

TCW STRATEGIC INCOME FUND INC  
Form N-CSR  
February 25, 2015

**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, 2014**

**Item 1. Report to Stockholders.**



# TCW Strategic Income Fund, Inc.

## President's Letter

David S. DeVito

President, Chief Executive Officer & Director

### Dear Valued Shareholder,

I am pleased to present the 2014 annual report for the TCW Strategic Income Fund ( TSI ). TSI is a multi-asset class closed-end fund managed by TCW Investment Management Company and is listed on the New York Stock Exchange. For 2014, the shareholders of the Fund realized a 5.66% return on investment, while the Fund's net asset value increased 6.66% (i.e., returns of the underlying assets). TSI's Custom Benchmark Index posted a return for the year of 6.62%. This has brought annualized price-based performance of the Fund to 11.35% for the trailing three-year period and to 15.47% for the trailing five-year period, well ahead of the Fund's benchmark for those periods including since inception return. The Fund's price based return of 5.66% was slightly lower than the net asset value (NAV) based return of 6.66% in 2014. This relates to changes in the discount to NAV at which TSI shares traded in 2014. Specifically, the share discount to NAV began the year at 8.2% and subsequently widened to 9.4%, thus decreasing the relative return of the TSI shares as compared with the return on the underlying net asset valuation.

The Fund changed its managed distribution policy and implemented a net investment income-based distribution policy effective January 1, 2014, which is to distribute 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. In 2014, distributions were made in the following amounts: Q1 2014, \$0.0728; Q2 2014, \$0.0725; Q3 2014, \$0.0644 and Q4 2014, \$0.0433.

### Fund Performance

	Annualized Total Return as of 12/31/14						
	1 Year	3 Year	5 Year	10 year	Since 3/1/06 <sup>(2)</sup>	Since 3/5/87 <sup>(3)</sup>	
Price Based Return	5.66%	11.35%	15.47%	10.59%	12.24%	8.51%	
NAV Based Return	6.66%	14.01%	15.16%	10.04%	11.29%	9.11%	
Custom Benchmark <sup>(1)</sup>	6.62%	8.56%	8.34%	6.46%	6.76%	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 the 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 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.

Having already defied the early 2014 consensus on U.S. Treasury (UST) rates with a significant rally in the first three quarters, the year ended on a similar note, with a further decline in yields beyond the intermediate stretch of the yield-curve. The 32 basis point (bps) dip in the fourth quarter on the 10-Year UST brought the year-end level to 2.17%, well below the 3.03% to start the year. While in

## TSI Annual Letter (Continued)

retrospect, explanations abound as to the surprising fall in rates, it would appear that the markets were unswayed by three significant developments during the year that would typically motivate a relatively higher rate profile. First, after several years of balance sheet expansion via the active purchase of USTs and agency mortgages, the Federal Reserve (Fed) announced and executed a drawdown and elimination of new quantitative easing (QE) purchases, removing its massive buying power (aside from coupon reinvestments on its holdings). Second, on the heels of a weather-induced economic contraction in the first quarter, the middle part of the year saw 4.6% and 5% annualized growth rates, a clear indication of some long-anticipated momentum. Finally, the last 11 months of the year were each punctuated by job creation in excess of two hundred thousand that drew the unemployment rate down to 5.6%.

So, how to account for the unexpected retreat in UST yields in 2014? Undoubtedly, economic weakness persisted overseas as a decoupling from U.S. fortunes became more apparent across developed and emerging markets alike. Through the middle part of the year, this was addressed in varying degrees by Japan, Europe, and China, as each looked to introduce further stimulus to their challenged growth profiles. As a consequence, government bond rates fell, with 10-Year German and Japanese debt trading below 1%, while even Italian and Spanish paper yielded less than USTs. These lower rates have effectively limited upward lift to U.S. rates and the stronger dollar has made USD-denominated assets more compelling, further restricting much of a rise in U.S. rates. And then there is oil, which found prices collapsing in the fourth quarter as weaker demand met with surging supply and financial market machinations. The decline in oil and other commodities prices has magnified global deflationary fears, further feeding the rate environment. Ironically, stock performance in the U.S. only confused the issue, with the S&P 500 Index gaining 5% in the fourth quarter and nearly 14% for the year.

Rallying rates fueled good returns in the broad U.S. bond market, with the Barclays Aggregate Index up 1.8% in the fourth quarter and 6% for the year, though long USTs (20+ years) were the big winners, pacing the market with a 27.5% gain for the year as the long bond yield plummeted over 120 bps. Meanwhile, despite a strong first half of the year, fixed income credit markets ended 2014 relatively cheaper, largely due to increasing creditor concerns about slowing global growth, reflected not least by the drop in oil and other commodities. In particular, emerging market and high yield debt were especially hard hit by the decline in oil prices, lagging significantly for the fourth quarter and year. Similarly, among investment grade corporates, commodity-related sectors metals and mining as well as energy saw the largest increase in credit spreads, resulting in considerable underperformance to USTs. Financial credits were the best performers as balance sheets continued to strengthen given ever tighter regulatory control.

Despite the end of the Fed's QE program in October, agency residential mortgage-backed securities (RMBS) outperformed duration-matched USTs in 2014 for the fifth out of the past six years, returning over 6%. Even without new purchases, the sector remained supported by the Fed's reinvestment of MBS pay-downs, while supply remained light given the still-stringent underwriting standards and low securitization rate on the part of banks. Commercial MBS (CMBS) returned nearly 4% in 2014 and generated excess returns of over 100 bps to USTs as commercial real estate prices continued to climb. Non-agency RMBS also performed well during the fourth quarter and year, benefitting from favorable technicals (supply and demand) and improving fundamentals. An absence of new origination and steady pay-downs drove ongoing attrition of the market (though it remains relatively large with over \$700 billion outstanding) and demand remained strong from a pool of stable buy-and-hold investors. Fundamentally, steady housing price appreciation and stronger credit profiles within mortgage pools further supported the relative

performance. Asset-backed securities (ABS) posted positive returns for the quarter and year, with student loan ABS performing particularly well.

With upward revisions to second and third quarter GDP, the economy, although not yet consistently robust, is demonstrating some strength and resistance to the global challenges. The Fed has begun to normalize monetary policy with the conclusion of its asset purchase program in October and has its eye on coming off the longstanding zero interest rate policy with expectations of a rate hike in 2015. Specific to the Fund, strategy continues to be largely influenced by a view that interest rate pressures will heighten over time and that late-stage credit cycle dynamics such as increased leverage and looser underwriting standards warrant a cautious and selective investment strategy. Interest rate risk is constrained via a shorter-than-Index duration position and credit risk is managed via selective security selection across non-government fixed income sectors.

More specifically from a thematic perspective, non-agency MBS continue to offer very good relative value and remain a sizable allocation within the Fund. Among ABS, select subsectors offer good risk-adjusted value and offer diversity to portfolios, namely FFELP student loans and high quality collateralized loan obligations (CLO). The overweight to CMBS is made up of both agency-backed issues and non-agency CMBS at the top of the capital structure. Corporate credit has become marginally less attractive as the cycle ages and rich valuations persist, thus informing an underweight, particularly among industrial credits. However, financials and utilities remain relatively attractive as both are somewhat protected from increasing leverage due to regulatory oversight. Outside of the investment grade space, bank loans and high yield corporates represent a modest allocation, with a tilt toward issues that are higher in the capital structure and have shorter durations to reduce exposure to interest rate volatility.

TSI's equity exposure is currently implemented with long positions in S&P 500 Index futures that had a notional value representing 4.2% of the Fund's market value at year-end. The position was gradually trimmed from mid-year levels as equity valuations continued to increase, though a meaningful correction in equity prices might lead to an increase in the equity allocation.

Leverage is available to the Fund through a \$70 million line of credit facility; however, the Fund has not drawn from it currently. 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. Should rates rise or credit or mortgage spreads widen, it is our expectation that the NAV of the Fund could be adversely impacted by the use of leverage.

Our expectations for 2015 are for continued slow economic growth with periods of ongoing market volatility. Management is concerned that risk markets may be vulnerable to higher levels of volatility in 2015 and hence (1) leverage is not being utilized, (2) use of credit and high yield has been reduced, and (3) the underweight of equity exposure relative to the Fund's Custom Index (Fund's equity exposure is just over 4% versus the Custom Index's exposure of 15%).

## TSI Annual Letter (Continued)

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](http://www.tcw.com) or call our shareholder services department at 1-866-227-8179.

Sincerely,

David S. DeVito

President, Chief Executive Officer and Director



## TCW Strategic Income Fund, Inc.

## Schedule of Investments

Principal Amount	Fixed Income Securities	Value
	<b>Asset-Backed Securities (25.6% of Net Assets)</b>	
\$ 1,130,000	321 Henderson Receivables LLC, (13-3A-B), (144A), 5.54%, due 01/15/75 <sup>(1)</sup>	\$ 1,277,519
575,000	321 Henderson Receivables LLC, (14-2A-B), (144A), 4.48%, due 01/15/75 <sup>(1)</sup>	576,084
933,021	AABS, Ltd., (13-1-B), 6.161%, due 01/10/38 <sup>(2)</sup>	930,051
1,150,000	AMUR Finance I LLC, (2013-1), 10%, due 01/25/22	1,149,984
1,121,221	AMUR Finance I LLC, (2013-2), 10%, due 03/20/24	1,121,205
614,144	AMUR Finance I LLC, (2014-1), 11%, due 11/21/17	614,136
500,000	ARES XXVI CLO, Ltd., (13-1A-C), (144A), 2.981%, due 04/15/25 <sup>(1)(2)</sup>	478,071
140,176	Axis Equipment Finance Receivables LLC, (12-1I-E1), 6.25%, due 04/20/16	140,642
425,000	Axis Equipment Finance Receivables LLC, (12-1I-E2), 7%, due 03/20/17	426,881
1,200,000	Babson CLO, Ltd., (13-IA-A), (144A), 1.331%, due 04/20/25 <sup>(1)(2)</sup>	1,180,259
1,150,000	Babson CLO, Ltd., (14-IA-A1), (144A), 1.72%, due 07/20/25 <sup>(1)(2)</sup>	1,146,834
1,182,860	Bayview Commercial Asset Trust, (03-2-A), (144A), 1.04%, due 12/25/33 <sup>(1)(2)</sup>	1,123,334
972,181	Bayview Commercial Asset Trust, (04-1-A), (144A), 0.53%, due 04/25/34 <sup>(1)(2)</sup>	933,755
887,778	Bayview Commercial Asset Trust, (04-2-A), (144A), 0.6%, due 08/25/34 <sup>(1)(2)</sup>	851,607
426,810	Bayview Commercial Asset Trust, (04-3-A1), (144A), 0.54%, due 01/25/35 <sup>(1)(2)</sup>	396,855
1,466,902	Bayview Commercial Asset Trust, (05-2A-A1), (144A), 0.48%, due 08/25/35 <sup>(1)(2)</sup>	1,343,217
1,590,858	Bayview Commercial Asset Trust, (05-4A-A1), (144A), 0.47%, due 01/25/36 <sup>(1)(2)</sup>	1,406,638
1,258,847	Bayview Commercial Asset Trust, (06-4A-A1), (144A), 0.4%, due 12/25/36 <sup>(1)(2)</sup>	1,134,287
1,000,000	Bayview Commercial Asset Trust, (06-SP1-M1), (144A), 0.62%, due 04/25/36 <sup>(1)(2)</sup>	978,281
935,112	Bayview Commercial Asset Trust, (07-2A-A1), (144A), 0.44%, due 07/25/37 <sup>(1)(2)</sup>	804,423
610,412	Bayview Commercial Asset Trust, (07-3-A1), (144A), 0.41%, due 07/25/37 <sup>(1)(2)</sup>	541,162
688,303	Bayview Commercial Asset Trust, (08-4-A3), (144A), 2.92%, due 07/25/38 <sup>(1)(2)</sup>	648,044
600,000	Blue Hill CLO, Ltd., (13-1A-C1), (144A), 3.231%, due 01/15/26 <sup>(1)(2)</sup>	584,836
1,100,000	BlueMountain CLO, Ltd., (13-1A-A1), (144A), 1.432%, due 05/15/25 <sup>(1)(2)</sup>	1,079,001
2,200,000	Brazos Higher Education Authority, Inc., (10-1-A2), 1.433%, due 02/25/35 <sup>(2)</sup>	2,256,928
1,100,000	Cent CLO 19 LP, (13-19A-A1A), (144A), 1.563%, due 10/29/25 <sup>(1)(2)</sup>	1,088,133
1,194,213	CIT Education Loan Trust, (07-1-A), (144A), 0.345%, due 03/25/42 <sup>(1)(2)</sup>	1,139,914
310,000	Cronos Containers Program, Ltd., (12-2A-A), (144A), 3.81%, due 09/18/27 <sup>(1)</sup>	310,039
1,150,000	Dryden XXVI Senior Loan Fund, (13-26A-A), (144A), 1.331%, due 07/15/25 <sup>(1)(2)</sup>	1,127,264
500,000	Dryden XXVIII Senior Loan Fund, (13-28A-A3L), (144A), 2.932%, due 08/15/25 <sup>(1)(2)</sup>	480,493
1,260,000	Education Loan Asset-Backed Trust I, (13-1-A2), (144A), 0.969%, due 04/26/32 <sup>(1)(2)</sup>	1,258,909
675,000	EFS Volunteer LLC, (10-1-A2), (144A), 1.084%, due 10/25/35 <sup>(1)(2)</sup>	672,870
1,500,000	EFS Volunteer No 2 LLC, (12-1-A2), (144A), 1.505%, due 03/25/36 <sup>(1)(2)</sup>	1,536,043
2,641,264	GCO Education Loan Funding Trust, (06-2AR-A1RN), (144A), 0.82%, due 08/27/46 <sup>(1)(2)</sup>	2,531,032
470,374	GE Business Loan Trust, (03-2A-A), (144A), 0.531%, due 11/15/31 <sup>(1)(2)</sup>	452,597
209,593	GE Business Loan Trust, (04-1-A), (144A), 0.451%, due 05/15/32 <sup>(1)(2)</sup>	203,130
243,146	GE Business Loan Trust, (04-2A-A), (144A), 0.381%, due 12/15/32 <sup>(1)(2)</sup>	237,435
601,115	GE Business Loan Trust, (05-1A-A3), (144A), 0.411%, due 06/15/33 <sup>(1)(2)</sup>	584,112
594,456	GE Business Loan Trust, (05-2A-A), (144A), 0.401%, due 11/15/33 <sup>(1)(2)</sup>	574,869
637,292	Global SC Finance SRL, (14-1A-A2), (144A), 3.09%, due 07/17/29 <sup>(1)</sup>	629,129
418,274	Goal Capital Funding Trust, (06-1-B), 0.683%, due 08/25/42 <sup>(2)</sup>	383,762
1,175,000	GoldenTree Loan Opportunities VII, Ltd., (13-7A-A), (144A), 1.384%, due 04/25/25 <sup>(1)(2)</sup>	1,153,681

