TCW STRATEGIC INCOME FUND INC
Form N-CSR
February 25, 2014

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: 811-4980

TCW Strategic Income Fund, Inc.

(Exact name of registrant as specified in charter)

865 South Figueroa Street, Suite 1800, Los Angeles, CA 90017

(Address of principal executive offices)

Patrick W. Dennis, Esq.

Assistant Secretary

865 South Figueroa Street, Suite 1800

Los Angeles, CA 90017

(Name and address of agent for service)

Registrant s telephone number, including area code: (213) 244-0000

Date of fiscal year end: December 31

Date of reporting period: December 31, 2013

Item 1. Report to Stockholders.

The President s Letter

Dear Valued Shareholder,

TCW is pleased to present you with the 2013 annual report for the TCW Strategic Income Fund (TSI or the Fund). TSI is a multi-asset class closed-end fund managed by TCW Investment Management Company and is listed on the New York Stock Exchange. We are proud to share the performance results in the table below, and we would like to emphasize the Fund s on-going strength in returns. For 2013, the Fund produced an 11.19% return on a net asset value (NAV) basis, and a 6.92% price-based return for the Fund s shareholders. This has brought annualized price-based returns of over 13% for the trailing three-year period and over 25% for the trailing five-year period. This places the Fund ahead of 96% of its peer group, the Morningstar Multi-sector Closed-End Fund universe for 2013. The Fund s custom benchmark return was 8.82% for the year ended December 31, 2013.

The share price discount to NAV began the year at 4.3% and subsequently widened to 8.3% at year end, thus reducing the relative returns of the TSI shares as compared with the underlying NAV return. Distributions of $0.098 per share were paid for each quarter of 2013. The Fund changed its managed distribution policy and implemented a net investment income-based distribution policy effective January 1, 2014. The previous policy provided quarterly dividends at an annualized rate equal to 7% of the Fund s prior year-end NAV while the new policy has the stated goal of providing dependable, but not assured quarterly distributions out of the Fund s accumulated net investment income and/or other sources. We believe this new dividend policy is in the best interests of the shareholders and the Fund.

Fund Performance

	Annualized Return as of 12/31/13					
	1 Year	**3 Year**	**5 Year**	**10 Year**	**Since 3/1/06**(2)	**Since 3/5/87**(3)
TSI Price Based Performance	6.92%	13.03%	25.62%	11.31%	13.11%	8.62%
TSI NAV Based Performance	11.19%	13.59%	22.72%	10.10%	11.90%	9.20%
TSI Custom Benchmark(1)	8.82%	7.87%	12.04%	6.75%	6.78%	N/A

(1) Custom Benchmark Index: 15% S&P 500 with Income Index, 15% Merrill Lynch Convertible Index, 45% Barclays Capital Aggregate Bond Index, 25% Citi High Yield Cash Pay Index. Past performance is no guarantee of future results. Current performance may be lower or higher than that quoted. The market value and net asset value of the Fund s shares will fluctuate with market conditions. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund s distributions. You should not draw any conclusions about the Fund s performance from the amount of the quarterly distribution.

(2) The date on which the Fund s investment objective changed to a multi-asset class fund. Prior to this date, the Fund primarily invested in convertible securities.

(3) Inception date of the Fund.

After a relatively benign start to the year, 2013 met with increased volatility after the Federal Reserve signaled its intent to scale back the $85 billion-a-month bond buying program at the May Federal Open Market Committee (FOMC) meeting. This news slowed the run-up in equities and marked the start of a five-month stretch that took the 10-Year US Treasury yield from a low of 1.63% on May 2nd to just less than 3% on September 5th. In tandem with rate volatility, risk premiums increased as markets dramatically re-priced non-government fixed income sectors, despite the lack of fundamental changes. Credit spreads widened on liquidity concerns as redemptions picked up, with high yield and emerging markets funds suffering the largest outflows. Though expectations settled on the September FOMC meeting as the most likely date for some form of asset tapering to be announced, the Fed surprised markets with its decision to leave the current policy unchanged.

