

# GLOBAL INCOME FUND

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## SEMI-ANNUAL REPORT June 30, 2005

11 Hanover Square  
New York, NY 10005

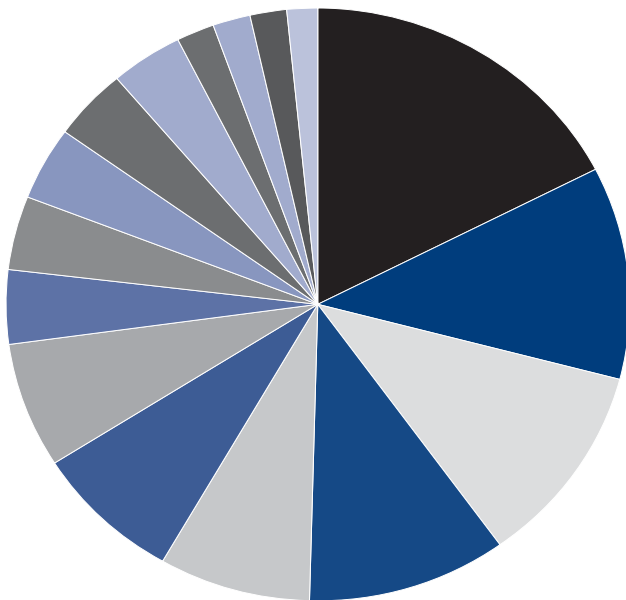
1-800-278-4353

[www.globalincomefund.net](http://www.globalincomefund.net)

American Stock  
Exchange Symbol:

**GIF**

## COUNTRY ALLOCATION\*



|                       |        |
|-----------------------|--------|
| ■ Netherlands         | 17.48% |
| ■ Germany             | 11.57% |
| ■ United Kingdom      | 11.02% |
| ■ United States       | 10.38% |
| ■ Supranational/Other | 7.85%  |
| ■ France              | 7.73%  |
| ■ Australia           | 6.80%  |
| ■ Austria             | 4.06%  |
| ■ Canada              | 4.03%  |
| ■ Denmark             | 3.99%  |
| ■ Sweden              | 3.91%  |
| ■ Japan               | 3.75%  |
| ■ Italy               | 1.98%  |
| ■ Cyprus              | 1.96%  |
| ■ Hungary             | 1.90%  |
| ■ Korea               | 1.59%  |

100.00%

## PORTFOLIO ANALYSIS\*

| Currency Diversification |     |
|--------------------------|-----|
| U.S. Dollar              | 23% |
| Euro                     | 60% |
| British Pound            | 14% |
| Australian Dollar        | 2%  |
|                          | 99% |

| Ratings |      |
|---------|------|
| AAA     | 40%  |
| AA      | 15%  |
| A       | 41%  |
| BBB     | 2%   |
| <BBB    | 0%   |
| NR      | 2%   |
|         | 100% |

\* Country allocation is shown as an approximate percentage of all investments. Portfolio analysis uses approximate percentages of total net assets, and may not add up to 100%, due to leverage or other assets, rounding, and other factors. Ratings are not a guarantee of credit quality and may change. NR means "not rated."

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[www.globalincomefund.net](http://www.globalincomefund.net)

July 20, 2005

Fellow Shareholders:

It is a pleasure to welcome our new shareholders who have made their initial investment in shares of the Fund since our last Report. The primary objective of Global Income Fund, Inc. is to provide for its shareholders a high level of income, with capital appreciation as a secondary objective. The Fund pursues its investment objectives by normally investing at least 65% in a global portfolio of investment grade fixed income securities, and may allocate up to 35% of its assets in below investment grade debt that is considered attractive. On June 30, 2005, the Fund was 96% invested in investment grade or deemed investment grade fixed income securities, and 4% in investment grade preferred stocks. As shown in the accompanying table to the left, at June 30 investments originated from 15 countries, plus supranationals, with approximately 61% from the Eurozone. The Fund has paid dividends every year since its founding in 1983, and paid two quarterly dividends in the first half of 2005. Quarterly dividend distributions for the balance of the year are scheduled to be paid September 30 and December 30 to shareholders of record September 16 and December 15, respectively.

## 6% Dividend Distribution Policy

The Fund has a managed quarterly distribution policy, which is intended to provide shareholders with a relatively stable cash flow and reduce or eliminate the Fund's market price discount to its net asset value per share. Under the current policy, distributions of approximately 6% of the Fund's net asset value per share on an annual basis are intended to be paid primarily from ordinary income and any net capital gains, with the balance representing return of capital. This policy is subject to regular review at the Board of Directors' quarterly meetings and the amount of the distribution may vary depending on the Fund's net asset value per share at the time of declaration. Although the dollar amount of the distributions cannot be predicted, we continue to believe shares of the Fund are a sound long term value for investors seeking a high level of income, with capital appreciation as a secondary objective.