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1,200,000	GoldenTree Loan Opportunities VIII, Ltd., (14-8A-A), (144A), 1.681%, due 04/19/26 <sup>(1)(2)</sup>	1,191,988
550,860	Higher Education Funding I, (14-1-A), (144A), 1.283%, due 05/25/34 <sup>(1)(2)</sup>	546,022
1,200,000	ING Investment Management CLO, Ltd., (13-2A-A1), (144A), 1.384%, due 04/25/25 <sup>(1)(2)</sup>	1,179,965

*See accompanying notes to financial statements.*

## TCW Strategic Income Fund, Inc.

## Schedule of Investments (Continued)

Principal Amount	Fixed Income Securities	Value
	<b>Asset-Backed Securities (Continued)</b>	
\$ 270,000	ING Investment Management CLO, Ltd., (14-1A-A1), (144A), 1.731%, due 04/18/26 <sup>(1)(2)</sup>	\$ 268,009
988,274	KKR Financial CLO, Ltd., (05-1A-B), (144A), 0.684%, due 04/26/17 <sup>(1)(2)</sup>	984,089
542,250	Leaf II Receivables Funding LLC, (13-1-E2), (144A), 6%, due 09/15/21 <sup>(1)</sup>	519,595
680,000	Limerock CLO III LLC, (14-3A-D), (144A), 5.379%, due 10/20/26 <sup>(1)(2)</sup>	611,631
1,056,686	MAPS CLO Fund II, Ltd., (07-2A-A1), (144A), 0.471%, due 07/20/22 <sup>(1)(2)</sup>	1,048,256
400,000	National Collegiate Master Student Loan Trust I, (02-2-AR10), (144A), 3.652%, due 11/01/42 <sup>(1)(2)</sup>	401,008
740,712	National Collegiate Student Loan Trust, (06-3-A3), 0.32%, due 10/25/27 <sup>(2)</sup>	732,332
575,000	Nelnet Student Loan Trust, (14-4A-A2), (144A), 1.119%, due 11/25/43 <sup>(1)(2)</sup>	579,650
1,200,000	Nomad CLO, Ltd., (13-1A-A1), (144A), 1.431%, due 01/15/25 <sup>(1)(2)</sup>	1,182,805
2,200,000	North Carolina State Education Assistance Authority, (11-1-A3), 1.134%, due 10/25/41 <sup>(2)(3)</sup>	2,214,344
570,000	Octagon Investment Partners XVIII, Ltd., (13-1A-B), (144A), 2.982%, due 12/16/24 <sup>(1)(2)</sup>	546,725
804,562	Peachtree Finance Co. LLC, (2005-B-A), (144A), 4.71%, due 04/15/48 <sup>(1)</sup>	830,404
1,000,000	Scholar Funding Trust, (12-B-A2), (144A), 1.27%, due 03/28/46 <sup>(1)(2)</sup>	1,020,007
590,514	SLC Student Loan Trust, (04-1-B), 0.522%, due 08/15/31 <sup>(2)</sup>	541,179
492,113	SLC Student Loan Trust, (05-2-B), 0.521%, due 03/15/40 <sup>(2)</sup>	446,335
696,681	SLC Student Loan Trust, (06-1-B), 0.451%, due 03/15/39 <sup>(2)</sup>	624,343
1,000,000	SLC Student Loan Trust, (06-2-A5), 0.341%, due 09/15/26 <sup>(2)(3)</sup>	982,973
2,600,000	SLM Private Credit Student Loan Trust, (04-A-A3), 0.641%, due 06/15/33 <sup>(2)(3)</sup>	2,459,159
2,500,000	SLM Private Credit Student Loan Trust, (04-B-A3), 0.571%, due 03/15/24 <sup>(2)(3)</sup>	2,392,277
2,300,000	SLM Student Loan Trust, (03-11-A6), (144A), 0.991%, due 12/15/25 <sup>(1)(2)</sup>	2,295,129
607,106	SLM Student Loan Trust, (04-2-B), 0.704%, due 07/25/39 <sup>(2)</sup>	567,643
633,229	SLM Student Loan Trust, (05-4-B), 0.414%, due 07/25/40 <sup>(2)</sup>	567,523
687,619	SLM Student Loan Trust, (05-9-B), 0.534%, due 01/25/41 <sup>(2)</sup>	624,515
1,400,000	SLM Student Loan Trust, (06-2-A6), 0.404%, due 01/25/41 <sup>(2)(3)</sup>	1,332,458
1,400,000	SLM Student Loan Trust, (06-8-A6), 0.394%, due 01/25/41 <sup>(2)</sup>	1,306,108
209,881	SLM Student Loan Trust, (07-6-B), 1.084%, due 04/27/43 <sup>(2)</sup>	193,918
150,000	SLM Student Loan Trust, (07-7-B), 0.984%, due 10/25/28 <sup>(2)</sup>	140,754
131,111	SLM Student Loan Trust, (07-8-B), 1.234%, due 04/27/43 <sup>(2)</sup>	122,354
225,000	SLM Student Loan Trust, (08-2-B), 1.434%, due 01/25/29 <sup>(2)</sup>	210,280
225,000	SLM Student Loan Trust, (08-3-B), 1.434%, due 04/25/29 <sup>(2)</sup>	210,499
225,000	SLM Student Loan Trust, (08-4-B), 2.084%, due 04/25/29 <sup>(2)</sup>	225,430
225,000	SLM Student Loan Trust, (08-5-B), 2.084%, due 07/25/29 <sup>(2)</sup>	230,111
225,000	SLM Student Loan Trust, (08-6-B), 2.084%, due 07/25/29 <sup>(2)</sup>	226,231
225,000	SLM Student Loan Trust, (08-7-B), 2.084%, due 07/25/29 <sup>(2)</sup>	226,668
225,000	SLM Student Loan Trust, (08-8-B), 2.484%, due 10/25/29 <sup>(2)</sup>	235,905
225,000	SLM Student Loan Trust, (08-9-B), 2.484%, due 10/25/29 <sup>(2)(3)</sup>	236,952
675,000	Sound Point CLO, Ltd., (12-1A-C), (144A), 3.531%, due 10/20/23 <sup>(1)(2)</sup>	668,282
861,328	Structured Receivables Finance LLC, (10-A-B), (144A), 7.614%, due 01/16/46 <sup>(1)</sup>	1,036,054
497,565	Structured Receivables Finance LLC, (10-B-B), (144A), 7.97%, due 08/15/36 <sup>(1)</sup>	609,269

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1,500,000	Student Loan Consolidation Center, (02-2-B2), (144A), 1.647%, due 07/01/42 <sup>(1)(2)</sup>	1,152,751
700,000	Symphony CLO, Ltd., (12-9A-C), (144A), 3.479%, due 04/16/22 <sup>(1)(2)</sup>	694,665
186,667	TAL Advantage I LLC, (06-1A-NOTE), (144A), 0.356%, due 04/20/21 <sup>(1)(2)</sup>	185,309
21,354	Triton Container Finance LLC, (07-1A-NOTE), (144A), 0.31%, due 02/26/19 <sup>(1)(2)</sup>	21,334
545,316	Vermont Student Assistance Corp., (12-1-A), 0.855%, due 07/28/34 <sup>(2)(3)</sup>	543,812
<b>Total Asset-Backed Securities (Cost: \$69,516,631)</b>		<b>72,654,496</b>

