

**SCOTIABANK SHORT-TERM INCOME FUND INC.**

**UNAUDITED FINANCIAL STATEMENTS**

**QUARTER ENDED SEPTEMBER 30, 2018**

**SCOTIABANK SHORT-TERM INCOME FUND INC.**

**INDEX TO UNAUDITED FINANCIAL STATEMENTS**

**QUARTER ENDED SEPTEMBER 30, 2018**

**CONTENTS**

	<b>PAGE</b>
UNAUDITED STATEMENT OF FINANCIAL POSITION	1
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	2
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS	3
UNAUDITED STATEMENT OF CASH FLOWS	4
UNAUDITED NOTES TO FINANCIAL STATEMENTS	5

**SCOTIABANK SHORT-TERM INCOME FUND INC.**

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

**AS OF SEPTEMBER 30, 2018**

**(expressed in United States dollars)**

	<b><u>30-Sep-18</u></b>	<b><u>30-Jun-18</u></b>	<b><u>30-Sep-17</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 622,647	\$ 462,786	\$ 533,184
Financial assets at fair value through profit or loss:			
Debt securities (Cost : \$8,293,830 (June 2018: \$8,167,984 September 2017: \$8,759,156))	8,224,264	8,068,277	8,816,073
Derivatives	174,376	172,305	30,758
Interest receivable	84,999	94,992	63,756
Receivable from Manager	82,801	56,701	71,559
Subscriptions receivable	400	-	-
Receivable for investments sold	-	-	1,073,926
Cash collateral receivable	-	-	240,085
	<hr/>	<hr/>	<hr/>
Total assets	<b><u>9,189,487</u></b>	<b><u>8,855,061</u></b>	<b><u>10,829,341</u></b>
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit or loss:			
Derivatives	13,509	5,728	29,387
Payable for investments purchased	50,350	-	800,000
Interest payable	33,789	36,419	37,576
Accrued expenses	33,556	26,342	41,744
Management fee payable	3,749	3,569	4,738
	<hr/>	<hr/>	<hr/>
Liabilities (excluding net assets attributable to holders of redeemable investment shares)	<b><u>134,953</u></b>	<b><u>72,058</u></b>	<b><u>913,445</u></b>
Governance shares	<hr/>	<hr/>	<hr/>
	100	100	100
<b>Net assets attributable to holders of redeemable investment shares</b>	<b><u>\$ 9,054,434</u></b>	<b><u>\$ 8,782,903</u></b>	<b><u>\$ 9,915,796</u></b>
Net asset value per redeemable investment shares			
Class A \$3,797,260/393,804 shares (June 2018: \$3,443,058/358,298 shares; September 2017: \$3,932,933/407,496 shares)	<hr/>	<hr/>	<hr/>
	\$ 9.64	\$ 9.61	\$ 9.65
Class NU \$299,600/31,512 shares (June 2018: \$427,002/45,042 shares; September 2017: \$1,130,791/118,541 shares)	<hr/>	<hr/>	<hr/>
	\$ 9.51	\$ 9.48	\$ 9.54
Class IU \$4,957,574/496,901 shares (June 2018: \$4,912,843/495,408 shares; September 2017: \$4,852,072/490,926 shares)	<hr/>	<hr/>	<hr/>
	\$ 9.98	\$ 9.92	\$ 9.88

