

TCW STRATEGIC INCOME FUND INC
Form N-CSRS
August 26, 2013

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: June 30, 2013

Item 1. Report to Stockholders.

TCW Strategic Income Fund, Inc.

The President's Letter

Dear Shareholder,

TCW is pleased to present you with the 2013 semi-annual report for the TCW Strategic Income Fund (TSI or 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 the first six months of 2013, the Fund produced a non-annualized 6.99% result for the TSI shareholder. This has brought returns for the period ending June 30, 2013, to 17.73% on a one-year basis, a 19.60% annualized return for the trailing three-year period, and 23.16% for the trailing five-year period. This places the Fund ahead of 92% of the funds in its peer group, the Morningstar Multisector Closed-End Fund universe. Though it cannot be guaranteed, the Fund's current distribution policy is to pay 7% annually based on the previous year-end net asset value (NAV). Year-to-date, the Fund's return on market price was 6.99% versus the custom benchmark return of 2.69%. Calculated on the basis of the returns of the underlying assets, i.e., a so-called NAV basis, returns were a bit lower. This relates to changes in the discount to NAV at which TSI shares traded in the first half of 2013. Specifically, the share discount to NAV began the year at 4.3% and subsequently narrowed to 2.8%, thus enhancing the relative returns of the TSI shares as compared with the underlying net asset valuation. Distributions of \$0.098 per share were paid for each quarter of 2013.

Fund Performance

| | Six Months Ended June 30, 2013 | | Annualized Total Return as of June 30, 2013 | | | | |
|----------------------------------|--------------------------------|--------|---|---------|-------------------------------|-------------------------------|-------|
| | 1-Year | 3-Year | 5-Year | 10-Year | Since 3/1/2006 ⁽²⁾ | Since 3/5/1987 ⁽³⁾ | |
| Price Based Performance | 6.99% | 17.73% | 19.60% | 23.16% | 12.06% | 14.07% | 8.79% |
| NAV Based performance | 5.29% | 18.27% | 16.67% | 19.79% | 10.75% | 11.93% | 9.16% |
| Benchmark Returns ⁽¹⁾ | 2.69% | 7.55% | 8.85% | 7.39% | 7.30% | 6.41% | N/A |

(1) Custom Benchmark Index: 15% S&P 500 with Income, 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 or from the terms of the Fund's managed distribution policy.

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

(3) Inception date of the Fund.

Following several years of market friendly Federal Reserve (Fed) actions in the form of the zero interest rate policy and multiple rounds of quantitative easing (QE), the second quarter marked a change in Fed sentiment as it hinted at an upcoming slowdown in the current asset purchase programs. With the fate of the QE program in question, markets dramatically re-priced fixed income sectors. Credit spreads widened on liquidity concerns as the demand for redemptions picked up, with high yield and emerging market funds experiencing the largest outflows. Our expectations for the remainder of 2013 are for continued slow economic growth with periods of ongoing market volatility.

The President's Letter (Continued)

The table below presents the market value exposures of the Fund across a number of sectors as of June 30, 2013:

| Sector | Market Value | % of Market Value |
|---|-----------------------|----------------------|
| Residential Mortgage-Backed Securities Non-Agency | \$ 148,411,865 | 50.1% |
| Asset-Backed Securities | 82,402,572 | 27.8% |
| Corporate Bonds | 40,153,245 | 13.6% |
| Residential Mortgage-Backed Securities Agency | 11,125,452 | 3.8% |
| Bank Loans | 3,489,131 | 1.2% |
| Municipal Bonds | 3,137,220 | 1.1% |
| Cash and cash equivalents | 2,713,581 | 0.9% |
| Commercial Mortgage-Backed Securities | 2,067,630 | 0.7% |
| Convertible Preferred Stocks | 1,540,154 | 0.5% |
| Common Stocks | 1,174,945 | 0.4% |
| | \$ 296,215,795 | |

The Fund is diversified across both equity and fixed income asset classes, with the continued emphasis on residential mortgage-backed securities (MBS) representing over 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. The asset class continued its strong performance for the first few months of the year, and then slowed along with other credit sectors in May and June. However, Agency MBS were particularly volatile and underperformed the broad fixed income markets. Market fears of an unexpectedly early end to the Fed's QE program catalyzed a rise in Treasury rates which led to negative returns for Agency MBS, with underperformance concentrated in the lower coupon agency MBS cohorts. Agency MBS holdings continue to emphasize low coupon prepayment protected bonds with more stable duration profiles.