*See accompanying notes to financial statements.*

## TCW Strategic Income Fund, Inc.

December 31, 2014

Principal Amount	Fixed Income Securities	Value
	<b>Collateralized Mortgage Obligations (51.3%)</b>	
	<b>Commercial Mortgage-Backed Securities Agency (0.7%)</b>	
\$ 13,355,250	Federal Home Loan Mortgage Corp. Multifamily Structured Pass-Through Certificates (K702-X1), 1.525%, due 02/25/18(I/O) <sup>(2)</sup>	\$ 552,690
6,383,365	Federal Home Loan Mortgage Corp. Multifamily Structured Pass-Through Certificates, (KP01-X), 3.082%, due 01/25/19(I/O) <sup>(2)</sup>	634,452
18,584,061	Government National Mortgage Association, (09-114-IO), 0.23%, due 10/16/49(I/O) <sup>(2)</sup>	419,182
8,317,290	Government National Mortgage Association, (11-152-IO), 1.294%, due 08/16/51(I/O) <sup>(2)</sup>	413,244
	<b>Total Commercial Mortgage-Backed Securities Agency</b>	<b>2,019,568</b>
	<b>Commercial Mortgage-Backed Securities Non-Agency (0.8%)</b>	
1,972,403	DBRR Trust, (11-LC2-AC4), (144A), 4.537%, due 07/12/44 <sup>(1)(2)</sup>	2,136,845
120,000	Wachovia Bank Commercial Mortgage Trust Series, (05-C20-B), 5.237%, due 07/15/42 <sup>(2)</sup>	122,273
	<b>Total Commercial Mortgage-Backed Securities Non-Agency</b>	<b>2,259,118</b>
	<b>Residential Mortgage-Backed Securities Agency (2.4%)</b>	
297,135	Federal Home Loan Mortgage Corp., (1673-SD), 14.306%, due 02/15/24(I/F) (PAC) <sup>(2)</sup>	387,698
641,602	Federal Home Loan Mortgage Corp., (1760-ZD), 1.86%, due 02/15/24 <sup>(2)</sup>	649,885
235,424	Federal Home Loan Mortgage Corp., (2990-JK), 21.361%, due 03/15/35(I/F) <sup>(2)(3)</sup>	329,841
5,370,928	Federal Home Loan Mortgage Corp., (3122-SG), 5.469%, due 03/15/36(I/O) (I/F) (TAC) (PAC) <sup>(2)(3)</sup>	778,606
1,904,550	Federal Home Loan Mortgage Corp., (3239-SI), 6.489%, due 11/15/36(I/O) (I/F) (PAC) <sup>(2)(3)</sup>	314,219
1,045,597	Federal Home Loan Mortgage Corp., (3323-SA), 5.949%, due 05/15/37(I/O) (I/F) <sup>(2)(3)</sup>	130,699
767,135	Federal Home Loan Mortgage Corp., (3459-JS), 6.089%, due 06/15/38(I/O) (I/F) <sup>(2)(3)</sup>	101,496
3,665,621	Federal Home Loan Mortgage Corp., (4030-HS), 6.449%, due 04/15/42(I/O) (I/F) <sup>(2)(3)</sup>	630,349
5,281,169	Federal National Mortgage Association, (04-53-QV), 1.59%, due 02/25/34(I/O) (I/F) <sup>(2)(3)</sup>	178,510
675,445	Federal National Mortgage Association, (07-42-SE), 5.941%, due 05/25/37(I/O) (I/F) <sup>(2)(3)</sup>	92,174
4,734,169	Federal National Mortgage Association, (07-48-SD), 5.931%, due 05/25/37(I/O) (I/F) <sup>(2)(3)</sup>	577,115
900,727	Federal National Mortgage Association, (09-69-CS), 6.581%, due 09/25/39(I/O) (I/F) <sup>(2)(3)</sup>	125,581
5,041,746	Government National Mortgage Association, (06-35-SA), 6.435%, due 07/20/36(I/O) (I/F) <sup>(2)(3)</sup>	865,301
8,999,927	Government National Mortgage Association, (06-61-SA), 4.585%, due 11/20/36(I/O) (I/F) (TAC) <sup>(2)(3)</sup>	880,791
5,339,263	Government National Mortgage Association, (08-58-TS), 6.235%, due 05/20/38(I/O) (I/F) (TAC) <sup>(2)(3)</sup>	691,393
	<b>Total Residential Mortgage-Backed Securities Agency</b>	<b>6,733,658</b>

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<b>Residential Mortgage-Backed Securities Non-Agency (47.4%)</b>		
1,861,392	ACE Securities Corp., (07-ASP1-A2C), 0.43%, due 03/25/37 <sup>(2)</sup>	1,101,232
1,827,047	Adjustable Rate Mortgage Trust, (05-4-6A22), 2.751%, due 08/25/35 <sup>(2)</sup>	730,832
1,048,177	Adjustable Rate Mortgage Trust, (06-1-2A1), 3.524%, due 03/25/36 <sup>(2)(4)</sup>	776,920
1,605,475	Asset-Backed Funding Certificates, (05-HE2-M2), 0.92%, due 06/25/35 <sup>(2)</sup>	1,573,321
1,500,000	Asset-Backed Securities Corp. Home Equity, (06-HE1-A4), 0.469%, due 01/25/36 <sup>(2)</sup>	1,333,016
3,000,000	Asset-Backed Securities Corp. Home Equity, (06-HE3-A5), 0.439%, due 03/25/36 <sup>(2)</sup>	2,289,429
3,094,609	Asset-Backed Securities Corp. Home Equity, (07-HE1-A4), 0.309%, due 12/25/36 <sup>(2)</sup>	2,508,422
1,102,446	Banc of America Alternative Loan Trust, (05-10-1CB1), 0.57%, due 11/25/35 <sup>(2)</sup>	846,998

See accompanying notes to financial statements.

## TCW Strategic Income Fund, Inc.

## Schedule of Investments (Continued)

Principal Amount	Fixed Income Securities	Value
	<b>Collateralized Mortgage Obligations (Continued)</b>	
	<b>Residential Mortgage-Backed Securities Non-Agency (Continued)</b>	
\$ 1,272,850	Banc of America Funding Trust, (06-3-4A14), 6%, due 03/25/36	\$ 1,282,407
857,346	Banc of America Funding Trust, (06-3-5A3), 5.5%, due 03/25/36 <sup>(4)</sup>	825,487
685,500	BCAP LLC Trust, (09-RR4-1A1), (144A), 9.5%, due 06/26/37 <sup>(1)</sup>	714,675
711,952	BCAP LLC Trust, (10-RR11-3A2), (144A), 2.764%, due 06/27/36 <sup>(1)(2)</sup>	714,696
987,375	BCAP LLC Trust, (11-RR3-1A5), (144A), 2.703%, due 05/27/37 <sup>(1)(2)</sup>	983,644
1,628,051	BCAP LLC Trust, (11-RR3-5A3), (144A), 5.094%, due 11/27/37 <sup>(1)(2)</sup>	1,579,402
793,615	BCAP LLC Trust, (11-RR4-1A3), (144A), 2.852%, due 03/26/36 <sup>(1)(2)</sup>	772,512
833,848	BCAP LLC Trust, (11-RR5-1A3), (144A), 2.503%, due 03/26/37 <sup>(1)(2)</sup>	820,161
562,565	BCAP LLC Trust, (11-RR5-2A3), (144A), 6.752%, due 06/26/37 <sup>(1)(2)</sup>	563,771
1,296,614	Bear Stearns Adjustable Rate Mortgage Trust, (07-4-22A1), 4.899%, due 06/25/47 <sup>(2)(4)</sup>	1,173,283
1,339,573	Bear Stearns Asset-Backed Securities Trust, (05-AC6-1A3), 5.5%, due 09/25/35 <sup>(2)</sup>	1,365,320
809,749	Bear Stearns Asset-Backed Securities Trust, (06-IM1-A1), 0.4%, due 04/25/36 <sup>(2)(4)</sup>	731,473
455,990	Centex Home Equity Loan Trust, (05-A-AF5), 5.28%, due 01/25/35	472,072
3,100,000	Centex Home Equity Loan Trust, (06-A-AV4), 0.42%, due 06/25/36 <sup>(2)</sup>	2,856,011
3,058,876	Citigroup Mortgage Loan Trust, Inc., (05-8-1A1A), 2.518%, due 10/25/35 <sup>(2)</sup>	2,608,903
1,500,000	Citigroup Mortgage Loan Trust, Inc., (06-WFH3-A4), 0.41%, due 10/25/36 <sup>(2)</sup>	1,453,169
1,973,926	CitiMortgage Alternative Loan Trust, (06-A3-1A7), 6%, due 07/25/36 <sup>(4)</sup>	1,801,766
1,160,762	CitiMortgage Alternative Loan Trust, (06-A5-1A8), 6%, due 10/25/36 <sup>(4)</sup>	1,036,058
432,743	Conseco Finance Securitizations Corp., (01-4-A4), 7.36%, due 08/01/32	480,105
1,200,000	Countryplace Manufactured Housing Contract Trust, (07-1-A4), (144A), 5.846%, due 07/15/37 <sup>(1)(2)</sup>	1,209,686
1,418,949	Countrywide Asset-Backed Certificates, (07-13-2A1), 1.07%, due 10/25/47 <sup>(2)</sup>	1,251,540
1,669,726	Countrywide Home Loans, (04-HYB4-B1), 2.463%, due 09/20/34 <sup>(2)(4)</sup>	50,138
58,113,681	Countrywide Home Loans, (06-14-X), 0.288%, due 09/25/36(I/O) <sup>(2)</sup>	642,824
2,508,299	Countrywide Home Loans, (06-HYB2-1A1), 2.714%, due 04/20/36 <sup>(2)(4)</sup>	1,773,317
656,983	Credit Suisse First Boston Mortgage Securities Corp., (04-AR5-11A2), 0.91%, due 06/25/34 <sup>(2)</sup>	644,087
2,140,573	Credit Suisse First Boston Mortgage Securities Corp., (05-12-1A1), 6.5%, due 01/25/36 <sup>(4)</sup>	1,707,704
1,297,565	Credit Suisse Mortgage Capital Certificates, (06-6-1A8), 6%, due 07/25/36 <sup>(4)</sup>	1,011,050
1,033,803	Credit-Based Asset Servicing and Securitization LLC, (03-CB3-AF1), 3.379%, due 12/25/32	1,010,164
1,913,432	Credit-Based Asset Servicing and Securitization LLC, (06-CB1-AF2), 3.502%, due 01/25/36	1,480,375
3,256,830	Credit-Based Asset Servicing and Securitization LLC, (06-CB2-AF2), 5.501%, due 12/25/36	2,324,435
1,148,543	Credit-Based Asset Servicing and Securitization LLC, (07-CB2-A2B), 5.505%, due 02/25/37	868,736
1,873,907	Credit-Based Asset Servicing and Securitization LLC, (07-CB3-A3), 5.731%, due 03/25/37	1,141,063
3,575,803	Deutsche Alt-A Securities, Inc. Mortgage Loan Trust, (06-AB2-A2), 6.16%, due 06/25/36 <sup>(2)(4)</sup>	3,064,425