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 : November 5, 2018

**SCOTIABANK SHORT-TERM INCOME FUND INC.**

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

**QUARTER ENDED SEPTEMBER 30, 2018**

**(expressed in United States dollars)**

	<b><u>30-Sep-18</u></b>	<b><u>30-Jun-18</u></b>	<b><u>30-Sep-17</u></b>
<b>Income</b>			
Interest income	\$ 63,887	\$ 63,731	\$ 55,160
Net realized income (loss) on financial assets and liabilities at fair through profit or loss, foreign currencies and swap contracts	4,627	80,228	(136,122)
Net change in unrealized appreciation (depreciation) on financial assets and liabilities at fair value through profit or loss, foreign currencies and swap contracts	<u>23,811</u>	<u>(83,771)</u>	<u>151,753</u>
Total investment gain	<u>92,325</u>	<u>60,188</u>	<u>70,791</u>
<b>Expenses</b>			
Custodian and administration fees	20,669	20,446	20,670
Management fees	11,294	10,561	12,814
Other expenses	10,171	9,960	11,039
Professional fees	<u>5,633</u>	<u>5,571</u>	<u>405</u>
Total operating expenses	<u>47,767</u>	<u>46,538</u>	<u>44,928</u>
Less: expenses reimbursed	<u>(26,100)</u>	<u>(26,694)</u>	<u>(26,270)</u>
<b>Operating gain</b>	<u>70,658</u>	<u>40,344</u>	<u>52,133</u>
<b>Finance costs</b>			
Distributions to holders of redeemable shares	<u>27,501</u>	<u>26,685</u>	<u>29,368</u>
<b>Gain after distributions</b>	<u>43,157</u>	<u>13,659</u>	<u>22,765</u>
<b>Increase in net assets from operations attributable to holders of redeemable investment shares</b>	<u>\$ 43,157</u>	<u>\$ 13,659</u>	<u>\$ 22,765</u>

**SCOTIABANK SHORT-TERM INCOME FUND INC.**

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS**

**QUARTER ENDED SEPTEMBER 30, 2018**

**(expressed in United States dollars)**

	<b><u>30-Sep-18</u></b>	<b><u>30-Jun-18</u></b>	<b><u>30-Sep-17</u></b>
<b>Shareholders' Equity</b>			
Share Capital	\$ 9,222	\$ 8,987	\$ 10,170
Share Premium	9,394,394	9,166,255	10,297,155
Retained Earnings	(392,339)	(405,998)	(414,294)
Increase in net assets for the period	<u>43,157</u>	<u>13,659</u>	<u>22,765</u>
Net assets attributable to holders of redeemable participating shares	<u>\$ 9,054,434</u>	<u>\$ 8,782,903</u>	<u>\$ 9,915,796</u>

**SCOTIABANK SHORT-TERM INCOME FUND INC.**

**UNAUDITED STATEMENT OF CASH FLOWS**

**QUARTER ENDED SEPTEMBER 30, 2018**

**(expressed in United States dollars)**

<b>Cash flows from operating activities</b>	<b><u>30-Sep-18</u></b>	<b><u>30-Jun-18</u></b>	<b><u>30-Sep-17</u></b>
Interest received	\$ 75,091	\$ 45,912	\$ 57,465
Interest paid	(2,630)	3,102	21,428
Operating expenses paid	(40,372)	(40,268)	38,975
Purchase of financial assets and settlement of financial liabilities at fair value through profit or loss	(958,385)	(500,071)	(1,338,717)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss	832,178	619,156	109,212
Net realized loss (gain) on foreign currencies and swap contracts	<u>53,106</u>	<u>123,365</u>	<u>(32,447)</u>
Net cash (used in) provided by operating activities	<u>(41,012)</u>	<u>251,196</u>	<u>(1,144,084)</u>
<b>Cash flows from financing activities</b>			
Distributions paid	(468)	(547)	(438)
Proceeds from subscriptions of redeemable investment shares	331,627	281,189	1,140,209
Payments for redemption of redeemable investment shares	<u>(130,286)</u>	<u>(123,324)</u>	<u>(116,459)</u>
Net cash provided by financing activities	<u>200,873</u>	<u>157,318</u>	<u>1,023,312</u>
<b>Net change in cash and cash equivalents</b>	159,861	408,514	(198,724)
<b>Cash and cash equivalents at beginning of the period</b>	<u>462,786</u>	<u>54,272</u>	<u>731,908</u>
<b>Cash and cash equivalents at end of the period</b>	<u>\$ 622,647</u>	<u>\$ 462,786</u>	<u>\$ 533,184</u>
<b>Supplemental cash flow disclosures:</b>			
Non-cash - reinvested distributions	<u>\$ 27,033</u>	<u>\$ 26,138</u>	<u>\$ 28,930</u>

**SCOTIABANK SHORT-TERM INCOME FUND INC.**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**QUARTER ENDED SEPTEMBER 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.