

TCW STRATEGIC INCOME FUND INC
Form N-CSR
March 06, 2007

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
(Address of principal executive offices)

90017
(Zip code)

Philip K. Holl, Esq.

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, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

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A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Report to Stockholders.

TCW Strategic
Income Fund, Inc.

Directors and Officers

Alvin R. Albe, Jr.

Director, President and Chief Executive Officer

Samuel P. Bell

Director

Richard W. Call

Director

Matthew K. Fong

Director

Jeffrey E. Gundlach

Senior Vice President and Portfolio Manager

Thomas D. Lyon

Senior Vice President

Thomas E. Larkin, Jr.

Senior Vice President

Hilary G.D. Lord

Senior Vice President and Chief Compliance Officer

John A. Gavin

Director

Patrick C. Haden

Chairman

Charles A. Parker

Director

William C. Sonneborn

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Director

Philip K. Holl

Secretary and Associate General Counsel

Michael E. Cahill

General Counsel and Assistant Secretary

David S. DeVito

Treasurer and Chief Financial Officer

George N. Winn

Assistant Treasurer

Shareholder Information

Investment Adviser

TCW Investment Management Company
865 South Figueroa Street
Los Angeles, California 90017

Transfer Agent, Dividend Reinvestment and Disbursing Agent and Registrar

The Bank of New York
Church Street Station
P.O. Box #11002
New York, New York 10277-0770

Custodian

Investors Bank & Trust Company
200 Clarendon Street
Boston, Massachusetts 02116

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
350 South Grand Avenue
Los Angeles, California 90071

Legal Counsel

Dechert LLP
1775 Eye Street N.W.
Washington DC, 20006

TCW Strategic
Income Fund, Inc.

ANNUAL REPORT

December 31, 2006

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TCW Strategic Income Fund, Inc.

THE PRESIDENT'S LETTER

Dear Shareholder:

We are pleased to present the 2006 annual report of the TCW Strategic Income Fund, Inc. (the "Fund" or "TSI"), formerly known as the TCW Convertible Securities Fund, Inc. ("CVT"). On March 1, 2006, under the stewardship of Jeffrey Gundlach, Chief Investment Officer of the Fund's advisor, the Fund began a transition from a portfolio consisting almost entirely of convertible securities into a multi asset class portfolio. This action was initiated by the Board of Directors to address a situation whereby CVT's share price persistently traded at a significant discount to the Fund's net asset value ("NAV").

We are pleased with our progress to date. The Fund was in a ramp up mode for most of 2006 but we still made significant strides in achieving our objectives of earning the dividend, increasing the Fund's NAV, and reducing the discount. The Fund's discount was 8.8% at 12/31/06 versus 12.3% at 12/31/05. We are determined to narrow the discount even further in 2007. For the year, the Fund's shareholders realized a return of 17.5%, including dividends. The Fund's NAV increased by 12.16% (with dividends of 37.6 cents reinvested).

At year end, the Fund's restructuring was substantially complete and we have an 80%/20% target allocation between fixed income and equity securities going into 2007. The fixed income portfolio consists of collateralized debt obligation equity, high yield, asset-backed, and mortgage-backed securities. The equity portion of the portfolio consists of convertible and large cap value securities. The Fund has \$52.1 million of debt outstanding at year-end representing a leverage position of approximately 16%. On behalf of the Board and everyone at TCW, I would like to thank you for your continued support.

Sincerely,

Alvin R. Albe Jr.
President & Chief Executive Officer

January 29, 2007

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TCW Strategic Income Fund, Inc.

SCHEDULE OF INVESTMENTS DECEMBER 31, 2006

Principal Amount		Value
	Fixed Income Securities	
	Asset Backed Securities	
	(13.2% of Net Assets)	
	Banking (13.2%)	
	Ameriquest Mortgage Securities, Inc. (06-R2-M10),	
\$ 2,500,000	7.85%, due 04/25/36	\$ 2,180,250
	Argent Securities, Inc. (06-W3-M10), (144A), 7.85%,	
2,661,000	due 04/25/36	2,277,550*
	Argent Securities, Inc. (06-W4-M10),	
2,000,000	7.85%, due 05/25/36	1,750,000
	Carrington Mortgage Loan Trust (06-2FRE-10),	
2,000,000	7.32%, due 10/25/36	1,475,600
	Carrington Mortgage Loan Trust (06-NC1-M10), (144A),	
2,000,000	8.35%, due 01/25/36	1,820,000*
	Countrywide Asset-Backed Certificates (06-5-B),	
2,000,000	7.75%, due 08/25/36	1,960,600
	Countrywide Asset-Backed Certificates (06-6-B),	
2,000,000	8.35%, due 09/25/36	1,761,200
	Countrywide Asset-Backed Certificates, (06-26-B),	
1,500,000	(144A), 7.1%, due 06/25/37	1,206,600*
	First Franklin Mortgage Loan Asset Backed Certificate	
	(06-FF5-M10),	
2,000,000	7.35%, due 04/25/36	1,739,600
	First Franklin Mortgage Loan Asset Backed Certificate	
	(06-FF7-M10), (144A),	
2,000,000	7.35%, due 05/25/36	1,749,000*