*See accompanying notes to financial statements.*



## TCW Strategic Income Fund, Inc.

December 31, 2014

Principal Amount	Fixed Income Securities	Value
	<b>Collateralized Mortgage Obligations (Continued)</b>	
	<b>Residential Mortgage-Backed Securities Non-Agency (Continued)</b>	
\$ 1,501,689	Deutsche Alt-A Securities, Inc. Mortgage Loan Trust, (06-AR6-A6), 0.36%, due 02/25/37 <sup>(2)(4)</sup>	\$ 1,141,765
1,195,000	Deutsche Mortgage Securities, Inc. REMIC Trust, (10-RS2-A3), (144A), 3.809%, due 06/28/47 <sup>(1)(2)</sup>	1,202,677
403,840	DSL A Mortgage Loan Trust, (06-AR2-2A1A), 0.364%, due 10/19/36 <sup>(2)</sup>	329,874
1,520,702	First Franklin Mortgage Loan Asset-Backed Certificates, (06-FF13-A2C), 0.33%, due 10/25/36 <sup>(2)</sup>	1,144,331
2,047,824	First Franklin Mortgage Loan Asset-Backed Certificates, (06-FF18-A2D), 0.38%, due 12/25/37 <sup>(2)</sup>	1,380,127
1,231,792	First Horizon Alternative Mortgage Securities Trust, (05-AA10-2A1), 2.323%, due 12/25/35 <sup>(2)(4)</sup>	1,057,032
1,097,945	Green Tree, (08-MH1-A2), (144A), 8.97%, due 04/25/38 <sup>(1)(2)</sup>	1,171,022
466,639	Green Tree, (08-MH1-A3), (144A), 8.97%, due 04/25/38 <sup>(1)(2)</sup>	494,910
588,499	Green Tree Financial Corp., (96-6-M1), 7.95%, due 09/15/27	654,061
813,579	Green Tree Financial Corp., (96-7-M1), 7.7%, due 09/15/26 <sup>(2)</sup>	874,086
523,465	Green Tree Financial Corp., (97-3-A5), 7.14%, due 03/15/28	556,814
217,009	Green Tree Financial Corp., (97-3-A7), 7.64%, due 03/15/28 <sup>(2)</sup>	232,229
559,956	Green Tree Financial Corp., (98-3-A6), 6.76%, due 03/01/30 <sup>(2)</sup>	594,142
645,933	Green Tree Financial Corp., (98-4-A5), 6.18%, due 04/01/30	666,828
552,355	Green Tree Financial Corp., (98-4-A6), 6.53%, due 04/01/30 <sup>(2)</sup>	576,793
584,879	Green Tree Financial Corp., (98-4-A7), 6.87%, due 04/01/30 <sup>(2)</sup>	621,832
286,903	Greenpoint Manufactured Housing, (99-5-A5), 7.82%, due 12/15/29 <sup>(2)</sup>	291,988
2,197,238	GSAA Home Equity Trust, (06-13-AF6), 6.04%, due 07/25/36	1,423,066
1,517,565	GSAMP Trust, (06-FM3-A2C), 0.37%, due 11/25/36 <sup>(2)</sup>	909,906
934,930	GSC Capital Corp. Mortgage Trust, (06-2-A1), 0.35%, due 05/25/36 <sup>(2)(4)</sup>	685,215
848,822	GSR Mortgage Loan Trust, (05-AR3-6A1), 2.617%, due 05/25/35 <sup>(2)</sup>	806,802
948,955	HSI Asset Loan Obligation Trust, (07-2-2A12), 6%, due 09/25/37	906,728
1,000,000	HSI Asset Securitization Corp. Trust, (06-OPT2-2A4), 0.46%, due 01/25/36 <sup>(2)</sup>	956,269
1,015,314	Indymac INDX Mortgage Loan Trust, (04-AR6-5A1), 2.519%, due 10/25/34 <sup>(2)</sup>	965,042
1,392,493	Indymac INDX Mortgage Loan Trust, (05-AR19-A1), 4.654%, due 10/25/35 <sup>(2)(4)</sup>	1,180,139
2,643,717	Indymac INDX Mortgage Loan Trust, (06-AR13-A4X), 3.963%, due 07/25/36(I/O) <sup>(2)(4)</sup>	79,842
2,126,566	Indymac INDX Mortgage Loan Trust, (07-AR5-2A1), 2.662%, due 05/25/37 <sup>(2)(4)</sup>	1,674,749
2,051,990	Indymac INDX Mortgage Loan Trust, (07-FLX2-A1C), 0.36%, due 04/25/37 <sup>(2)</sup>	1,494,745
335,096	Indymac Manufactured Housing Contract, (98-2-A4), 6.64%, due 08/25/29 <sup>(2)</sup>	334,285
1,045,443	JPMorgan Alternative Loan Trust, (06-A2-5A1), 4.846%, due 05/25/36 <sup>(2)(4)</sup>	816,432
525,070	JPMorgan Mortgage Trust, (07-S2-1A1), 5%, due 06/25/37 <sup>(4)</sup>	429,676
443,417	Lehman ABS Manufactured Housing Contract Trust, (01-B-A6), 6.467%, due 04/15/40 <sup>(2)</sup>	486,789
1,856,182	Lehman XS Trust, (06-10N-1A3A), 0.38%, due 07/25/46 <sup>(2)(4)</sup>	1,488,485
2,691,032	Lehman XS Trust, (06-12N-A31A), 0.37%, due 08/25/46 <sup>(2)(4)</sup>	2,077,415

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1,700,000	Long Beach Mortgage Loan Trust, (04-4-M1), 1.07%, due 10/25/34 <sup>(2)</sup>	1,622,733
1,747,257	MASTR Alternative Loans Trust, (07-HF1-4A1), 7%, due 10/25/47 <sup>(4)</sup>	1,296,313
2,000,000	MASTR Asset-Backed Securities Trust, (07-HE1-A4), 0.45%, due 05/25/37 <sup>(2)</sup>	1,311,668
1,113,172	Merrill Lynch First Franklin Mortgage Loan Trust, (07-3-A2B), 0.3%, due 06/25/37 <sup>(2)</sup>	756,330
2,273,072	Merrill Lynch First Franklin Mortgage Loan Trust, (07-3-A2C), 0.35%, due 06/25/37 <sup>(2)</sup>	1,510,712

*See accompanying notes to financial statements.*

## TCW Strategic Income Fund, Inc.

## Schedule of Investments (Continued)

Principal Amount	Fixed Income Securities	Value
	<b>Collateralized Mortgage Obligations (Continued)</b>	
	<b>Residential Mortgage-Backed Securities Non-Agency (Continued)</b>	
\$ 915,660	Merrill Lynch Mortgage-Backed Securities Trust, (07-2-1A1), 2.54%, due 08/25/36 <sup>(2)(4)</sup>	\$ 846,753
601,298	Mid-State Trust, (04-1-B), 8.9%, due 08/15/37	722,551
601,298	Mid-State Trust, (04-1-M1), 6.497%, due 08/15/37	656,118
395,703	Mid-State Trust, (6-A1), 7.34%, due 07/01/35	428,402
412,651	Mid-State Trust, (6-A3), 7.54%, due 07/01/35	444,154
1,124,064	Morgan Stanley ABS Capital I, Inc. Trust, (03-NC6-M1), 1.37%, due 06/25/33 <sup>(2)</sup>	1,100,145
149,762	Morgan Stanley ABS Capital I, Inc. Trust, (05-HE3-M2), 0.95%, due 07/25/35 <sup>(2)</sup>	150,094
1,500,000	Morgan Stanley ABS Capital I, Inc. Trust, (05-HE3-M3), 0.965%, due 07/25/35 <sup>(2)</sup>	1,453,316
1,493,997	Morgan Stanley ABS Capital I, Inc. Trust, (07-15AR-4A1), 4.71%, due 11/25/37 <sup>(2)(4)</sup>	1,138,768
1,588,000	Morgan Stanley Home Equity Loan Trust, (06-2-A4), 0.45%, due 02/25/36 <sup>(2)</sup>	1,429,021
1,186,579	MortgageIT Trust, (05-5-A1), 0.43%, due 12/25/35 <sup>(2)</sup>	1,072,262
3,000,000	Nationstar Home Equity Loan Trust, (07-B-2AV3), 0.42%, due 04/25/37 <sup>(2)</sup>	2,370,990
912,635	New Century Home Equity Loan Trust, (05-3-M1), 0.65%, due 07/25/35 <sup>(2)</sup>	911,177
1,962,293	Nomura Asset Acceptance Corp., (06-AR1-1A), 3.63%, due 02/25/36 <sup>(2)(4)</sup>	1,468,202
475,987	Oakwood Mortgage Investors, Inc., (01-D-A3), 5.9%, due 09/15/22 <sup>(2)</sup>	412,878
778,350	Oakwood Mortgage Investors, Inc., (01-D-A4), 6.93%, due 09/15/31 <sup>(2)</sup>	719,510
581,001	Oakwood Mortgage Investors, Inc., (02-A-A3), 6.03%, due 05/15/24 <sup>(2)</sup>	579,229
766,008	Oakwood Mortgage Investors, Inc., (98-A-M), 6.825%, due 05/15/28 <sup>(2)</sup>	826,356
282,046	Oakwood Mortgage Investors, Inc., (98-D-A), 6.4%, due 01/15/29	287,287
604,164	Oakwood Mortgage Investors, Inc., (99-B-A4), 6.99%, due 12/15/26	645,801
661,946	Origen Manufactured Housing Contract Trust, (04-A-M2), 6.64%, due 01/15/35 <sup>(2)</sup>	725,497
544,688	Origen Manufactured Housing Contract Trust, (05-A-M1), 5.46%, due 06/15/36 <sup>(2)</sup>	571,347
1,810,000	Park Place Securities, Inc., (05-WCW1-M1), 0.62%, due 09/25/35 <sup>(2)</sup>	1,801,249
520,139	Popular ABS Mortgage Pass-Through Trust, (05-3-AF4), 4.648%, due 07/25/35 <sup>(2)</sup>	524,835
611,000	Popular ABS Mortgage Pass-Through Trust, (05-6-A4), 4.337%, due 01/25/36	479,132
2,049,029	Residential Accredit Loans, Inc., (05-QA7-A1), 2.877%, due 07/25/35 <sup>(2)(4)</sup>	1,638,133
1,436,177	Residential Accredit Loans, Inc., (05-QA8-CB21), 3.192%, due 07/25/35 <sup>(2)(4)</sup>	1,186,157
1,104,413	Residential Accredit Loans, Inc., (06-QS1-A3), 5.75%, due 01/25/36(PAC) <sup>(4)</sup>	977,505
27,009,364	Residential Accredit Loans, Inc., (06-QS11-AV), 0.334%, due 08/25/36(I/O) <sup>(2)</sup>	381,426
13,022,624	Residential Accredit Loans, Inc., (06-QS6-1AV), 0.737%, due 06/25/36(I/O) <sup>(2)</sup>	415,598
2,507,062	Residential Accredit Loans, Inc., (06-QS8-A3), 6%, due 08/25/36 <sup>(4)</sup>	2,013,484
29,745,039	Residential Accredit Loans, Inc., (07-QS2-AV), 0.319%, due 01/25/37(I/O) <sup>(2)</sup>	412,183
29,585,413	Residential Accredit Loans, Inc., (07-QS3-AV), 0.323%, due 02/25/37(I/O) <sup>(2)</sup>	482,477
721,063	Residential Accredit Loans, Inc., (07-QS6-A62), 5.5%, due 04/25/37(TAC) <sup>(4)</sup>	571,857
4,732,156	Residential Asset Securitization Trust, (07-A5-AX), 6%, due 05/25/37(I/O) <sup>(4)</sup>	1,008,896
82,477,209		1,098,143

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	Residential Funding Mortgage Securities, (06-S9-AV), 0.312%, due 09/25/36(I/O) <sup>(2)</sup>	
245,215	Residential Funding Mortgage Securities II, (01-HI3-AI7), 7.56%, due 07/25/26	249,525
4,614,000	Securitized Asset-Backed Receivables LLC Trust, (07-NC2-A2C), 0.39%, due 01/25/37 <sup>(2)</sup>	2,711,126
968,458	Structured Adjustable Rate Mortgage Loan Trust, (05-20-1A1), 2.491%, due 10/25/35 <sup>(2)(4)</sup>	725,638
897,397	Structured Adjustable Rate Mortgage Loan Trust, (07-9-2A1), 2.679%, due 10/25/47 <sup>(2)(4)</sup>	708,168
1,120,146	Structured Asset Mortgage Investments, Inc., (07-AR6-A1), 1.613%, due 08/25/47 <sup>(2)</sup>	996,769
1,000,000	Structured Asset Securities Corp., (05-WF4-M2), 0.6%, due 11/25/35 <sup>(2)</sup>	939,251
161,814	UCFC Manufactured Housing Contract, (97-4-A4), 6.995%, due 04/15/29 <sup>(2)</sup>	160,664
411,440	Vanderbilt Acquisition Loan Trust, (02-1-A4), 6.57%, due 05/07/27 <sup>(2)</sup>	428,541

See accompanying notes to financial statements.