Other securitized exposure includes a 28% fund allocation to asset-backed securities (ABS) which outperformed the overall fixed income market and experienced only marginal spread widening. The Fund favors such off-the-run collateral types as shipping containers and rail cars. A small allocation to commercial real estate is maintained, focused on the top of the capital structure.

Corporate exposure favors financials and utilities which benefit from regulatory limits on leverage and maintain strong balance sheets versus 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 supplemented with a futures position in the S&P 500 Index. With a notional value of \$24.4 million, the equity allocation stands around 8% of the Fund. Management intends to gradually decrease this exposure should equity valuations rise further; alternatively, a meaningful correction in equity prices might lead management to increase the equity allocation.

The President's Letter (Continued)

Leverage is utilized by TSI through a Line of Credit facility of which \$19.2 million was drawn as of June 30, 2013, at a current annual interest rate of 1.34% (total amount available under the facility is \$70 million). The use of leverage has been accretive to returns in recent years owing to the general lowering of market rates. However, the use of leverage may not always be positive. 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.

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,

Charles W. Baldiswieler

President and Chief Executive Officer

TCW Strategic Income Fund, Inc.

Schedule of Investments (Unaudited)

June 30, 2013

| Principal | | |
|--------------|---|--------------|
| Amount | Fixed Income Securities | Value |
| | Asset-Backed Securities (30.3% of Net Assets) | |
| \$ 1,032,396 | AABS, Ltd., (13-1-B), 6.875%, due 01/10/38 ⁽¹⁾ | \$ 1,042,638 |
| 902,855 | Aircastle Pass-Through Trust, (07-1A-G1), (144A), 0.503%, due 06/14/37 ⁽¹⁾⁽²⁾ | 830,355 |
| 848,422 | AMUR Finance I LLC, (2012-1-A), 14%, due 10/15/16 | 848,338 |
| 911,114 | AMUR Finance I LLC, (2012-B), 11%, due 11/21/17 | 911,111 |
| 2,324,873 | AMUR Finance I LLC, (2013-1), 8%, due 02/27/22 | 2,324,868 |
| 1,150,000 | AMUR Finance I LLC, (2013-1), 10%, due 01/25/22 | 1,149,997 |
| 1,150,000 | AMUR Finance I LLC, (2013-2), 10%, due 03/20/24 | 1,149,997 |
| 700,000 | ARES XXVI CLO, Ltd., (13-26A-E), (144A), 5.31%, due 04/15/25 ⁽¹⁾⁽²⁾ | 601,808 |
| 625,000 | Avalon IV Capital, Ltd., (12-1A-C), (144A), 3.878%, due 04/17/23 ⁽¹⁾⁽²⁾ | 629,023 |
| 250,000 | Axis Equipment Finance Receivables LLC, (12-II-D), 5.5%, due 11/20/15 | 238,725 |
| 275,000 | Axis Equipment Finance Receivables LLC, (12-II-E1), 6.25%, due 04/20/16 | 245,410 |
| 425,000 | Axis Equipment Finance Receivables LLC, (12-II-E2), 7%, due 03/20/17 | 353,770 |
| 1,594,056 | Bayview Commercial Asset Trust, (03-2-A), (144A), 0.773%, due 12/25/33 ⁽¹⁾⁽²⁾ | 1,457,837 |
| 1,327,921 | Bayview Commercial Asset Trust, (04-1-A), (144A), 0.553%, due 04/25/34 ⁽¹⁾⁽²⁾ | 1,228,548 |
