

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2019

SCOTIABANK SHORT-TERM INCOME FUND INC.

INDEX TO UNAUDITED FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2019

CONTENTS

	PAGE
UNAUDITED STATEMENT OF FINANCIAL POSITION	1
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME (LOSS)	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 MARCH 31, 2019
(expressed in United States dollars)

	<u>31-Mar-19</u>	<u>31-Dec-18</u>	<u>31-Mar-18</u>
ASSETS			
Cash and cash equivalents	\$ 195,958	\$ 422,873	\$ 54,272
Financial assets at fair value through profit or loss:			
Debt securities (Cost : \$4,877,397 (December 2018: \$4,690,869 March 2018: \$8,119,191))	4,870,370	4,569,320	8,081,909
Derivatives	33,476	104,782	172,359
Interest receivable	60,152	58,479	75,240
Receivable from Manager	31,785	32,808	30,003
Cash collateral receivable	-	-	232,743
	<u>5,191,741</u>	<u>5,188,262</u>	<u>8,646,526</u>
LIABILITIES			
Financial liabilities at fair value through profit or loss:			
Derivatives	16,952	5,443	4,231
Accrued expenses	37,464	32,888	20,108
Interest payable	15,748	26,915	33,317
Management fee payable	3,817	3,840	3,529
	<u>73,981</u>	<u>69,086</u>	<u>61,185</u>
Liabilities (excluding net assets attributable to holders of redeemable investment shares)			
	<u>73,981</u>	<u>69,086</u>	<u>61,185</u>
Governance shares	<u>100</u>	<u>100</u>	<u>100</u>
Net assets attributable to holders of redeemable investment shares	<u>\$ 5,117,660</u>	<u>\$ 5,119,076</u>	<u>\$ 8,585,241</u>
Net asset value per redeemable investment shares			
Class A \$3,750,794/388,392 shares (December 2018: \$3,766,643/396,265 shares; March 2018: \$3,264,244/339,738 shares)	<u>\$ 9.66</u>	<u>\$ 9.53</u>	<u>\$ 9.61</u>
Class NU \$289,374/30,424 shares (December 2018: \$284,915/30,336 shares; March 2018: \$436,339/46,009 shares)	<u>\$ 9.51</u>	<u>\$ 9.39</u>	<u>\$ 9.48</u>
Class IU \$1,077,492/107,332 shares (December 2018: \$1,057,518/107,010 shares; March 2018: \$4,884,658/493,911 shares)	<u>\$ 10.04</u>	<u>\$ 9.88</u>	<u>\$ 9.89</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 : May 10, 2019

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

QUARTER ENDED MARCH 31, 2019

(expressed in United States dollars)

	<u>31-Mar-19</u>	<u>31-Dec-18</u>	<u>31-Mar-18</u>
Income			
Interest income	\$ 39,280	\$ 48,182	\$ 57,967
Other income	3,459	3,589	-
Net realized income gain (loss) on financial assets and liabilities at fair through profit or loss, foreign currencies and swap contracts	26,108	35,458	(72,930)
Net change in unrealized appreciation (depreciation) on financial assets and liabilities at fair value through profit or loss, foreign currencies and swap contracts	<u>33,768</u>	<u>(115,818)</u>	<u>58,470</u>
Total investment gain (loss)	<u>102,615</u>	<u>(28,589)</u>	<u>43,507</u>
Expenses			
Custodian and administration fees	20,278	20,670	20,220
Management fees	11,142	11,449	10,623
Other expenses	10,063	9,953	10,766
Professional fees	<u>6,825</u>	<u>10,648</u>	<u>5,511</u>
Total operating expenses	<u>48,308</u>	<u>52,720</u>	<u>47,120</u>
Less: expenses reimbursed	<u>(31,719)</u>	<u>(32,806)</u>	<u>(26,510)</u>
Operating gain (loss)	<u>86,026</u>	<u>(48,503)</u>	<u>22,897</u>
Finance costs			
Distributions to holders of redeemable shares	<u>15,821</u>	<u>19,864</u>	<u>26,308</u>
Gain (loss) after distributions	<u>70,205</u>	<u>(68,367)</u>	<u>(3,411)</u>
Increase (decrease) in net assets from operations attributable to holders of redeemable investment shares	<u>\$ 70,205</u>	<u>\$ (68,367)</u>	<u>\$ (3,411)</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS

QUARTER ENDED MARCH 31, 2019

(expressed in United States dollars)

	<u>31-Mar-19</u>	<u>31-Dec-18</u>	<u>31-Mar-18</u>
Shareholders' Equity			
Share Capital	\$ 5,261	\$ 5,336	\$ 8,796
Share Premium	5,459,743	5,531,289	8,982,443
Retained Earnings	(417,549)	(349,182)	(402,587)
Increase (decrease) in net assets for the period	<u>70,205</u>	<u>(68,367)</u>	<u>(3,411)</u>
Net assets attributable to holders of redeemable participating shares	<u>\$ 5,117,660</u>	<u>\$ 5,119,076</u>	<u>\$ 8,585,241</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF CASH FLOWS

QUARTER ENDED MARCH 31, 2019

(expressed in United States dollars)

Cash flows from operating activities	<u>31-Mar-19</u>	<u>31-Dec-18</u>	<u>31-Mar-18</u>
Interest received	\$ 39,299	\$ 76,517	\$ 56,817
Other income received	3,459	3,589	-
Interest paid	(11,167)	(6,874)	14,297
Operating expenses paid	(43,755)	(53,297)	(73,578)
Reimbursements received from manger	32,742	82,799	-
Purchase of financial assets and settlement of financial liabilities at fair value through profit or loss	(788,021)	(695,873)	(5,465,372)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss	598,963	4,210,598	5,354,858
Net realized gain (loss) on foreign currencies and swap contracts	29,007	69,621	(9,622)
Net cash (used in) provided by operating activities	<u>(139,473)</u>	<u>3,687,080</u>	<u>(122,600)</u>
Cash flows from financing activities			
Distributions paid	(467)	(415)	(547)
Proceeds from subscriptions of redeemable investment shares	12,337	78,867	461,546
Payments for redemption of redeemable investment shares	<u>(99,312)</u>	<u>(3,965,306)</u>	<u>(790,094)</u>
Net cash used in financing activities	<u>(87,442)</u>	<u>(3,886,854)</u>	<u>(329,095)</u>
Net change in cash and cash equivalents	(226,915)	(199,774)	(451,695)
Cash and cash equivalents at beginning of the period	<u>422,873</u>	<u>622,647</u>	<u>505,967</u>
Cash and cash equivalents at end of the period	<u>\$ 195,958</u>	<u>\$ 422,873</u>	<u>\$ 54,272</u>
Supplemental cash flow disclosures:			
Non-cash - reinvested distributions	<u>\$ 15,354</u>	<u>\$ 19,449</u>	<u>\$ 25,761</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED NOTES TO FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2019

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., 18 Forum Lane, Camana Bay, P.O. Box 501, Grand Cayman, KY1-1106.

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.