## TCW Strategic Income Fund, Inc.

December 31, 2014

Principal Amount	Fixed Income Securities	Value
	<b>Collateralized Mortgage Obligations (Continued)</b>	
	<b>Residential Mortgage-Backed Securities Non-Agency (Continued)</b>	
\$ 371,606	Vanderbilt Acquisition Loan Trust, (02-1-M1), 7.33%, due 05/07/32 <sup>(2)</sup>	\$ 410,294
900,000	Vanderbilt Mortgage Finance, (02-C-A5), 7.6%, due 12/07/32 <sup>(3)</sup>	943,860
3,093,702	WAMU Asset-Backed Certificates, (07-HE1-2A3), 0.32%, due 01/25/37 <sup>(2)</sup>	1,811,925
730,000	Wells Fargo Home Equity Trust, (06-2-A3), 0.38%, due 01/25/37 <sup>(2)</sup>	575,755
1,500,000	Wells Fargo Home Equity Trust, (06-2-A4), 0.42%, due 07/25/36 <sup>(2)</sup>	1,431,879
1,183,353	Wells Fargo Mortgage-Backed Securities Trust, (06-AR10-5A1), 2.607%, due 07/25/36 <sup>(2)(4)</sup>	1,147,216
967,965	Wells Fargo Mortgage-Backed Securities Trust, (07-AR3-A4), 5.702%, due 04/25/37 <sup>(2)(4)</sup>	951,610
599,667	Wells Fargo Mortgage-Backed Securities Trust, (08-1-4A1), 5.75%, due 02/25/38	633,916
	<b>Total Residential Mortgage-Backed Securities Non-Agency</b>	<b>134,555,551</b>
	<b>Total Collateralized Mortgage Obligations (Cost: \$127,200,527)</b>	<b>145,567,895</b>
	<b>Bank Loans (0.3%)</b>	
	<b>Telecommunications (0.3%)</b>	
946,938	Intelsat Jackson Holdings, Ltd. (Luxembourg), Term Loan, 4.644%, due 06/30/19 <sup>(5)</sup>	935,338
	<b>Total Bank Loans (Cost: \$946,938)</b>	<b>935,338</b>
	<b>Corporate Bonds (8.6%)</b>	
	<b>Airlines (1.6%)</b>	
446,649	America West Airlines, Inc. Pass-Through Certificates, (01-1), 7.1%, due 10/02/22(EETC)	496,339
1,452,468	Continental Airlines, Inc. Pass-Through Certificates, (00-2-A1), 7.707%, due 10/02/22(EETC)	1,623,133
505,184	Delta Air Lines, Inc. Pass-Through Certificates, (02-1G1), 6.718%, due 07/02/24(EETC)	582,225
1,000,000	JetBlue Airways Corp. Pass-Through Trust, (04-2-G2), 0.682%, due 05/15/18(EETC) <sup>(2)</sup>	976,500
696,640	US Airways Group, Inc. Pass-Through Certificates, (10-1A), 6.25%, due 10/22/24(EETC)	787,203
	<b>Total Airlines</b>	<b>4,465,400</b>
	<b>Banks (2.4%)</b>	
2,000,000	Citigroup, Inc., 0.783%, due 08/25/36 <sup>(2)</sup>	1,612,136
1,000,000	HBOS PLC (United Kingdom), (144A), 6%, due 11/01/33 <sup>(1)</sup>	1,154,416
900,000	JPMorgan Chase Capital XXI, 1.182%, due 01/15/87 <sup>(2)</sup>	769,500
1,000,000	JPMorgan Chase Capital XXIII, 1.232%, due 05/15/77 <sup>(2)</sup>	815,000

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650,000	Lloyds TSB Bank PLC (United Kingdom), (144A), 5.8%, due 01/13/20 <sup>(1)</sup>	751,935
908,000	Macquarie Bank, Ltd. (Australia), (144A), 6.625%, due 04/07/21 <sup>(1)</sup>	1,049,563
520,000	Royal Bank of Scotland Group PLC (United Kingdom), 6.125%, due 12/15/22	568,048
<b>Total Banks</b>		<b>6,720,598</b>
<b>Commercial Services (0.1%)</b>		
275,000	Autopistas Metropolitanas de Puerto Rico LLC, (144A), 6.75%, due 06/30/35 <sup>(1)</sup>	230,313
<b>Diversified Financial Services (0.6%)</b>		
2,000,000	General Electric Capital Corp., 0.712%, due 08/15/36 <sup>(2)</sup>	1,757,715

See accompanying notes to financial statements.

## TCW Strategic Income Fund, Inc.

## Schedule of Investments (Continued)

Principal Amount	Fixed Income Securities	Value
<b>Corporate Bonds (Continued)</b>		
<b>Electric (0.7%)</b>		
\$ 1,000,000	FirstEnergy Transmission LLC, (144A), 4.35%, due 01/15/25 <sup>(1)</sup>	\$ 1,020,289
2,250,000	Gabs Dynegy Danskamm, Series B, 7.67%, due 08/11/16 <sup>(6)</sup>	
910,965	Mirant Mid-Atlantic LLC, Exchange Pass-Through Certificates, Series C, 10.06%, due 12/30/28(EETC)	979,288
	<b>Total Electric</b>	1,999,577
<b>Engineering &amp; Construction (0.6%)</b>		
700,000	Heathrow Funding, Ltd. (United Kingdom), (144A), 4.875%, due 07/15/23 <sup>(1)</sup>	791,516
750,000	Sydney Airport Finance Co. Pty, Ltd. (Australia), (144A), 5.125%, due 02/22/21 <sup>(1)</sup>	841,307
	<b>Total Engineering &amp; Construction</b>	1,632,823
<b>Insurance (0.3%)</b>		
715,000	ZFS Finance USA Trust II, (144A), 6.45%, due 12/15/65 <sup>(1)(2)</sup>	752,538
<b>Oil &amp; Gas (0.1%)</b>		
500,000	Pacific Drilling V, Ltd., (144A), 7.25%, due 12/01/17 <sup>(1)</sup>	455,000
<b>Pipelines (0.5%)</b>		
1,500,000	Sabine Pass LNG, LP, (144A), 7.5%, due 11/30/16 <sup>(1)</sup>	1,571,250
<b>Real Estate (0.5%)</b>		
1,375,000	Post Apartment Homes, LP, 4.75%, due 10/15/17	1,479,402
<b>REIT (1.2%)</b>		
1,000,000	HCP, Inc., 2.625%, due 02/01/20	991,331
700,000	Healthcare Realty Trust, Inc., 5.75%, due 01/15/21	784,930
500,000	Healthcare Realty Trust, Inc., 6.5%, due 01/17/17	546,269
950,000	SL Green Realty Corp., 5%, due 08/15/18	1,020,910
	<b>Total REIT</b>	3,343,440
	<b>Total Corporate Bonds (Cost: \$22,450,563)</b>	24,408,056
<b>Municipal Bonds (2.2%)</b>		
1,000,000	California State, Build America Bonds, 7.95%, due 03/01/36	1,237,230
750,000	City of Chicago, Illinois, General Obligation Unlimited, 6.05%, due 01/01/29	790,155
1,000,000	City of New York, New York, Build America Bonds, 6.646%, due 12/01/31	1,195,680
1,200,000	Illinois State, Build America Bonds, 6.63%, due 02/01/35	1,337,196
765,000	Illinois State, General Obligation Bond, 4.35%, due 06/01/18	800,236
800,000	New York City Water and Sewer System, Build America Bonds, 6.491%, due 06/15/42	928,576
	<b>Total Municipal Bonds (Cost: \$6,043,827)</b>	6,289,073

**Total Fixed Income Securities (Cost: \$226,158,486) (88.0%)**

249,854,858

*See accompanying notes to financial statements.*



## TCW Strategic Income Fund, Inc.

December 31, 2014

Number of Shares	Convertible Preferred Stock	Value
	<b>Electric (0.3%)</b>	
16,500	AES Corp., \$3.375	\$ 839,685
	<b>Total Convertible Preferred Stock (Cost: \$772,200) (0.3%)</b>	839,685
	<b>Common Stock</b>	
	<b>Electric (0.2%)</b>	
1,073	Dynegy, Inc. <sup>(7)</sup>	32,566
11,293	Mach Gen, LLC <sup>(7)(8)</sup>	536,417
	<b>Total Electric</b>	568,983
	<b>Total Common Stock (Cost: \$1,232,952) (0.2%)</b>	568,983
	<b>Short-Term Investment</b>	
	<b>Repurchase Agreement (Cost: \$33,362,209) (11.8%)</b>	
\$ 33,362,209	State Street Bank & Trust Company, 0%, due 01/02/15, (collateralized by \$34,935,000 Federal National Mortgage Association, 2.26%, due 10/17/22, valued at \$34,034,236; Total Amount to be Received Upon Repurchase \$33,362,209)	33,362,209
	<b>U.S. Treasury Security (Cost: \$690,945) (0.2%)</b>	
691,000	U.S. Treasury Bill, 0.04%, due 03/19/15 <sup>(3)(9)</sup>	690,978
	<b>Total Short-Term Investments (Cost: \$34,053,154) (12.0%)</b>	34,053,187
	<b>TOTAL INVESTMENTS (Cost: \$262,216,792) (100.5%)</b>	285,316,713
	<b>LIABILITIES IN EXCESS OF OTHER ASSETS (-0.5%)</b>	(1,481,392)
	<b>NET ASSETS (100.0%)</b>	\$ 283,835,321

See accompanying notes to financial statements.

## TCW Strategic Income Fund, Inc.

### Schedule of Investments (Continued)

#### Futures Contracts Exchange Traded

Number of Contracts	Type	Expiration Date	Notional Contract Value	Net Unrealized Appreciation (Depreciation)
<b>BUY</b>				
117	S&P 500 E-mini Index Futures	03/20/15	\$ 12,006,540	\$ 10,897
<b>SELL</b>				
10	10-Year U.S. Treasury Note Futures	03/20/15	\$ 1,267,969	\$ (8,066)

#### Written Options Exchange Traded

Number of Contracts	Description	Premiums (Received)	Value
28	S&P 500 E-mini Index Futures Option Call, Strike Price 2,100, Expires 03/20/15	\$ (61,904)	\$ (46,900)

#### Notes to Schedule of Investments:

- (1) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold, normally only to qualified institutional buyers. At December 31, 2014, the value of these securities amounted to \$69,018,932 or 24.3% of net assets. These securities are determined to be liquid by the Advisor, unless otherwise noted, under procedures established by and under the general supervision of the Fund's Board of Directors.
- (2) Floating or variable rate security. The interest shown reflects the rate in effect at December 31, 2014.
- (3) All or a portion of this security is segregated to cover open futures and written options contracts.
- (4) A portion of the principal balance has been written-off during the period due to defaults in the underlying loans.
- (5) Rate stated is the effective yield.
- (6) Security is currently in default due to bankruptcy or failure to make payment of principal or interest by the issuer. Income is not being accrued.
- (7) Non-income producing security.
- (8) Restricted Security (Note 7.)
- (9) Rate shown represents yield-to-maturity.

ABS - Asset-Backed Securities.

CLO - Collateralized Loan Obligation.

EETC - Enhanced Equipment Trust Certificate.

I/F - Inverse Floating rate security whose interest rate moves in the opposite direction of prevailing interest rates.

I/O - Interest Only Security.

PAC - Planned Amortization Class.

REIT - Real Estate Investment Trust.

TAC - Target Amortization Class.

See accompanying notes to financial statements.

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**TCW Strategic Income Fund, Inc.**

Investments by Industry	December 31, 2014
<b>Industry</b>	<b>Percentage of Net Assets</b>
Residential Mortgage-Backed Securities - Non-Agency	47.4%
Asset-Backed Securities	25.6
Residential Mortgage-Backed Securities - Agency	2.4
Banks	2.4
Municipal Bonds	2.2
Airlines	1.6
Electric	1.2
REIT	1.2
Commercial Mortgage-Backed Securities - Non-Agency	0.8
Commercial Mortgage-Backed Securities - Agency	0.7
Diversified Financial Services	0.6
Engineering & Construction	0.6
Pipelines	0.5
Real Estate	0.5
Telecommunications	0.3
Insurance	0.3
Commercial Services	0.1
Oil & Gas	0.1
Short-Term Investments	12.0
Total	100.5%

*See accompanying notes to financial statements.*

## TCW Strategic Income Fund, Inc.

### Statement of Assets and Liabilities

December 31, 2014

<b>ASSETS:</b>	
Investments, at Value (Cost: \$228,854,583)	\$ 251,954,504
Repurchase Agreement, at Value (Cost: \$33,362,209)	33,362,209
Cash	83,378
Interest and Dividends Receivable	1,123,153
Other assets	39,165
<b>Total Assets</b>	<b>286,562,409</b>
<b>LIABILITIES:</b>	
Distributions Payable	2,064,845
Accrued Other Expenses	150,709
Payable for Daily Variation Margin on Open Financial Futures Contracts	144,343
Accrued Investment Advisory Fees	142,428
Payables for Securities Purchased	141,367
Written Options, at Value (Premiums Received \$61,904)	46,900
Accrued Directors Fees and Expenses	21,804
Interest Payable on Borrowings	9,150
Accrued Compliance Expense	5,542
<b>Total Liabilities</b>	<b>2,727,088</b>
<b>NET ASSETS</b>	<b>\$ 283,835,321</b>
<b>NET ASSETS CONSIST OF:</b>	
Common Stock, par value \$0.01 per share (75,000,000 shares authorized, 47,686,957 shares issued and outstanding)	\$ 476,870
Paid-in Capital	268,963,513
Accumulated Net Realized Loss on Investments and Futures Contracts	(6,904,484)
Distributions in Excess of Net Investment Income	(1,818,334)
Net Unrealized Appreciation on Investments, Futures Contracts and Written Options	23,117,756
<b>NET ASSETS</b>	<b>\$ 283,835,321</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 5.95</b>
<b>MARKET PRICE PER SHARE</b>	<b>\$ 5.39</b>

See accompanying notes to financial statements.

