

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2018

SCOTIABANK SHORT-TERM INCOME FUND INC.

INDEX TO UNAUDITED FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2018

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SCOTIABANK SHORT-TERM INCOME FUND INC.
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2018
(expressed in United States dollars)

	<u>31-Mar-18</u>	<u>31-Dec-17</u>	<u>31-Mar-17</u>
ASSETS			
Cash and cash equivalents	\$ 54,272	\$ 505,967	\$ 1,191,533
Financial assets at fair value through profit or loss:			
Debt securities (Cost : \$8,119,191 (December 2017 \$8,075,171 March 2017 \$12,551,983))	8,081,909	8,102,476	12,416,712
Derivatives	172,359	68,497	50,443
Cash collateral receivable	232,743	239,864	225,143
Interest receivable	75,240	74,092	84,738
Receivable from Manager	<u>30,003</u>	<u>3,494</u>	<u>19,507</u>
 Total assets	 <u>8,646,526</u>	 <u>8,994,390</u>	 <u>13,988,076</u>
LIABILITIES			
Financial liabilities at fair value through profit or loss:			
Derivatives	4,231	33,736	18,638
Interest payable	33,317	19,020	32,844
Accrued expenses	20,108	46,192	37,934
Management fee payable	<u>3,529</u>	<u>3,903</u>	<u>4,155</u>
 Liabilities (excluding net assets attributable to holders of redeemable investment shares)	 <u>61,185</u>	 <u>102,851</u>	 <u>93,571</u>
 Governance shares	 <u>100</u>	 <u>100</u>	 <u>100</u>
 Net assets attributable to holders of redeemable investment shares	 <u>\$ 8,585,241</u>	 <u>\$ 8,891,439</u>	 <u>\$ 13,894,405</u>
Net asset value per redeemable investment shares			
Class A \$3,264,244/339,738 Shares (December 2017: \$3,182,567/330,615 Shares; March 2017 \$2,817,226/291,505)	<u>\$ 9.61</u>	<u>\$ 9.63</u>	<u>\$ 9.66</u>
Class NU \$436,339/46,009 Shares (December 2017: \$842,256/88,596 Shares; March 2017 \$1,274,738/133,308)	<u>\$ 9.48</u>	<u>\$ 9.51</u>	<u>\$ 9.56</u>
Class IU \$4,884,658/493,911 Shares (December 2017: \$4,866,616/492,417 Shares; March 2017 \$9,802,441/995,584)	<u>\$ 9.89</u>	<u>\$ 9.88</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 : May 11, 2018

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

QUARTER ENDED MARCH 31, 2018

(expressed in United States dollars)

	<u>31-Mar-18</u>	<u>31-Dec-17</u>	<u>31-Mar-17</u>
Income			
Interest income	\$ 57,967	\$ 54,170	\$ 80,430
Net realized loss on financial assets and liabilities at fair through profit or loss, foreign currencies and swap contracts	(72,930)	(22,159)	(70,405)
Net change in unrealized appreciation on financial assets and liabilities at fair value through profit or loss, foreign currencies and swap contracts	<u>58,470</u>	<u>11,976</u>	<u>131,190</u>
Total investment gain	<u>43,507</u>	<u>43,987</u>	<u>141,215</u>
Expenses			
Custodian and administration fees	20,220	20,620	19,645
Other expenses	10,766	12,034	11,840
Management fees	10,623	12,033	9,814
Professional fees	<u>5,511</u>	<u>5,353</u>	<u>6,324</u>
Total operating expenses	<u>47,120</u>	<u>50,040</u>	<u>47,623</u>
Less: expenses reimbursed	<u>(26,510)</u>	<u>(22,434)</u>	<u>(19,508)</u>
Operating gain	<u>22,897</u>	<u>16,381</u>	<u>113,100</u>
Finance costs			
Distributions to holders of redeemable shares	<u>26,308</u>	<u>27,439</u>	<u>42,565</u>
Gain (loss) after distributions	<u>(3,411)</u>	<u>(11,058)</u>	<u>70,535</u>
Increase (decrease) in net assets from operations attributable to holders of redeemable investment shares	<u>\$ (3,411)</u>	<u>\$ (11,058)</u>	<u>\$ 70,535</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS

QUARTER ENDED MARCH 31, 2018

(expressed in United States dollars)

	<u>31-Mar-18</u>	<u>31-Dec-17</u>	<u>31-Mar-17</u>
Shareholders' Equity			
Share Capital	\$ 8,796	\$ 9,116	\$ 14,204
Share Premium	8,982,443	9,284,910	14,285,990
Retained Earnings	(402,587)	(391,529)	(476,324)
Increase (decrease) in net assets for the period	<u>(3,411)</u>	<u>(11,058)</u>	<u>70,535</u>
Net assets attributable to holders of redeemable participating shares	<u>\$ 8,585,241</u>	<u>\$ 8,891,439</u>	<u>\$ 13,894,405</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED STATEMENT OF CASH FLOWS

QUARTER ENDED MARCH 31, 2018

(expressed in United States dollars)

Cash flows from operating activities	<u>31-Mar-18</u>	<u>31-Dec-17</u>	<u>31-Mar-17</u>
Interest received	\$ 56,817	\$ 41,162	\$ 88,500
Interest paid	14,297	(18,556)	(4,295)
Operating expenses paid	(73,578)	(46,427)	(71,916)
Reimbursements received from manger	-	90,499	4,896
Purchase of financial assets and settlement of financial liabilities at fair value through profit or loss	(5,465,372)	(1,551,531)	(1,008,159)
Proceeds from sale of financial assets and financial liabilities at fair value through profit or loss	5,354,858	2,512,185	1,917,216
Net realized loss on foreign currencies and swap contracts	<u>(9,622)</u>	<u>(13,813)</u>	<u>(19,441)</u>
Net cash (used in) provided by operating activities	<u>(122,600)</u>	<u>1,013,519</u>	<u>906,801</u>
Cash flows from financing activities			
Distributions paid	(547)	(490)	(750)
Proceeds from subscriptions of redeemable investment shares	461,546	47,833	277,495
Payments for redemption of redeemable investment shares	<u>(790,094)</u>	<u>(1,088,079)</u>	<u>(286,895)</u>
Net cash used in financing activities	<u>(329,095)</u>	<u>(1,040,736)</u>	<u>(10,150)</u>
Net change in cash and cash equivalents	<u>(451,695)</u>	<u>(27,217)</u>	<u>896,651</u>
Cash and cash equivalents at beginning of the period	<u>505,967</u>	<u>533,184</u>	<u>294,882</u>
Cash and cash equivalents at end of the period	<u>\$ 54,272</u>	<u>\$ 505,967</u>	<u>\$ 1,191,533</u>
Supplemental cash flow disclosures:			
Non-cash - reinvested distributions	<u>\$ 25,761</u>	<u>\$ 26,949</u>	<u>\$ 41,815</u>

SCOTIABANK SHORT-TERM INCOME FUND INC.

UNAUDITED NOTES TO FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 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.