| 1,195,088 | Bayview Commercial Asset Trust, (04-2-A), (144A), 0.623%, due 08/25/34 ⁽¹⁾⁽²⁾ | 1,103,206 |
| 562,556 | Bayview Commercial Asset Trust, (04-3-A1), (144A), 0.563%, due 01/25/35 ⁽¹⁾⁽²⁾ | 509,075 |
| 1,877,092 | Bayview Commercial Asset Trust, (05-2A-A1), (144A), 0.503%, due 08/25/35 ⁽¹⁾⁽²⁾ | 1,532,883 |
| 2,035,340 | Bayview Commercial Asset Trust, (05-4A-A1), (144A), 0.493%, due 01/25/36 ⁽¹⁾⁽²⁾ | 1,706,408 |
| 1,585,371 | Bayview Commercial Asset Trust, (06-4A-A1), (144A), 0.423%, due 12/25/36 ⁽¹⁾⁽²⁾ | 1,276,790 |
| 1,000,000 | Bayview Commercial Asset Trust, (06-SP1-M1), (144A), 0.643%, due 04/25/36 ⁽¹⁾⁽²⁾ | 797,705 |
| 1,107,366 | Bayview Commercial Asset Trust, (07-2A-A1), (144A), 0.463%, due 07/25/37 ⁽¹⁾⁽²⁾ | 854,509 |
| 756,292 | Bayview Commercial Asset Trust, (07-3-A1), (144A), 0.433%, due 07/25/37 ⁽¹⁾⁽²⁾ | 598,986 |
| 2,200,000 | Brazos Higher Education Authority, Inc., (10-1-A2), 1.473%, due 02/25/35 ⁽¹⁾⁽³⁾ | 2,177,266 |
| 750,000 | Cerberus Offshore Levered I LP, (12-1A-B), (144A), 5.027%, due 11/30/18 ⁽¹⁾⁽²⁾ | 762,409 |
| 1,850,000 | CIFC Funding, Ltd., (12-2A-A3L), (144A), 3.273%, due 12/05/24 ⁽¹⁾⁽²⁾ | 1,846,709 |
| 1,401,630 | CIT Education Loan Trust, (07-1-A), (144A), 0.363%, due 03/25/42 ⁽¹⁾⁽²⁾ | 1,301,649 |
| 289,792 | Cronos Containers Program, Ltd., (12-1A-A), (144A), 4.21%, due 05/18/27 ⁽²⁾ | 294,535 |
| 370,000 | Cronos Containers Program, Ltd., (12-2A-A), (144A), 3.81%, due 09/18/27 ⁽²⁾ | 372,168 |
| 675,000 | EFS Volunteer LLC, (10-1-A2), (144A), 1.126%, due 10/25/35 ⁽¹⁾⁽²⁾ | 665,365 |
| 1,500,000 | EFS Volunteer No 2 LLC, (12-1-A2), (144A), 1.543%, due 03/25/36 ⁽¹⁾⁽²⁾ | 1,532,370 |
| 500,000 | Galaxy CLO XIV, Ltd., (12-14A-SUBA), (144A), 0%, due 11/15/24 ⁽²⁾⁽⁴⁾ | 452,500 |
| 866,168 | GE Business Loan Trust, (03-2A-A), (144A), 0.563%, due 11/15/31 ⁽¹⁾⁽²⁾ | 836,154 |
| 314,970 | GE Business Loan Trust, (03-2A-B), (144A), 1.193%, due 11/15/31 ⁽¹⁾⁽²⁾ | 272,120 |
| 535,858 | GE Business Loan Trust, (04-1-A), (144A), 0.483%, due 05/15/32 ⁽¹⁾⁽²⁾ | 515,002 |
| 487,144 | GE Business Loan Trust, (04-1-B), (144A), 0.893%, due 05/15/32 ⁽¹⁾⁽²⁾ | 402,603 |
| 525,403 | GE Business Loan Trust, (04-2A-A), (144A), 0.413%, due 12/15/32 ⁽¹⁾⁽²⁾ | 507,322 |
| 902,191 | GE Business Loan Trust, (05-1A-A3), (144A), 0.443%, due 06/15/33 ⁽¹⁾⁽²⁾ | 849,695 |
| 584,684 | GE Business Loan Trust, (05-1A-C), (144A), 0.893%, due 06/15/33 ⁽¹⁾⁽²⁾ | 477,215 |
| 807,434 | GE Business Loan Trust, (05-2A-A), (144A), 0.433%, due 11/15/33 ⁽¹⁾⁽²⁾ | 756,752 |
| 549,504 | GE Business Loan Trust, (05-2A-B), (144A), 0.693%, due 11/15/33 ⁽¹⁾⁽²⁾ | 449,343 |
| 83,333 | GE SeaCo Finance SRL, (04-1A-A), (144A), 0.493%, due 04/17/19 ⁽¹⁾⁽²⁾ | 82,629 |
| 664,584 | GE SeaCo Finance SRL, (05-1A-A), (144A), 0.443%, due 11/17/20 ⁽¹⁾⁽²⁾ | 657,497 |
| 486,076 | Goal Capital Funding Trust, (06-1-B), 0.723%, due 08/25/42 ⁽¹⁾ | 386,385 |
| 1,700,000 | Halcyon Loan Advisors Funding, Ltd., (12-2A-C), (144A), 3.122%, due 12/20/24 ⁽¹⁾⁽²⁾ | 1,620,312 |
| 2,300,000 | Harch CLO II, Ltd., (05-2A-D), (144A), 2.226%, due 10/22/17 ⁽¹⁾⁽²⁾ | 2,067,391 |