## TCW Strategic Income Fund, Inc.

### Statement of Operations

Year Ended  
December 31, 2014

#### INVESTMENT INCOME:

##### Income

Interest	\$ 13,759,453
Dividends	180,709

Total Investment Income	13,940,162
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##### Expenses

Investment Advisory Fees	1,647,918
Audit and Tax Service Fees	136,783
Directors Fees and Expenses	126,343
Legal Fees	124,666
Proxy Expense	79,992
Printing and Distribution Costs	49,318
Transfer Agent Fees	49,049
Insurance Expense	45,684
Listing Fees	44,349
Interest Expense	42,089
Accounting Fees	36,613
Custodian Fees	25,153
Miscellaneous Expense	23,415
Compliance Expense	15,325
Administration Fees	14,773

Total Expenses	2,461,470
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Net Investment Income	11,478,692
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#### NET REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION

##### (DEPRECIATION) ON INVESTMENTS, FUTURES CONTRACTS AND WRITTEN OPTIONS:

##### Net Realized Gain on:

Investments	3,810,368
Futures Contracts	2,889,013

##### Change in Unrealized Appreciation (Depreciation) on:

Investments	1,032,821
Futures Contracts	(662,564)
Written Options	15,004

Net Realized Gain and Change in Unrealized Appreciation (Depreciation) on Investments, Futures Contracts and Written Options	7,084,642
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<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 18,563,334</b>
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See accompanying notes to financial statements.



## TCW Strategic Income Fund, Inc.

### Statements of Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
<b>OPERATIONS:</b>		
Net Investment Income	\$ 11,478,692	\$ 14,577,425
Net Realized Gain on Investments and Futures Contracts	6,699,381	17,670,762
Change in Unrealized Appreciation (Depreciation) on Investments, Futures Contracts and Written Options	385,261	(3,278,453)
Increase in Net Assets Resulting from Operations	18,563,334	28,969,734
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>		
From Net Investment Income	(12,064,800)	(18,690,880)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Shares Issued in Reinvestment of Dividends (45,047 for the year ended December 31, 2013)		259,919
Total Increase in Net Assets	6,498,534	10,538,773
<b>NET ASSETS:</b>		
Beginning of Year	277,336,787	266,798,014
End of Year	\$ 283,835,321	\$ 277,336,787
Distributions in Excess of Net Investment Income	\$ (1,818,334)	\$ (1,716,772)

*See accompanying notes to financial statements.*

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# TCW Strategic Income Fund, Inc.

## Notes to Financial Statements

December  
31, 2014

### Note 1 Significant Accounting Policies

TCW Strategic Income Fund, Inc. (the Fund) was incorporated in Maryland on January 13, 1987 as a diversified, closed-end investment management company and is registered under the Investment Company Act of 1940, as amended, and is traded on the New York Stock Exchange under the symbol TSI. The Fund commenced operations on March 5, 1987. The Fund's investment objective is to seek a total return comprised of current income and capital appreciation by investing in convertible securities, marketable equity securities, investment-grade debt securities, high-yield debt securities, securities issued or guaranteed by the United States Government, its agencies and instrumentalities ( U.S. Government Securities ), repurchase agreements, mortgage related securities, asset-backed securities, money market securities, other securities and derivative instruments without limit believed by the Fund's investment advisor to be consistent with the Fund's investment objective. TCW Investment Management Company (the Advisor) is the investment advisor to the Fund and is registered under the Investment Advisers Act of 1940.

**Principles of Accounting** The Fund uses the accrual method of accounting for financial reporting purposes. The Fund is considered an investment company under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 946, Financial Services Investment Companies.

**Security Valuation:** Securities and derivative contracts traded on national exchanges, except those traded on the NASDAQ Stock Market, Inc. ( NASDAQ ), are valued at the last reported sales price or the mean of the current bid and asked prices if there are no sales in the trading period. Securities traded on the NASDAQ are valued using the NASDAQ Official Closing Price, which may not be the last reported sales price. Other securities including short-term investments which are traded on the over-the-counter ( OTC ) market are valued at the mean of the current bid and asked prices as furnished by independent pricing services or by dealer quotations. S&P 500 Index futures contracts are valued at the first sale price after 4 p.m. ET on the Chicago Mercantile Exchange.

Securities for which market quotations are not readily available, including circumstances under which market quotations are not reflective of a security's market value, are fair valued by the Advisor as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors.

Fair value is defined as the price that a fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. In accordance with the authoritative guidance on fair value measurements and disclosures under the accounting principals generally accepted in the United States of America ( GAAP ), the Fund discloses investments in a three-tier hierarchy. This hierarchy is utilized to establish classification of fair value inputs for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.



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## TCW Strategic Income Fund, Inc.

### Notes to Financial Statements (Continued)

#### Note 1 Significant Accounting Policies (Continued)

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

Changes in valuation techniques may result in transfers in or out of an investment's assigned Level within the hierarchy. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to each security.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, 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 greatest for instruments categorized in Level 3.

In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition, as well as changes related to liquidity of investments, could cause a security to be reclassified between Level 1, Level 2, or Level 3.

In certain cases, 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 within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

**Fair Value Measurements:** A description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis follows:

*Asset-backed securities and mortgage-backed securities.* The fair value of asset-backed securities and mortgage-backed securities is estimated based on models that consider the estimated cash flows of each debt tranche of the issuer, establish a benchmark yield, and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche including, but not limited to, the prepayment speed assumptions and attributes of the collateral. To the extent the inputs are observable and timely, the values would be categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized in Level 3.

*Bank loans.* The fair value of bank loans is estimated using recently executed transactions, market price quotations, credit/market events, and cross-asset pricing. Inputs are generally observable and are obtained from independent sources. Bank loans are generally categorized in Level 2 of the fair value hierarchy.

*Corporate bonds.* The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads, or credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy; in instances where prices, spreads, or any of the other aforementioned key inputs are unobservable, they are categorized in Level 3 of the hierarchy.

## TCW Strategic Income Fund, Inc.

December 31, 2014

*Equity securities.* Securities are generally valued based on quoted prices from the applicable exchange. 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. Restricted securities issued by publicly held companies are generally categorized in Level 2 of the fair value hierarchy; if the discount is applied and significant, they are categorized in Level 3. Restricted securities held in non-public entities are included in Level 3 of the fair value hierarchy because they trade infrequently, and therefore, the inputs are unobservable.

*Futures contracts.* Futures contracts are generally valued at the settlement price established at the close of business each day by the exchange on which they are traded. The value of the Fund's futures contracts is marked daily and an appropriate payable or receivable for the change in value (variation margin) is recorded by the Fund. They are categorized in Level 1.

*Municipal bonds.* Municipal bonds are fair valued based on pricing models that take into account, among other factors, information received from market makers and broker-dealers, current trades, bid wants lists, offerings, market movements, callability of the bond, state of issuance, benchmark yield curves, and bond insurance. To the extent that these inputs are observable and timely, the fair values of municipal bonds would be categorized in Level 2; otherwise the fair values would be categorized in Level 3.

*Options contracts.* Exchange listed option contracts traded on securities exchanges are fair valued using quoted prices from the applicable exchange; they are categorized in Level 1. Option contracts traded over-the-counter (OTC) are fair valued based on pricing models and incorporate various inputs such as interest rate, credit spreads, currency exchange rates and volatility measurements for in-the-money, at-the-money, and out-of-the-money contracts on a given strike price. To the extent that these inputs are observable and timely, the fair value of OTC option contracts would be categorized in Level 2; otherwise, the fair values would be categorized in Level 3.

*Short-term investments.* Short-term investments are valued using market price quotations, and are reflected in Level 2 of the fair value hierarchy. Repurchase agreements are valued at cost, which approximates fair value, and are categorized as Level 2.

*Restricted securities.* Restricted securities, including illiquid Rule 144A securities, issued by non-public entities are included in Level 3 of the fair value hierarchy because they trade infrequently, and therefore, the inputs are unobservable. Any other restricted securities valued similar to publicly traded securities may be categorized in Level 2 or 3 of the fair value hierarchy depending on whether a discount is applied and significant to the fair value.

*U.S. Government and agency securities.* U.S. government and agency securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, quoted market prices, and reference data. Accordingly, U.S. government and agency securities are normally categorized in Level 1 or 2 of the fair value hierarchy depending on the liquidity and transparency of the market.

## TCW Strategic Income Fund, Inc.

## Notes to Financial Statements (Continued)

**Note 1 Significant Accounting Policies (Continued)**

The following is a summary of the inputs used as of December 31, 2014 in valuing the Fund's investments:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Fixed Income Securities</b>				
Asset-Backed Securities	\$	\$ 69,769,171	\$ 2,885,325	\$ 72,654,496
<b>Collateralized Mortgage Obligations</b>				
Commercial Mortgage-Backed Securities - Agency		2,019,568		2,019,568
Commercial Mortgage-Backed Securities - Non-Agency		2,259,118		2,259,118
Residential Mortgage-Backed Securities - Agency		6,733,658		6,733,658
Residential Mortgage-Backed Securities - Non-Agency		129,614,980	4,940,571	134,555,551
Total Collateralized Mortgage Obligations		140,627,324	4,940,571	145,567,895
Bank Loans *		935,338		935,338
Corporate Bonds *		24,408,056		24,408,056
Municipal Bonds		6,289,073		6,289,073
Total Fixed Income Securities		242,028,962	7,825,896	249,854,858
Convertible Preferred Stock *	839,685			839,685
Common Stock *	32,566		536,417	568,983
Short-Term Investments	690,978	33,362,209		34,053,187
Total Investments	\$ 1,563,229	\$ 275,391,171	\$ 8,362,313	\$ 285,316,713
<b>Asset Derivatives</b>				
Futures				
Equity Risk		10,897		10,897
Total	\$ 1,574,126	\$ 275,391,171	\$ 8,362,313	\$ 285,327,610
<b>Liability Derivatives</b>				
Futures				
Interest Rate Risk	\$ (8,066)		\$	\$ (8,066)
Written Options				
Equity Risk		(46,900)		(46,900)
Total	\$ (54,966)	\$	\$	\$ (54,966)

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\* See Schedule of Investments for corresponding industries.

The Fund did not have any transfers in and out of Level 1 and Level 2 of the fair value hierarchy during the year ended December 31, 2014.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

	Asset-Backed Securities	Residential Mortgage-Backed Securities Non-Agency	Common Stock	Total
Balance as of December 31, 2013	\$ 3,869,947	\$ 4,973,477	\$	\$ 8,843,424
Accrued Discounts (Premiums)		(776,161)		(776,161)
Realized Gain (Loss)				
Change in Unrealized Appreciation	(60)	221,197	(658,802)	(437,665)
Purchases	718,738	522,058	1,195,219	2,436,015
Sales	(1,703,300)			(1,703,300)
Transfers in to Level 3 (1)				
Transfers out of Level 3 (1)				
Balance as of December 31, 2014	\$ 2,885,325	\$ 4,940,571	\$ 536,417	\$ 8,362,313
Change in Unrealized Appreciation from Investments Still Held at December 31, 2014	\$ (24)	\$ 221,197	\$ (658,802)	(437,629)

(1) The Fund recognizes transfers in and out at the beginning of the period.