TSI Annual Letter (Continued)

With the Fed still buying Treasuries and agency mortgage-backed securities (MBS), and affirming its commitment to a zero interest-rate policy until at least 2015, volatility eased in September and into the fourth quarter. Against a backdrop of better-than-expected economic data and other indications of improving economic conditions, the FOMC finally declared its decision to begin reducing asset purchases, beginning in January 2014 with a $10 billion reduction split evenly between US Treasuries and agency MBS. Nevertheless, the FOMC maintained a dovish tone, imparted through a qualitative rather than a quantitative change to its forward rate guidance. New language stated that the Fed Funds rate would remain near zero well past the time when unemployment reached the 6.5% threshold, especially if inflation continued to run below the 2% long-run goal.

Spread tightening across the U.S. fixed income sectors in the fourth quarter was not enough to offset the overall higher US Treasury yields, resulting in mostly negative returns across the fixed income markets. Significant exceptions were high yield bonds, whose yields tightened as flows returned to the sector, and non-agency MBS which remained relatively isolated from volatility during the year and benefitted from ongoing improvements in the housing sector. On a duration-adjusted basis, all domestic fixed income sectors outperformed U.S. Treasuries, though Emerging Markets debt ended the year down approximately 6% as weak economic data, particularly in China, and concern surrounding Fed tapering drove significant outflows from the asset class. Despite ongoing uncertainty surrounding the timing and magnitude of the Fed s tapering plans, the commitment to keeping low rates anchored for an extended period provided cover for equities to reach record highs for a 2013 return of over 32%. Our expectations for 2014 are for continued slow economic growth with periods of ongoing market volatility.

The table below presents TSI s market value exposures at December 31, 2013, including futures contracts across a number of sectors:

Sector	**Value**	**% of Value**
Asset-backed Securities	$ 79,935,043	26.3%
Mortgage-backed Securities	155,391,072	51.2%
Bank Loans	1,706,288	0.6%
Corporate Bonds	34,638,801	11.4%
Municipal Bonds	5,422,414	1.8%
Convertible Preferred Stocks	1,632,235	0.5%
Common Stocks	3,810,053	1.2%
Closed-end Funds[(1)]	1,519,452	0.5%
Short Term Investments	1,205,845	0.4%
	285,261,203	93.9%
S&P Index Futures (Notional Value)	18,411,000	6.1%
Total Value	$ 303,672,203	100.0%

(1) Have exposure to municipal bonds.

TSI is diversified across both equity and fixed income asset classes, with the continued emphasis on residential MBS representing half of the Fund s overall exposure. Non-agency MBS, which are issued by private label (non-guaranteed) originators, comprise the majority of this position, while the remainder are Agency MBS, which carry the guarantee of FNMA, FHLMA, or GNMA. Non-agency MBS, the largest sector in the Fund, was also the primary driver of year-to-date returns as

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the asset class continued its strong performance in 2013. Agency MBS and commercial MBS performed in-line with the broad fixed income markets which were essentially flat for the year from an absolute return basis, though they outperformed US Treasuries on a duration-adjusted basis.

Other securitized exposure includes a 26% fund allocation to asset-backed securities (ABS) which modestly underperformed the overall fixed income market as spreads narrowed less than other credit sectors. The Fund favors non-traditional collateral types such as student loans which provide high quality cash flows, often with floating rates.

Corporate exposure favors financials and utilities which benefit from regulatory limits on leverage and maintain strong balance sheets compared with unregulated industrials. A modest allocation to high yield and bank loans is also maintained, with an eye toward issues that are higher in the capital structure and have shorter durations.

TSI s equity exposure is currently implemented with long positions in S&P 500 index futures and finished the period at approximately 6.1% of the total market value of the portfolio. Management intends to gradually decrease this exposure should equity valuations rise further; alternatively, a meaningful correction in equity prices might lead to an increase in the equity allocation.