## Market Report

On June 30, the Federal Open Market Committee (FOMC) raised its key overnight Federal funds target rate for the ninth time in a year by a quarter of a percentage point, as expected, to 3.25%. In addition, the FOMC restated that it still expects to raise rates at a "measured" pace, thus leaving unchanged the language they have previously used in prior quarter point increases. Although the FOMC continues to embrace the view that inflationary pressures remain elevated, most economic statistics reported indicate that the inflation rate remains contained. The trend of the 10 year Treasury bond benchmark to 4%, even in the face of record oil prices, will continue to present a hurdle for the FOMC. For periods ended June 30, 2005, the 10 year Treasury bond has averaged 4.22% over the last six months, 4.15% over the last three months and, most surprisingly, 3.99% over the past month. Keeping in mind that bond markets move on expectation as much as reality, we look for the economy to remain in good shape, with the inflation outlook remaining benign. We think the FOMC might push the Federal funds rate higher by its November meeting, but then we would not be surprised to see the economy slow for a few quarters, with the anticipation of a FOMC easing keeping the 10 year Treasuries at approximately 4.25%.

We believe that shares of the Fund are attractive, and look forward to serving your investment needs in the months and years ahead.

Sincerely,



Thomas B. Winmill  
President



Marion E. Morris  
Senior Vice President  
Portfolio Manager

## Schedule of Portfolio Investments – June 30, 2005 (Unaudited)

| <u>Par Value</u> |  | <u>Market Value</u> |
|------------------|--|---------------------|
|                  | <b>DEBT SECURITIES (95.53%)</b>  |                     |
|                  | <b>Australia (6.80%)</b>   |                     |
| A\$1,000,000     | BHP Finance Ltd., 6.25% Notes, due 8/15/08.....  | \$ 772,829          |
| \$1,000,000      | National Australia Bank, 8.60% Subordinated Notes, due 5/19/10 .....                             | 1,184,616           |
| \$300,000        | Principal Financial Group, 144A, 8.20% Senior Notes, due 8/15/09* .....                          | 340,530             |
|                  |  | <u>2,297,975</u>    |
|                  | <b>Austria (4.06%)</b>   |                     |
| €1,000,000       | Republic of Austria, 5.25% Euro Medium Term Notes, due 1/04/11 .....                             | <u>1,372,144</u>    |
|                  | <b>Canada (4.03%)</b>  |                     |
| €1,000,000       | Province of Quebec, 5.50% Euro Medium Term Notes, due 2/05/10 .....                              | <u>1,360,970</u>    |
|                  | <b>Cyprus (1.96%)</b>  |                     |
| €500,000         | Republic of Cyprus, 4.375% Euro Medium Term Notes, due 7/15/14.....                              | <u>663,057</u>      |
|                  | <b>Denmark (3.99%)</b>   |                     |
| £700,000         | Deutsche Ausgleichsbank, 5.75% Euro Medium Term Notes, due 12/07/11 .....                        | <u>1,347,601</u>    |
|                  | <b>France (7.73%)</b>  |                     |
| €1,000,000       | Elf Aquitaine, 4.50% Senior Unsubordinated Notes, due 3/23/09.....                               | 1,296,793           |
| €1,000,000       | Societe Nationale des Chemins de Fer Francais, 4.625% Euro Medium Term Notes, due 10/25/09 ..... | 1,312,808           |
|                  |  | <u>2,609,601</u>    |
|                  | <b>Germany (11.57%)</b>  |                     |
| £1,000,000       | Dresdner Bank Aktiengesellschaft, 7.75% Subordinated Bonds, due 12/07/07 ....                    | 957,767             |
| €1,000,000       | Kreditanstalt fuer Wiederaufbau, 5.25% Euro Global Bonds, due 1/04/10 .....                      | 1,352,878           |
| €500,000         | Phillips Electronics NV, 6.125% Senior Unsubordinated Notes, due 5/16/11 .....                   | 702,180             |
| £500,000         | RWE Finance B.V., 4.625% Notes, due 8/17/10 .....  | 895,822             |
|                  |  | <u>3,908,647</u>    |
|                  | <b>Hungary (1.90%)</b>   |                     |
| €500,000         | Republic of Hungary, 4% Bonds, due 9/27/10.....  | <u>641,373</u>      |
|                  | <b>Italy (1.98%)</b>   |                     |
| €500,000         | Enel-Societa Per Azioni, 4.75% Euro Medium Term Notes, due 6/12/18 .....                         | <u>668,469</u>      |
|                  | <b>Japan (3.75%)</b>   |                     |
| €1,000,000       | Toyota Motor Credit Corp., 4.125% Euro Medium Term Notes, due 1/15/08 .....                      | <u>1,266,295</u>    |
|                  | <b>Korea (1.59%)</b>   |                     |
| \$500,000        | Korea Development Bank, 5.75% Notes, due 9/10/13 .....   | <u>536,180</u>      |
|                  | <b>Netherlands (17.48%)</b>  |                     |
| €500,000         | ABN Amro Bank NV, 4.75% Euro Medium Term Notes, due 1/04/14 .....                                | 676,616             |
| €1,000,000       | Aegon N.V., 4.625% Euro Medium Term Notes, due 4/16/08 .....                                     | 1,282,596           |
| €500,000         | Essent N.V., 4.50% Euro Medium Term Notes, due 6/25/13.....                                      | 651,018             |
| €500,000         | Heineken N.V., 4.375% Bonds, due 2/04/10 .....   | 636,941             |
| €1,000,000       | ING Bank N.V., 5.50% Euro Medium Term Notes, due 1/04/12 .....                                   | 1,378,558           |
| €1,000,000       | Nederlandse Waterschapsbank, 4% Notes, due 2/11/09 .....   | 1,279,328           |
|                  |  | <u>5,905,057</u>    |