## TCW Strategic Income Fund, Inc.

December 31, 2014

Significant unobservable valuations inputs of Level 3 investments as of December 31, 2014, are as follows:

Description	Fair Value at 12/31/14	Valuation Techniques*	Unobservable Input	Range
Asset-Backed Securities	\$2,885,325	Third-party Broker	Broker Quotes	\$100
Residential Mortgage-Backed Securities - Non-Agency (Interest Only Collateral Strip Rate Securities)	\$3,931,675	Third-party Vendor	Vendor Prices	\$1.11 to \$3.19
Residential Mortgage-Backed Securities - Non-Agency (Interest Only Securities)	\$1,008,896	Third-party Vendor	Vendor Prices	\$21.32
Common Stock	\$ 536,417	Third-party Vendor	Vendor Prices	\$47.50

\* *The valuation technique employed on the Level 3 securities involves the use of third-party broker quotes and vendor prices. The Advisor monitors the third-party brokers and vendors using the valuation process described below.*

**Level 3 Valuation Process:** Investments classified within Level 3 of the fair value hierarchy may be fair valued by the Advisor with consent of the Pricing Committee in accordance with the guidelines established by the Board of Directors and under the general oversight of the Board of Directors. The Pricing Committee employs various methods to determine fair valuations including a regular review of key inputs and assumptions and review of any related market activity. The Pricing Committee reports to the Board of Directors at their regularly scheduled meetings. It is possible that fair value prices will be used by the Fund to a significant extent. The value determined for an investment using the Company's fair value procedures may differ from recent market prices for the investment and may be significantly different from the value realized upon the sale of such investment. The Advisor, as part of the daily process, conducts back-testing of prices based on daily trade activities.

The Pricing Committee consists of the President, General Counsel, Chief Compliance Officer, Assistant Treasurer, Secretary, and a representative from the portfolio management team as well as alternate members as the Board of Directors may from time to time designate. The Pricing Committee reviews and makes recommendations concerning the fair valuation of portfolio securities and the Fund's pricing procedures in general.

**Security Transactions and Related Investment Income:** Security transactions are recorded as of the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recognized on an accrual basis. Realized gains and losses on investments are recorded on the basis of specific identification.

**Distributions:** Distributions to shareholders are recorded on each ex-dividend date. The Fund declared and paid or reinvested dividends quarterly under an income-based distribution policy. The income-based distribution policy has a stated goal of providing quarterly distributions out of the Fund's accumulated undistributed net investment income and/or other sources subject to the requirements of the Investment Company Act of 1940 and Sub-chapter M of the Internal Revenue Code. The source for the dividend can come from net investment income and net realized capital gains measured on a fiscal year basis. Any portion of the distribution that exceeds income and capital gains will be treated as a return of capital.

# TCW Strategic Income Fund, Inc.

## Notes to Financial Statements (Continued)

### Note 1 Significant Accounting Policies (Continued)

Under certain conditions, federal tax regulations cause some or all of the return of capital to be taxed as ordinary income. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from GAAP. These differences may be primarily due to differing treatments for market discount and premium, losses recognized on structured debt, losses deferred due to wash sales and spillover distributions. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications to paid-in-capital and may affect net investment income per share.

**Derivative Instruments:** Derivatives are financial instruments whose values are based on the values of one or more indicators, such as a security, asset, currency, interest rate, or index. Derivative transactions can create investment leverage and may be highly volatile. It is possible that a derivative transaction will result in a loss greater than the principal amount invested. The Fund may not be able to close out a derivative transaction at a favorable time or price.

For the year ended December 31, 2014, the Fund had derivatives and transactions in derivatives, grouped in the following risk categories:

	Equity Risk	Interest Rate Risk	Total
<b>Statement of Assets and Liabilities:</b>			
Asset Derivatives			
Futures Contracts <sup>(1)</sup>	\$ 10,897	\$	\$ 10,897
Total Value	\$ 10,897	\$	\$ 10,897
Liability Derivatives			
Futures Contracts <sup>(1)</sup>	\$	\$ (8,066)	\$ (8,066)
Written Options	(46,900)		(46,900)
Total Value	\$ (46,900)	\$ (8,066)	\$ (54,966)
<b>Statement of Operations:</b>			
Realized Gain (Loss) on:			
Futures Contracts	\$ 2,914,267	\$ (25,254)	\$ 2,889,013
Total Realized Gain (Loss)	\$ 2,914,267	\$ (25,254)	\$ 2,889,013
Change in Unrealized Appreciation (Depreciation) on:			
Futures Contracts	\$ (654,498)	\$ (8,066)	\$ (662,564)
Written Options	15,004		15,004
Total Change in Appreciation (Depreciation)	\$ (639,494)	\$ (8,066)	\$ (647,560)
<b>Shares/Units <sup>(2)</sup></b>			
Futures Contracts	148	10	158

(1) *Includes cumulative appreciation (depreciation) of futures contracts as reported in the Schedule of Investments. Only variation margin on December 31, 2014 is reported within the Statement of Assets and Liabilities.*

(2) *Amounts disclosed represent average number of contracts, which are representative of the volume traded for the year ended December 31, 2014.*

**Counterparty Credit Risk:** A derivative contract may result in a mark to market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract.

The Fund's risk of loss from counterparty credit risk on over-the-counter (OTC) derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by the Fund.

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## TCW Strategic Income Fund, Inc.

December 31, 2014

With exchange traded futures and centrally cleared swaps, there is less counterparty credit risk to the Fund since the exchange or clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, the credit risk is limited to failure of the clearinghouse. While offset rights may exist under applicable law, the Fund does not have a contractual right of offset against a clearing broker or clearinghouse in the event of a default (including the bankruptcy or insolvency) of the clearing broker or clearinghouse. Additionally, credit risk exists in exchange traded futures and centrally cleared swaps with respect to initial and variation margin that is held in a clearing broker's customer accounts. While clearing brokers are required to segregate customer margin from their own assets, in the event that a clearing broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the clearing broker for all its clients, typically the shortfall would be allocated on a pro rata basis across all the clearing broker's customers, potentially resulting in losses to the Fund. In order to better define its contractual rights and to secure rights that will help the Fund mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement ( ISDA Master Agreement ) or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is a bilateral agreement between the Fund and a counterparty that governs OTC derivatives and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events. In addition, certain ISDA Master Agreements allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event the Fund's net assets declines by a stated percentage or the Fund fails to meet the terms of its ISDA Master Agreements, which would cause the Fund to accelerate payment of any net liability owed to the counterparty.

**Collateral requirements:** For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any collateral pledged or received by the Fund.

Cash collateral that has been pledged to cover obligations of the Fund is reported separately on the Statement of Assets and Liabilities. Non-cash collateral pledged by the Fund, if any, is noted in the Schedule of Investments. Generally, the amount of collateral due from or to a party has to exceed a minimum transfer amount threshold, typically \$250,000 or \$500,000, before a transfer is required, which is determined at the close of each business day and the collateral is transferred on the next business day. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance. The Fund attempts to mitigate counterparty risk by entering into agreements only with counterparties that the Advisor believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Assets and Liabilities. The Fund has implemented the disclosure requirements pursuant to FASB ASU No. 2013-01, Disclosures about Offsetting Assets and Liabilities, that requires disclosures to make financial statements that are prepared under U.S. GAAP more comparable to those prepared under International Financial Reporting Standards.



## TCW Strategic Income Fund, Inc.

### Notes to Financial Statements (Continued)

#### Note 1 Significant Accounting Policies (Continued)

**Repurchase Agreements:** The Fund may enter into repurchase agreements, under the terms of Master Repurchase Agreements ( MRA ). The MRA permits the Fund, under certain circumstances including an event of default (such as bankruptcy or insolvency), to offset payables and/or receivables under the MRA with collateral held and/or posted to the counterparty and create one single net payment due to or from the Fund. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of MRA counterparty's bankruptcy or insolvency. Pursuant to the terms of the MRA, the Fund receives securities as collateral with a market value in excess of the repurchase price to be received by the Fund upon the maturity of the repurchase transaction. Upon a bankruptcy or insolvency of the MRA counterparty, the Fund recognizes a liability with respect to such excess collateral to reflect the Fund's obligation under bankruptcy law to return the excess to the counterparty. Repurchase agreements outstanding at the end of the year are listed in the Fund's Schedule of Investments.

The following table presents the Fund's Master Repurchase Agreement by counterparty net of amounts available for offset and net of the related collateral received or pledged by the Fund as of December 31, 2014:

Counterparty	Gross Assets Subject to Master Agreements	Gross Liabilities Subject to Master Agreements	Net Assets (Liabilities) Subject to Master Agreements	Collateral Received	Net Amount
State Street Bank & Trust Company (Repurchase Agreement)	\$ 33,362,209	\$	\$ 33,362,209	\$ (33,362,209) <sup>(1)</sup>	\$

(1) Collateral with a value of \$34,034,236 has been received in connection with a master repurchase agreement. Excess collateral received from the individual master repurchase agreement is not shown for financial reporting purposes.

**Futures Contracts:** The Fund may enter into futures contracts. The Fund may seek to manage a variety of different risks through the use of futures contracts, such as interest rate risk, equity price risk, and currency risk. The Fund may use index futures to hedge against broad market risks to its portfolio or to gain broad market exposure when it holds uninvested cash or as an inexpensive substitute for cash investments directly in securities or other assets. Securities index futures contracts are contracts to buy or sell units of a securities index at a specified future date at a price agreed upon when the contract is made and are settled in cash. Positions in futures may be closed out only on an exchange or board of trade which provides a secondary market for such futures. Because futures contracts are exchange-traded, they typically have minimal exposure to counterparty risk. Parties to a futures contract are not required to post the entire notional amount of the contract, but rather a small percentage of that amount (by way of margin), both at the time they enter into futures transactions, and then on a daily basis if their positions decline in value; as a result, futures contracts are highly leveraged. Such payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. Because futures markets are highly leveraged, they can be extremely volatile, and there can be no assurance that the pricing of a futures contract will correlate precisely with the pricing of the asset or index underlying it or the asset or liability of the Fund that is the subject of the hedge. It may not always be possible for the Fund to enter into a closing transaction with respect to a futures contract it has entered into at a favorable time or price. When the Fund enters into a futures transaction, it is subject to the risk that the value of the futures contract will move in a direction unfavorable to it.

## TCW Strategic Income Fund, Inc.

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When the Fund uses futures contracts for hedging purposes, it is likely that the Fund will have an asset or liability that will offset any loss (or gain) on the transactions, at least in part. When a futures contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The Fund used S&P 500 Index futures to gain exposure to the equity market. The Fund also utilized Treasury futures to help manage interest rate duration and credit market exposure. Futures contracts outstanding at December 31, 2014 are listed in the Fund's Schedule of Investments.

**Options** The Fund may purchase and write call and put options on securities, and securities indices. The Fund may purchase put options on securities to seek to protect holdings in an underlying or related security against a substantial decline in market value. The Fund may purchase call options on securities to seek to protect against substantial increases in prices of securities the Fund intends to purchase pending its ability to invest in such securities in an orderly manner. The Fund may write a call or put option only if the option is covered by the Fund holding a position in the underlying securities or by other means which would permit immediate satisfaction of the Fund's obligation as writer of the option. The purchase and writing of options involves certain risks. During the option period, the covered call writer has, in return for the premium on the option, given up the opportunity to profit from a price increase in the underlying securities above the sum of the premium and exercise price, but, as long as its obligation as a writer continues, has retained the risk of loss should the price of the underlying securities decline. The writer of an option has no control over the time when it maybe required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying securities at the exercise price. If a put or call option purchased by the Fund is not sold when it has remaining value, and if the market price of the underlying security, in the case of a put, remains equal to or greater than the exercise price or, in the case of a call, remains less than or equal to the exercise price, the Fund will lose its entire investment in the option. There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position. Furthermore, if trading restrictions or suspensions are imposed on the options markets, the Fund may be unable to close out a position.