See accompanying notes to financial statements.

TCW Strategic Income Fund, Inc.

June 30, 2013

Principal

| Amount | Fixed Income Securities | Value |
|--------------|--|-------------------|
| | Asset-Backed Securities (Continued) | |
| \$ 1,750,000 | Hewett s Island CLO, Ltd., (06-5A-D), (144A), 1.723%, due 12/05/18 ⁽²⁾ | \$ 1,605,527 |
| 948,035 | Highland Loan Funding V, Ltd., (1A-A2A), (144A), 0.954%, due 08/01/14 ⁽¹⁾⁽²⁾ | 941,916 |
| 1,016,600 | KKR Financial CLO, Ltd., (05-1A-B), (144A), 0.726%, due 04/26/17 ⁽¹⁾⁽²⁾ | 989,433 |
| 1,900,000 | Lightpoint CLO, Ltd., (05-3X-C), (Reg. S), 2.173%, due 09/15/17 ⁽¹⁾⁽⁵⁾ | 1,825,492 |
| 1,109,092 | MAPS CLO Fund II, Ltd., (07-2A-A1), (144A), 0.516%, due 07/20/22 ⁽¹⁾⁽²⁾ | 1,084,878 |
| 2,300,000 | National Collegiate Master Student Loan Trust I, (02-2-AR10), (144A), 3.693%, due 11/01/42 ⁽¹⁾⁽²⁾ | 2,288,500 |
| 1,200,000 | National Collegiate Student Loan Trust, (06-3-A3), 0.343%, due 10/25/27 ⁽¹⁾ | 1,136,294 |
| 1,600,000 | National Collegiate Student Loan Trust, (06-3-A4), 0.463%, due 03/26/29 ⁽¹⁾ | 1,266,571 |
| 3,400,000 | National Collegiate Student Loan Trust, (07-1-A3), 0.433%, due 07/25/30 ⁽¹⁾ | 2,695,693 |
| 2,350,000 | National Collegiate Student Loan Trust, (07-3-A2A3), 3.694%, due 12/26/25 ⁽¹⁾ | 2,246,614 |
| 1,900,000 | National Collegiate Student Loan Trust, (07-4-A2A3), 3.695%, due 12/26/25 ⁽¹⁾ | 1,891,678 |
| 1,444,279 | Navigator CDO, Ltd., (05-1X-C1), (Reg. S), 2.076%, due 10/21/17 ⁽¹⁾⁽⁵⁾ | 1,445,389 |
| 2,200,000 | North Carolina State Education Assistance Authority, (11-1-A3), 1.176%, due 10/25/41 ⁽¹⁾⁽³⁾ | 2,149,906 |
| 1,269,407 | Peachtree Finance Co. LLC, (2005-B-A), (144A), 4.71%, due 04/15/48 ⁽²⁾ | 1,332,877 |
| 989,765 | PMC Aviation LLC, (12-II-A), 18%, due 04/15/15 | 999,660 |
| 334,545 | Sagamore CLO, Ltd., (03-1A-B), (144A), 1.777%, due 10/15/15 ⁽¹⁾⁽²⁾ | 334,560 |
