

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED FINANCIAL STATEMENTS

QUARTER ENDED JUNE 30, 2018

SCOTIABANK SHORT-TERM INCOME FUND INC.

INDEX TO UNAUDITED FINANCIAL STATEMENTS

QUARTER ENDED JUNE 30, 2018

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SCOTIABANK SHORT-TERM INCOME FUND INC.
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018
(expressed in United States dollars)

	<u>30-Jun-18</u>	<u>31-Mar-18</u>	<u>30-Jun-17</u>
ASSETS			
Cash and cash equivalents	\$ 462,786	\$ 54,272	\$ 731,908
Financial assets at fair value through profit or loss:			
Debt securities (Cost : \$8,167,984 (March 2018: \$8,119,191 June 2017: \$7,916,928))	8,068,277	8,081,909	7,883,352
Derivatives	172,305	172,359	10,202
Interest receivable	94,992	75,240	64,242
Receivable from Manager	56,701	30,003	45,290
Cash collateral receivable	-	232,743	231,202
	<u>8,855,061</u>	<u>8,646,526</u>	<u>8,966,196</u>
Total assets			
LIABILITIES			
Financial liabilities at fair value through profit or loss:			
Derivatives	5,728	4,231	69,068
Interest payable	36,419	33,317	16,148
Accrued expenses	26,342	20,108	36,707
Management fee payable	3,569	3,529	3,823
	<u>72,058</u>	<u>61,185</u>	<u>125,746</u>
Liabilities (excluding net assets attributable to holders of redeemable investment shares)			
Governance shares	<u>100</u>	<u>100</u>	<u>100</u>
Net assets attributable to holders of redeemable investment shares	<u>\$ 8,782,903</u>	<u>\$ 8,585,241</u>	<u>\$ 8,840,350</u>
Net asset value per redeemable investment shares			
Class A			
\$3,443,058/358,298 shares (March 2018: \$3,264,244/339,738 shares; June 2017: \$2,842,186/294,823 shares)	<u>\$ 9.61</u>	<u>\$ 9.61</u>	<u>\$ 9.64</u>
Class NU			
\$427,002/45,042 shares (March 2018: \$436,339/46,009 shares; June 2017: \$1,178,913/123,661 shares)	<u>\$ 9.48</u>	<u>\$ 9.48</u>	<u>\$ 9.53</u>
Class IU			
\$4,912,843/495,408 shares (March 2018: \$4,884,658/493,911 shares; June 2017: \$4,819,251/489,437 shares)	<u>\$ 9.92</u>	<u>\$ 9.89</u>	<u>\$ 9.85</u>

Approved for issuance on behalf of Scotiabank Short-Term Income Fund Inc.'s Board of Directors by:

Rhory McNamara
Rhory McNamara
Director

Dwight Burrows
Dwight Burrows
Director

Date : August 3, 2018

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

QUARTER ENDED JUNE 30, 2018

(expressed in United States dollars)

	<u>30-Jun-18</u>	<u>31-Mar-18</u>	<u>30-Jun-17</u>
Income			
Interest income	\$ 63,731	\$ 57,967	\$ 56,389
Net realized income (loss) on financial assets and liabilities at fair through profit or loss, foreign currencies and swap contracts	80,228	(72,930)	(35,792)
Net change in unrealized (depreciation) appreciation on financial assets and liabilities at fair value through profit or loss, foreign currencies and swap contracts	<u>(83,771)</u>	<u>58,470</u>	<u>20,948</u>
Total investment gain	<u>60,188</u>	<u>43,507</u>	<u>41,545</u>
Expenses			
Custodian and administration fees	20,446	20,220	20,445
Management fees	10,561	10,623	11,775
Other expenses	9,960	10,766	9,938
Professional fees	<u>5,571</u>	<u>5,511</u>	<u>6,395</u>
Total operating expenses	<u>46,538</u>	<u>47,120</u>	<u>48,553</u>
Less: expenses reimbursed	<u>(26,694)</u>	<u>(26,510)</u>	<u>(25,782)</u>
Operating gain	<u>40,344</u>	<u>22,897</u>	<u>18,774</u>
Finance costs			
Distributions to holders of redeemable shares	<u>26,685</u>	<u>26,308</u>	<u>27,279</u>
Gain (loss) after distributions	<u>13,659</u>	<u>(3,411)</u>	<u>(8,505)</u>
Increase (decrease) in net assets from operations attributable to holders of redeemable investment shares	<u>\$ 13,659</u>	<u>\$ (3,411)</u>	<u>\$ (8,505)</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS

QUARTER ENDED JUNE 30, 2018

(expressed in United States dollars)

	<u>30-Jun-18</u>	<u>31-Mar-18</u>	<u>30-Jun-17</u>
Shareholders' Equity			
Share Capital	\$ 8,987	\$ 8,796	\$ 9,079
Share Premium	9,166,255	8,982,443	9,245,565
Retained Earnings	(405,998)	(402,587)	(405,789)
Increase (decrease) in net assets for the period	<u>13,659</u>	<u>(3,411)</u>	<u>(8,505)</u>
Net assets attributable to holders of redeemable participating shares	<u>\$ 8,782,903</u>	<u>\$ 8,585,241</u>	<u>\$ 8,840,350</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF CASH FLOWS

QUARTER ENDED JUNE 30, 2018

(expressed in United States dollars)

Cash flows from operating activities	<u>30-Jun-18</u>	<u>31-Mar-18</u>	<u>30-Jun-17</u>
Interest received	\$ 45,912	\$ 56,817	\$ 74,343
Interest paid	3,102	14,297	(16,696)
Operating expenses paid	(40,268)	(73,578)	(50,110)
Purchase of financial assets and settlement of financial liabilities at fair value through profit or loss	(500,071)	(5,465,372)	(749,417)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss	619,156	5,354,858	5,288,442
Net realized loss on foreign currencies and swap contracts	<u>123,365</u>	<u>(9,622)</u>	<u>61,517</u>
Net cash provided by (used in) operating activities	<u>251,196</u>	<u>(122,600)</u>	<u>4,608,079</u>
Cash flows from financing activities			
Distributions paid	(547)	(547)	(460)
Proceeds from subscriptions of redeemable investment shares	281,189	461,546	74,252
Payments for redemption of redeemable investment shares	<u>(123,324)</u>	<u>(790,094)</u>	<u>(5,141,496)</u>
Net cash provided by (used in) financing activities	<u>157,318</u>	<u>(329,095)</u>	<u>(5,067,704)</u>
Net change in cash and cash equivalents	408,514	(451,695)	(459,625)
Cash and cash equivalents at beginning of the period	<u>54,272</u>	<u>505,967</u>	<u>1,191,533</u>
Cash and cash equivalents at end of the period	<u>\$ 462,786</u>	<u>\$ 54,272</u>	<u>\$ 731,908</u>
Supplemental cash flow disclosures:			
Non-cash - reinvested distributions	<u>\$ 26,138</u>	<u>\$ 25,761</u>	<u>\$ 26,819</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED NOTES TO FINANCIAL STATEMENTS

QUARTER ENDED JUNE 30, 2018

1. General

Scotiabank Short-Term Income Fund Inc. (the "Fund") was incorporated under the laws of St. Lucia on February 27, 2014. On April 22, 2016, the Fund was transferred by way of continuation to the Cayman Islands pursuant to the laws of that jurisdiction and is now validly existing in the Cayman Islands as an exempted company. The Fund is registered as an administered mutual fund under the Mutual Funds Law of the Cayman Islands. The registered office of the Fund is located at the offices of Scotiabank & Trust (Cayman) Ltd., P.O. Box 501, George Town, The Bank of Nova Scotia Building, Cardinal Avenue, Grand Cayman, Cayman Islands.

2. Significant accounting policies

These statements are prepared using the International Accounting Standards. Security transactions are accounted for on a trade date basis. Realized gains and losses on the sales of portfolio securities are calculated on an average cost basis. Interest is recorded on an accrual basis and dividend income is recognized on the ex-dividend date.