The Fund may execute transactions in both listed and over-the-counter options. Listed options involve minimal counterparty risk since listed options are guaranteed against default by the exchange on which they trade. Transactions in certain over-the-counter options may expose the Fund to the risk of default by the counterparty to the transaction. In the event of default by the counterparty to the over-the-counter option transaction, the Fund's maximum amount of loss is the premium paid (as purchaser) or the unrealized loss of the contract (as writer). Written Option Contracts outstanding as of December 31, 2014, are listed on the Schedule of investments.

Transactions in written option contracts for the year ended December 31, 2014, were as follows:

	Call Contracts	Call Premiums
Options outstanding at December 31, 2013		\$
Options written	28	61,904
Options terminated in closing purchase transactions		
Options exercised		
Options expired		
Options outstanding at December 31, 2014	28	\$ 61,904

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## TCW Strategic Income Fund, Inc.

### Notes to Financial Statements (Continued)

#### Note 1 Significant Accounting Policies (Continued)

**Swap Agreements:** The Fund may enter into swap agreements. Swap agreements are typically two-party contracts entered into primarily by institutional investors. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or swapped between the parties are generally calculated with respect to a notional amount (i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate or in a basket of securities representing a particular index).

The Fund may enter into credit default swap transactions as a buyer or seller of credit protection. In a credit default swap, one party provides what is in effect insurance against a default or other adverse credit event affecting an issuer of debt securities (typically referred to as a reference entity). In general, the buyer of credit protection is obligated to pay the protection seller an upfront amount or a periodic stream of payments over the term of the swap. If a credit event occurs, the buyer has the right to deliver to the seller bonds or other obligations of the reference entity (with a value up to the full notional value of the swap), and to receive a payment equal to the par value of the bonds or other obligations. Credit events that would trigger a request that the seller make payment are specific to each credit default swap agreement, but generally include bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or repudiation/moratorium. When the Fund buys protection, it may or may not own securities of the reference entity. When the Fund sells protection under a credit default swap, the position may have the effect of creating leverage in the Fund's portfolio through the Fund's indirect long exposure to the issuer or securities on which the swap is written. When the Fund sells protection, it may do so either to earn additional income or to create such a synthetic long position.

During the term of a swap transaction, changes in the value of the swap are recognized as unrealized gains or losses by marking to market to reflect the market value of the swap. When the swap is terminated, the Fund will record a realized gain or loss equal to the difference, if any, between the proceeds from (or cost of) the closing transaction and the Fund's basis in the agreement. Upfront swap premium payments paid or received by the Fund, if any, are recorded within the value of the open swap agreement on the Fund's Statement of Assets and Liabilities and represent payments paid or received upon entering into the swap agreement to compensate for differences between stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, and other relevant factors). These upfront payments are recorded as realized gain or loss on the Fund's Statement of Operations upon termination or maturity of the swap agreement.

During the term of a swap transaction, the periodic net payments can be made for a set period of time or may be triggered by a predetermined credit event. The net periodic payments may be based on a fixed or variable interest rate, the change in market value of a specified security, basket of securities or index, or the return generated by a security. These periodic payments received or made by the Fund are recorded as realized gains and losses, respectively. During the year ended December 31, 2014, the Fund did not enter into such agreements.

**Mortgage-Backed Securities:** The Fund may invest in mortgage pass-through securities which represent interests in pools of mortgages in which payments of both principal and interest on the securities are generally made monthly, in effect passing through monthly payments made by borrowers on the residential or commercial mortgage loans which underlie the securities (net of any fees paid to the issuer or guarantor of the securities). Mortgage pass-through securities differ from other forms of debt securities,

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## TCW Strategic Income Fund, Inc.

December 31, 2014

which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. The Fund may also invest in Collateralized Mortgage Obligations ( CMOs ). CMOs are debt obligations collateralized by residential or commercial mortgage loans or residential or commercial mortgage pass-through securities. Interest and principal are generally paid monthly. CMOs may be collateralized by whole mortgage loans or private mortgage pass-through securities but are more typically collateralized by portfolios of mortgage pass-through securities guaranteed by Ginnie Mae, Freddie Mac or Fannie Mae. The issuer of a series of CMOs may elect to be treated for tax purposes as a Real Estate Mortgage Investment Conduit ( REMIC ). CMOs are structured into multiple classes, each bearing a different stated maturity. Monthly payment of principal received from the pool of underlying mortgages, including prepayments, is first returned to investors holding the shortest maturity class. Investors holding the longer maturity classes usually receive principal only after shorter classes have been retired. An investor may be partially protected against a sooner than desired return of principal because of the sequential payments. The Fund may invest in stripped mortgage-backed securities. Stripped mortgage-backed securities are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. In certain cases, one class will receive all of the interest (the interest-only or IO class), while the other class will receive all of the principal (the principal-only or PO class). The yield to maturity on IOs is sensitive to the rate of principal prepayments (including prepayments) on the related underlying mortgage assets, and principal payments may have a material effect on yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in IOs.

**When-Issued, Delayed-Delivery, and Forward Commitment Transactions:** The Fund may enter into when-issued, delayed-delivery or forward commitment transactions in order to lock in the purchase price of the underlying security or to adjust the interest rate exposure of the Fund's existing portfolios. In when-issued, delayed-delivery, or forward commitment transactions, the Fund commits to purchase particular securities, with payment and delivery to take place at a future date. Although the Fund does not pay for the securities or start earning interest on them until they are delivered, it immediately assumes the risks of ownership, including the risk of price fluctuation. If the Fund's counterparty fails to deliver a security purchased on a when-issued, delayed-delivery or forward commitment basis, there may be a loss, and that the Fund may have missed an opportunity to make an alternative investment.

Prior to settlement of these transactions, the value of the subject securities will fluctuate, reflecting interest rate changes. In addition, because the Fund is not required to pay for when-issued, delayed-delivery or forward commitment securities until the delivery date, they may result in a form of leverage to the extent the Fund does not maintain liquid assets equal to the face amount of the contract. To guard against this deemed leverage, the Fund segregates cash and/or securities in an amount or value at least equal to the amount of these transactions.

**Security Lending:** The Fund may lend its securities to qualified brokers. The loans must be collateralized at all times primarily with cash although the Fund can accept money market instruments or U.S. Government securities with a market value at least equal to the market value of the securities on loan. As with any extensions of credit, the Fund may bear the risk of delay in recovery or even loss of rights in the collateral if the borrowers of the securities fail financially. The Fund earns additional income for lending its securities by investing the cash collateral in short-term investments. The Fund did not lend any securities during the year ended December 31, 2014.

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## TCW Strategic Income Fund, Inc.

### Notes to Financial Statements (Continued)

#### Note 2 Risk Considerations

**Market Risk:** The Fund's investments will fluctuate with market conditions, so will the value of your investment in the Fund. You could lose money on your investment in the Fund or the Fund could underperform other investments.

**Liquidity Risk:** The Fund's investments in illiquid securities may reduce the returns of the Fund because it may not be able to sell the illiquid securities at an advantageous time or price. Investments in high yield securities, foreign securities, derivatives or other securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Certain investments in private placements and Rule 144A securities may be considered illiquid investments. The Fund may invest in private placements and Rule 144A securities.

**Interest Rate Risk:** The values of the Fund's investments fluctuate in response to movements in interest rates. If rates rise, the values of debt securities generally fall. The longer the average duration of a Fund's investment portfolio, the greater the change in value.

**Mortgage-Backed and Other Asset-Backed Securities Risk:** The Fund may invest in mortgage-backed or other asset-backed securities. The values of some mortgage-backed or other asset-backed securities may expose the Fund to a lower rate of return upon reinvestment of principal. When interest rates rise, the value of mortgage-related securities generally will decline; however, when interest rates are declining, the value of mortgage related-securities with prepayment features may not increase as much as other fixed-income securities. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may shorten or extend the effective maturity of the security beyond what was anticipated at the time of purchase. If an unanticipated rate of prepayment on underlying mortgages increases the effective maturity of a mortgage-related security, the volatility of the security can be expected to increase. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Additionally, although mortgages and mortgage-related securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

**Derivatives Risk:** Use of derivatives, which at times is an important part of the Fund's investment strategy, involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Investments in derivatives could cause the Fund to lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

**Credit Risk:** The values of any of the Fund's investments may also decline in response to events affecting the issuer or its credit rating. The lower rated debt securities in which the Fund may invest are considered speculative and are subject to greater volatility and risk of loss than investment-grade securities, particularly in deteriorating economic conditions. The value of some mortgage-related securities in which the Fund invests also may fall because of unanticipated levels of principal prepayments that can occur when interest rates decline. The Fund invests a material portion of its assets in securities of issuers that hold mortgage- and asset-backed securities and direct investments in securities backed by commercial and residential mortgage loans and other financial assets. The value and related income of these securities are sensitive to changes in economic conditions, including delinquencies and/or defaults. Continuing shifts in the market's perception of credit quality on securities backed by commercial and residential mortgage

## TCW Strategic Income Fund, Inc.

December 31, 2014

loans and other financial assets may result in increased volatility of market prices and periods of illiquidity that can negatively impact the valuation of certain issuers held by the Fund.

Mortgage-backed securities ( MBS ) and Asset-backed securities ( ABS ) are characterized and classified in a variety of different ways. These classifications include a view of the securities' cash flow structure (passthrough, sequential pay, prepayment-protected, interest-only, principal-only, etc.), the security of the claim on the underlying assets (senior, mezzanine and subordinated), as well as types of underlying collateral (prime conforming loans, prime non-conforming loans, Alt-A loans, subprime loans, commercial loans, etc.). In many cases, the classification incorporates a degree of subjectivity — a particular loan might be categorized as prime by the underwriting standards of one mortgage issuer while another might classify the loan as subprime. In addition to other functions, the risk associated with an investment in a mortgage loan must take into account the nature of the collateral, the form and the level of credit enhancement, the vintage of the loan, the geography of the loan, the purpose of the loan (refinance versus purchase versus equity take-out), the borrower's credit quality (e.g. FICO score), and whether the loan is a first trust deed or a second lien.

**Counterparty Risk:** The Fund may be exposed to counterparty risk, or the risk that an entity with which the Fund has unsettled or open transactions may default. Financial assets, which potentially expose the Fund to credit and counterparty risks, consist principally of investments and cash due from counterparties. The exposure to credit and counterparty risks with respect to these financial assets is reflected in fair value recorded in the Fund's Statements of Assets and Liabilities.

### Note 3 Federal Income Taxes

It is the policy of the Fund to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and distribute all of its net taxable income, including any net realized gains on investments, to its shareholders. Therefore, no federal income tax provision is required.

At December 31, 2014, the Fund had total loss carry forward for federal income tax purposes of \$3,692,739 which will expire in 2018.

For the year ended December 31, 2014, the Fund distributed, on a tax basis, \$12,064,800 of ordinary income. For the previous year ended December 31, 2013, the Fund distributed, on a tax basis, \$18,690,880 of ordinary income. The Fund had no undistributed ordinary income at December 31, 2014, or December 31, 2013, on a tax basis.

At December 31, 2014, net unrealized appreciation for federal income tax purposes is comprised of the following components:

Unrealized appreciation	\$ 26,597,022
Unrealized (depreciation)	(3,596,250)
<b>Net Unrealized appreciation</b>	<b>\$ 23,000,772</b>
Cost of Investments for federal income tax purposes	\$ 262,315,941