| 1,000,000 | Scholar Funding Trust, (12-B-A2), (144A), 1.295%, due 03/28/46 ⁽¹⁾⁽²⁾ | 995,818 |
| 1,000,000 | SLC Student Loan Trust, (06-2-A5), 0.373%, due 09/15/26 ⁽¹⁾⁽³⁾ | 961,990 |
| 2,600,000 | SLM Private Credit Student Loan Trust, (04-A-A3), 0.673%, due 06/15/33 ⁽¹⁾⁽³⁾ | 2,234,097 |
| 2,500,000 | SLM Private Credit Student Loan Trust, (04-B-A3), 0.603%, due 03/15/24 ⁽¹⁾⁽³⁾ | 2,141,909 |
| 2,300,000 | SLM Student Loan Trust, (03-11-A6), (144A), 0.563%, due 12/15/25 ⁽¹⁾⁽²⁾ | 2,279,116 |
| 1,400,000 | SLM Student Loan Trust, (06-2-A6), 0.446%, due 01/25/41 ⁽¹⁾ | 1,181,809 |
| 1,400,000 | SLM Student Loan Trust, (06-8-A6), 0.436%, due 01/25/41 ⁽¹⁾ | 1,185,617 |
| 675,000 | Sound Point CLO, Ltd., (12-1A-C), (144A), 3.576%, due 10/20/23 ⁽¹⁾⁽²⁾ | 675,644 |
| 1,500,000 | Student Loan Consolidation Center, (02-2-B2), (144A), 0%, due 07/01/42 ⁽¹⁾⁽²⁾⁽⁴⁾ | 1,146,592 |
| 700,000 | Symphony CLO, Ltd., (12-9A-C), (144A), 3.528%, due 04/16/22 ⁽¹⁾⁽²⁾ | 702,011 |
| 396,667 | TAL Advantage I LLC, (06-1A-NOTE), (144A), 0.375%, due 04/20/21 ⁽¹⁾⁽²⁾ | 390,595 |
| 476,667 | TAL Advantage I LLC, (10-2A-A), (144A), 4.3%, due 10/20/25 ⁽²⁾ | 482,777 |
| 189,583 | TAL Advantage I LLC, (11-1A-A), (144A), 4.6%, due 01/20/26 ⁽²⁾ | 191,927 |
| 287,500 | Textainer Marine Containers, Ltd., (05-1A-A), (144A), 0.44%, due 05/15/20 ⁽¹⁾⁽²⁾ | 283,824 |
| 647,601 | Trinity Rail Leasing LP, (06-1A-A1), (144A), 5.9%, due 05/14/36 ⁽²⁾ | 715,136 |
| 469,792 | Triton Container Finance LLC, (06-1A-NOTE), (144A), 0.37%, due 11/26/21 ⁽¹⁾⁽²⁾ | 458,372 |
| 213,542 | Triton Container Finance LLC, (07-1A-NOTE), (144A), 0.34%, due 02/26/19 ⁽¹⁾⁽²⁾ | 210,870 |
| 699,719 | Vermont Student Assistance Corp., (12-1-A), 0.893%, due 07/28/34 ⁽¹⁾⁽³⁾ | 694,508 |
| 560,000 | Wind River CLO, Ltd., (04-1A-B1), (144A), 1.373%, due 12/19/16 ⁽¹⁾⁽²⁾ | 557,594 |
| | Total Asset-Backed Securities (Cost: \$80,239,970) | 82,402,572 |