officer and principal financial officer evaluated the Registrant's disclosure controls (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) within 90 days of the date of this filing and concluded that the Registrant's disclosure control and procedures were effective as of that date.
  
- (b) There was 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 reasonably 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 1940 Act, 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/ Marijn P. Smit  
Marijn P. Smit  
President and Chief Executive Officer  
Date: February 27, 2015

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/ Marijn P. Smit  
Marijn P. Smit  
President and Chief Executive  
Officer  
Date: February 27, 2015

By: /s/ Vincent J. Toner  
Vincent J. Toner  
Vice President and Treasurer  
Principal Financial Officer  
Date: February 27, 2015