Principal Amount		Value
\$ 1,993,000	First Franklin Mortgage Loan Asset Backed Certificates (06-17FF-B), 7.82%,	\$ 1,791,906

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	due 12/25/36	
	Fremont Home Loan Trust	
	(06-2-M9), 7.75%,	
2,000,000	due 02/25/36	1,596,200
	HSI Asset Securitization Corp.	
	Trust (06-OPT3-M9), 7.35%,	
2,000,000	due 02/25/36	1,970,600
	JP Morgan Mortgage Acquisition	
	Corp. (06-NC1-M10), (144A),	
2,000,000	7.85%, due 04/25/36	1,787,600*
	Residential Asset Mortgage	
	Products, Inc. (06-NC3-M9),	
1,000,000	7.4%, due 03/25/36	955,900
	Saxon Asset Securities Trust	
	(06-2-B4), 7.85%,	
2,000,000	due 09/25/36	1,705,600
	Soundview Home Equity Loan	
	Trust (06-OPT2-M9),	
2,000,000	7.85%, due 05/25/36	1,801,800
	Soundview Home Equity Loan	
	Trust (06-OPT3-M9), (144A),	
2,000,000	7.85%, due 06/25/36	1,795,600*
	Structured Asset Securities	
	Corp. (06-NC1-B1), (144A),	
2,000,000	7.85%, due 05/25/36	1,763,800*
	Structured Asset Securities	
	Corp. (06-WF1-M9),	
2,000,000	7.35%, due 02/25/36	1,978,200
	Total Banking	35,067,606
	Total Asset Backed Securities	
	(Cost: \$35,817,384)	35,067,606

* Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2006, the value of these securities amounted to \$146,594,672 or 55.0% of net assets. These securities are determined to be liquid by the Advisor under procedures established by and under the general supervision of the Company's Board of Directors.

See accompanying Notes to Financial Statements.

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	Octagon Investment Partners X, Ltd. (06-10A), (144A), 0%, due 10/18/20	3,250,919*
3,500,000	Prospect Park CDO, Ltd. (06-1I), 0%, due 07/15/20	2,698,637
3,000,000	Vertical CDO Ltd. (06-1), (144A), 0%, due 04/22/46	1,716,486*
1,750,000	Vertical CDO, Ltd. (06-CR1A-G), 9.374%, due 04/22/46	982,320
1,000,000	Total Diversified Financial Services-Specialized Finance	30,956,884
	Diversified Financial Services- Multi-Sector Holdings (1.4%)	
	Mantoloking CDO, Ltd. (06-1A-E), 8.87%, due 08/28/46	495,804
500,000	Mantoloking CDO, Ltd., (144A), 0%, due 09/28/46	1,360,189*
1,500 ⁽¹⁾	Marathon Structured Finance CDO, Ltd. (06-1A-E), (144A), 11.058%, due 07/26/46	1,876,294*
2,000,000	Total Diversified Financial Services-Multi-Sector Holdings	3,732,287
	Thriffs & Mortgage Finance (5.3%)	
	Bering CDO, Ltd. (06-1A), (144A), 0%, due 09/07/46	901,672*
1,000,000		

CDO Collateralized Debt Obligation.

CLO Collateralized Loan Obligation.

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(1) Represents number of preferred shares.

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TCW Strategic Income Fund, Inc.