Modest leverage is currently utilized by TSI through a Line of Credit facility of which $4.4 million was drawn from an available line of $70 million as of December 31, 2013, at a current annual interest rate of 1.17%. The use of leverage has been accretive to returns in recent years owing to the general lowering of market rates. However, this may not always be a positive and management has reduced the use of leverage in the Fund over the course of the fiscal year. For example, should rates rise or credit or mortgage spreads widen, management s expectation is that the NAV of the Fund could be adversely impacted.

Management is concerned that risk markets may be vulnerable to higher levels of volatility in 2014 and hence (1) leverage has been reduced, (2) use of credit and high yield has been tapered, and (3) equity exposures have been dollar cost averaged lower and at 6.1% represent a substantial underweight vis-à-vis the TSI custom benchmark s 15% equity allocation.

We greatly appreciate your investment in the Fund and your continuing support of TCW. In the event that you have any additional questions or comments, I invite you to visit our web site at www.tcw.com or call our shareholder services department at 1-866-227-8179.

Sincerely,

David S. DeVito

President and Chief Executive Officer

TCW Strategic Income Fund, Inc.

Schedule of Investments

Principal Amount	Fixed Income Securities	Value
	Asset-Backed Securities (28.8% of Net Assets)	
$ 1,004,791	AABS, Ltd., (13-1-B), 6.875%, due 01/10/38 (1)	$ 1,019,854
799,955	Aircastle Pass-Through Trust, (07-1A-G1), (144A), 0.478%, due 06/14/37 (1)(2)	743,958
738,471	AMUR Finance I LLC, (2012-1-A), 14%, due 10/15/16	738,513
834,257	AMUR Finance I LLC, (2012-B), 11%, due 11/21/17	834,252
1,150,000	AMUR Finance I LLC, (2013-1), 10%, due 01/25/22	1,149,992
1,147,198	AMUR Finance I LLC, (2013-2), 10%, due 03/20/24	1,147,190
700,000	ARES XXVI CLO, Ltd., (13-26A-E), (144A), 5.244%, due 04/15/25 (1)(2)	657,855
625,000	Avalon IV Capital, Ltd., (12-1A-C), (144A), 3.844%, due 04/17/23 (1)(2)	626,165
250,000	Axis Equipment Finance Receivables LLC, (12-1I-D), 5.5%, due 11/20/15	246,264
275,000	Axis Equipment Finance Receivables LLC, (12-1I-E1), 6.25%, due 04/20/16	258,516
425,000	Axis Equipment Finance Receivables LLC, (12-1I-E2), 7%, due 03/20/17	378,274
1,379,302	Bayview Commercial Asset Trust, (03-2-A), (144A), 0.745%, due 12/25/33 (1)(2)	1,295,493
1,210,922	Bayview Commercial Asset Trust, (04-1-A), (144A), 0.525%, due 04/25/34 (1)(2)	1,122,571
1,084,179	Bayview Commercial Asset Trust, (04-2-A), (144A), 0.595%, due 08/25/34 (1)(2)	1,004,820
512,928	Bayview Commercial Asset Trust, (04-3-A1), (144A), 0.535%, due 01/25/35 (1)(2)	471,945
1,727,836	Bayview Commercial Asset Trust, (05-2A-A1), (144A), 0.475%, due 08/25/35 (1)(2)	1,444,984
1,871,936	Bayview Commercial Asset Trust, (05-4A-A1), (144A), 0.465%, due 01/25/36 (1)(2)	1,603,231
1,484,025	Bayview Commercial Asset Trust, (06-4A-A1), (144A), 0.395%, due 12/25/36 (1)(2)	1,267,073
1,000,000	Bayview Commercial Asset Trust, (06-SP1-M1), (144A), 0.615%, due 04/25/36 (1)(2)	835,561
1,059,709		