SCHEDULE OF INVESTMENTS DECEMBER 31, 2006 (CONT'D)

Principal Amount		Value
\$ 1,000,000	Bering CDO, Ltd. (06-1A-1C), (144A), 11.85%, due 09/07/46	\$ 992,119*
2,000,000	Fortius Funding, Ltd. (06-2-A), (144A), 5.374%, due 02/03/42	1,966,633*
1,000,000	Fortius Funding, Ltd. (06-2-AE), 11.35%, due 02/03/42	992,452
1,000 ⁽¹⁾	Fortius I Funding, Ltd., (144A), 0%, due 07/12/41	844,591*
1,000,000	GSC ABS CDO, Ltd. (06-3GA-D), (144A), 8.7%, due 06/02/42	980,000*
1,500,000	Hudson Mezzanine Funding (06-1-AE), (144A), 12.101%, due 04/12/42	1,360,534*
1,500,000	Hudson Mezzanine Funding (06-1A-INC), (144A), 0%, due 04/12/42	1,422,667*
1,000,000	IXIS ABS CDO, Ltd. (06-II-E), 11.61%, due 12/13/46	985,166
2,000,000	Vertical CDO, Ltd. (06-2A), (144A), 0%, due 05/09/46	1,857,021*
2,000,000	Vertical CDO, Ltd. (06-2A-C), (144A), 11.625%, due 05/09/46	1,921,035*
	Total Thrifts & Mortgage Finance	14,223,890
	Total Collateralized Debt Obligations (Cost: \$50,801,505)	49,901,674

Principal Amount		Value
	Collateralized Mortgage Obligations (24.6%)	
	Banking (2.1%)	
\$ 5,979,971	GSR Mortgage Loan Trust (03-7F-1A4), 5.25%, due 06/25/33	\$ 5,505,008
	U.S. Government Securities (22.5%)	

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2,023,000	Federal Home Loan Mortgage Corp. (2684-SN), 1.5%, due 10/15/33 (I/F)	1,512,580
1,950,546	Federal Home Loan Mortgage Corp. (2870-EO), 0%, due 10/15/34 (P/O)	1,209,861
3,144,097	Federal Home Loan Mortgage Corp. (2951-NS), 0%, due 03/15/35 (I/F)	2,067,899
2,431,359	Federal Home Loan Mortgage Corp. (2962-GT), 0%, due 04/15/35 (I/F)(TAC)	2,160,830
1,245,183	Federal Home Loan Mortgage Corp. (2990-JK), 1.678%, due 03/15/35 (I/F)	988,644
1,756,737	Federal Home Loan Mortgage Corp. (3019-SQ), 0%, due 06/15/35 (I/F)	1,283,810
3,233,988	Federal Home Loan Mortgage Corp. (3035-TP), 6.5%, due 12/15/33 (I/F)	3,214,034
2,292,791	Federal Home Loan Mortgage Corp. (3062-HO), 0%, due 11/15/35 (P/O)	1,731,034
1,727,896	Federal Home Loan Mortgage Corp. (3074-LO), 0%, due 11/15/35 (P/O)	1,249,332

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

P/O Principal Only Security.

CDO Collateralized Debt Obligation.

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(1) Represents number of preferred shares.

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TCW Strategic Income Fund, Inc.

SCHEDULE OF INVESTMENTS DECEMBER 31, 2006 (CONT'D)

Principal Amount		Value
\$ 425,561	Federal Home Loan Mortgage Corp. (3076-ZQ), 5.5%, due 11/15/35 (PAC)	\$ 407,361
1,921,045	Federal Home Loan Mortgage Corp. (3081-PO), 0%, due 07/15/33 (P/O)	1,432,444
3,103,313	Federal Home Loan Mortgage Corp. (3092-CS), 5.494%, due 12/15/35 (TAC)	2,872,799
3,231,021	Federal Home Loan Mortgage Corp. (3092-LO), 0%, due 12/15/35 (P/O)(TAC)	2,789,211
2,819,318	Federal Home Loan Mortgage Corp. (3092-OL), 0%, due 12/15/35 (P/O)	1,978,880
2,749,094	Federal Home Loan Mortgage Corp. (3146-SB), 4.033%, due 04/15/36 (I/F)	2,553,385
1,658,831	Federal Home Loan Mortgage Corp. (3153-NK), 3.96%, due 05/15/36 (I/F)	1,497,314
2,753,576	Federal Home Loan Mortgage Corp. (3161-SA), 3.85%, due 05/15/36 (I/F)	2,524,233
1,905,860	Federal Home Loan Mortgage Corp. (3186-SB), 3.117%, due 07/15/36 (I/F)	1,704,276
3,301,183	Federal National Mortgage Association (05-1-GZ), 5%, due 02/25/35	3,092,611
2,036,387	Federal National Mortgage Association (05-44-TS), 2%, due 03/25/35 (I/F)(TAC)	1,709,216
3,404,654	Federal National Mortgage Association (05-69-HO), 0%, due 08/25/35 (P/O)	2,919,695
Principal Amount		Value
\$ 1,979,876	Federal National Mortgage Association (05-87-ZQ), 4.5%, due 10/25/25	\$ 1,905,274
1,618,562	Federal National Mortgage Association (05-92-DT), 6%,	1,574,116

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	due 10/25/35 (TAC)	
	Federal National Mortgage Association (06-14-SP), 6.015%,	
2,108,798	due 03/25/36 (I/F)(TAC)	2,099,582
	Federal National Mortgage Association (06-15-LO), 0%,	
1,983,972	due 03/25/36 (P/O)	1,531,748
	Federal National Mortgage Association (06-44-C), 0%,	
2,966,359	due 12/25/33 (P/O)	2,566,820
	Federal National Mortgage Association (06-57-SA), 3.373%,	
2,488,656	due 06/25/36 (I/F)	2,264,580
	Federal National Mortgage Association (06-67-DS), 1.76%,	
2,000,000	due 07/25/36 (I/F)	1,583,016
	Federal National Mortgage Association (25-62-BO), 0%,	
2,896,506	due 07/25/35 (P/O)	2,356,742
	Government National Mortgage Association (05-45-DK), 0.6%,	
3,860,565	due 06/16/35 (I/F)	3,202,841
	Total U.S. Government Securities	59,984,168
	Total Collateralized Mortgage Obligations	
	(Cost: \$60,393,704)	65,489,176

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

P/O Principal Only Security.

PAC Planned Amortization Class.

TAC Target Amortization Class.

See accompanying Notes to Financial Statements.

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TCW Strategic Income Fund, Inc.

SCHEDULE OF INVESTMENTS DECEMBER 31, 2006 (CONT'D)

Principal Amount		Value
	Other Fixed Income (33.4%)	
	Financial Services (33.4%)	
	Dow Jones CDX, NA. HY	
	Trust I, (144A), 8.375%,	
\$ 86,280,000	due 12/29/11	\$ 89,040,960* #
	Total Other Fixed Income	
	(Cost: \$86,384,866)	89,040,960
	Convertible Corporate	
	Bonds (7.4%)	
	Banking (1.8%)	
	SLM Corp., 5.327%,	
2,495,000	due 07/25/35	2,507,874
	Wachovia Corp., 9.5%,	
2,185,000	due 09/20/07	2,315,008
	Total Banking	4,822,882
	Commercial Services (0.2%)	
	Rentech, Inc., 4%,	
355,000	due 04/15/13	409,805
	Electronics (2.2%)	
	Agere Systems, Inc., 6.5%,	
1,885,000	due 12/15/09	1,929,882
	Fairchild Semiconductor	
1,935,000	Corp., 5%, due 11/01/08	1,921,881
	LSI Logic Corp., 4%,	
1,895,000	due 05/15/10	1,965,873
	Total Electronics	5,817,636
	Industrial-Diversified (0.5%)	
	Tyco International Group	
900,000	SA, 3.125%, due 01/15/23	1,282,320
	Media-Broadcasting &	
	Publishing (0.7%)	
	Ciena Corp., 3.75%,	
2,060,000	due 02/01/08	1,998,365
	Pharmaceuticals (0.3%)	
	United Therapeutics Corp.,	
	(144A), 0.5%,	
\$ 898,000	due 10/15/11	\$ 851,439*
	Real Estate (0.8%)	
	Affordable Residential	
	Communities, Inc., (144A),	
2,025,000	7.5%, due 08/15/25	2,249,046*

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	Telecommunications (0.9%)	
	Lucent Technologies, Inc.,	
2,390,000	8%, due 08/01/31	2,401,615
	Total Convertible	
	Corporate Bonds	
	(Cost: \$19,728,570)	19,833,108
	Total Fixed Income	
	Securities	
	(Cost: \$253,126,029)	
	(97.3%)	259,332,524
Number of Shares		
	Convertible Preferred Stocks	
	Aerospace & Defense (1.0%)	
	Northrop Grumman	
20,000	Corp., \$1.75	2,665,000
	Airlines (0.8%)	
44,650	Bristow Group, Inc., \$1.375	2,265,988
	Automobiles (1.7%)	
	Ford Motor Co. Capital	
43,785	Trust II, \$1.625	1,510,583
	General Motors	
54,400	Corp., \$1.125	1,387,200

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Security partially or fully lent (Note 5).

Index bond which consists of high yield credit default swaps, and tracks the B rated high yield index.

See accompanying Notes to Financial Statements.

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40,400	Entergy Corp., \$1.90625	2,403,800
	Total Convertible Preferred Stocks	
	(Cost: \$32,590,915)	
	(12.8%)	34,261,104
	Common Stocks	
	Communications Equipment (0.1%)	
17,099	Alcatel-Lucent (ADR)	243,148
	Aerospace & Defense (0.1%)	
6,000	Honeywell International, Inc.	271,440
	Automobiles (0.0%)	
3,300	General Motors Corp.	101,376
	Biotechnology (0.2%)	
5,300	Genentech, Inc.	429,989**
	Capital Markets (0.2%)	
4,600	Merrill Lynch & Co., Inc.	428,260
	Chemicals (0.2%)	
1,700	Air Products & Chemicals, Inc.	119,476

ADR American Depositary Receipt. Shares of a foreign based corporation held in U.S. banks entitling the shareholder to all dividends and capital gains.

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** Non-income producing.

Security partially or fully lent (Note 5).

See accompanying Notes to Financial Statements.

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TCW Strategic Income Fund, Inc.

SCHEDULE OF INVESTMENTS DECEMBER 31, 2006 (CONT'D)

Number of Shares		Value
6,500	Du Pont (E.I.) de Nemours & Co.	\$ 316,615
5,900	Lyondell Chemical Co.	150,863
	Total Chemicals	586,954
	Commercial Services & Supplies (0.1%)	
8,500	Waste Management, Inc.	312,545
	Communications Equipment (0.1%)	
17,800	Nokia Oyj (ADR)	361,696
	Computers & Peripherals (0.4%)	
7,600	Hewlett-Packard Co. International Business	313,044
4,300	Machines Corp.	417,745
41,800	Sun Microsystems, Inc.	226,556**
	Total Computers & Peripherals	957,345
	Consumer Finance (0.1%)	
1,900	Capital One Financial Corp.	145,958
	Containers & Packaging (0.1%)	
14,100	Packaging Corp. of America	311,610
	Diversified Financial Services (0.4%)	
8,500	Citigroup, Inc.	473,450
10,000	JPMorgan Chase & Co.	483,000
	Total Diversified Financial Services	956,450
	Diversified Telecommunication Services (0.5%)	
14,000	AT&T, Inc.	500,500
14,468	BCE, Inc. Qwest Communications	390,636
21,700	International, Inc.	181,629**
19,037	Windstream Corp.	270,706
	Total Diversified Telecommunication Services	1,343,471

Number of Shares		Value
	Electric Utilities (0.1%)	
8,500	American Electric Power Co., Inc.	\$ 361,930

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Food Products (0.3%)		
11,600	Kraft Foods, Inc., Class A	414,120
17,900	Sara Lee Corp.	304,837
	Total Food Products	718,957
Health Care Equipment & Supplies (0.1%)		
8,800	Boston Scientific Corp.	151,184**
Health Care Providers & Services (0.2%)		
6,200	Aetna, Inc.	267,716
29,600	Tenet Healthcare Corp.	206,312**
	Total Health Care Providers & Services	474,028
Health Care Technology (0.1%)		
3,200	Cerner Corp.	145,600**
Household Durables (0.1%)		
3,500	Sony Corp. (ADR)	149,905
Household Products (0.1%)		
4,700	Kimberly-Clark Corp.	319,365
Industrial Conglomerates (0.1%)		
4,900	General Electric Co.	182,329
Information Technology Services (0.1%)		
8,700	Electronic Data Systems Corp.	239,685
Insurance (0.3%)		
	American International Group, Inc.	257,976
3,600	Chubb Corp.	232,804
4,400	The St. Paul Travelers Companies, Inc.	300,664
5,600		
	Total Insurance	791,444

** Non-income producing.

Security partially or fully lent (Note 5).

ADR American Depositary Receipt. Shares of a foreign based corporation held in U.S. banks entitling the shareholder to all dividends and capital gains.

See accompanying Notes to Financial Statements.

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TCW Strategic Income Fund, Inc.

SCHEDULE OF INVESTMENTS DECEMBER 31, 2006 (CONT'D)

Number of Shares		Value
	Leisure Equipment & Products (0.1%)	
11,400	Mattel, Inc.	\$ 258,324
	Media (0.3%)	
	Clear Channel	
10,000	Communications, Inc.	355,400
3,700	Comcast Corp., Class A	156,621**
15,300	Regal Entertainment Group,	