## Schedule of Portfolio Investments – June 30, 2005 (Unaudited)

| <u>Par Value</u>                   |  | <u>Market Value</u>        |
|------------------------------------|--|----------------------------|
| <b>Sweden (3.91%)</b>              |  |                            |
| €1,000,000                         | Kingdom of Sweden, 5% Eurobonds, due 1/28/09 .....   | \$ 1,322,075               |
| <b>United Kingdom (11.02%)</b>     |  |                            |
| \$1,000,000                        | National Westminster Bank, 7.375% Subordinated Notes, due 10/01/09 .....                   | 1,123,580                  |
| €1,000,000                         | Tesco PLC, 4.75% Euro Medium Term Notes, due 4/13/10 .....                                 | 1,316,759                  |
| €1,000,000                         | Vodafone Group Plc, 4.625% Euro Medium Term Notes, due 1/31/08 .....                       | 1,279,943                  |
|                                    |  | <u>3,720,282</u>           |
| <b>United States (5.91%)</b>       |  |                            |
| \$500,000                          | CIT RV Trust 1998-A B 6.29% Subordinated Bonds, due 1/15/17 .....                          | 516,951                    |
| \$1,500,000                        | Federal Home Loan Bank, 2.625% Notes, due 10/16/06 .....                                   | 1,478,340                  |
|                                    |  | <u>1,995,291</u>           |
| <b>Supranational/Other (7.85%)</b> |  |                            |
| £738,000                           | European Investment Bank, 5.50% Euro-Fungible Notes, due 12/07/11 .....                    | 1,407,330                  |
| \$1,200,000                        | The International Bank for Reconstruction & Development,<br>5.05% Notes, due 5/29/08 ..... | 1,242,960                  |
|                                    |  | <u>2,650,290</u>           |
|                                    | Total Debt Securities (cost: \$31,956,103) .....   | <u>32,265,307</u>          |
| <b>Shares</b>                      |  |                            |
| <b>PREFERRED STOCKS (4.47%)</b>    |  |                            |
| <b>United States (4.47%)</b>       |  |                            |
| 4,000                              | BAC Capital Trust II, 7.00% .....  | 104,200                    |
| 3,000                              | BAC Capital Trust III, 7.00% .....   | 78,660                     |
| 4,000                              | Corporate-Backed Trust Certificates, 6.00% (Goldman Sachs) .....                           | 98,000                     |
| 25,000                             | Corporate-Backed Trust Certificates, 8.20% (Motorola) .....                                | 665,500                    |
| 10,000                             | Disney (Walt) Company, 7.00% .....   | 261,900                    |
| 5,000                              | SATURNS-Bellsouth SM, 5.87% .....  | 120,750                    |
| 6,900                              | Wells Fargo Capital Trust V, 7.00% .....   | 179,883                    |
|                                    |  | <u>1,508,893</u>           |
|                                    | Total Preferred Stocks (cost: \$1,447,500) .....   | <u>1,508,893</u>           |
|                                    | <b>Total Investments (cost: \$33,403,603) (100%) .....</b>                                 | <b><u>\$33,774,200</u></b> |

Note: Par value stated in currency indicated; market value stated in U.S. dollars.

\* 144A securities may be sold to institutional investors only. The total market value of these securities at June 30, 2005, is \$340,530, which represents approximately 1.0% of total investments.

**STATEMENT OF ASSETS AND LIABILITIES**

June 30, 2005 (Unaudited)

**ASSETS:**

|   |                   |
|---|-------------------|
| Investments at market value<br>(cost: \$33,403,603) (note 1)..... | \$33,774,200      |
| Interest receivable .....   | 595,259           |
| Other assets .....  | 14,078            |
| Total assets .....  | <u>34,383,537</u> |

**LIABILITIES:**

|  |                |
|--|----------------|
| Note payable.....                              | 444,511        |
| Accrued expenses .....                         | 42,661         |
| Management fees payable (note 3) .....         | 19,533         |
| Administrative services payable (note 3) ..... | 6,724          |
| Total liabilities .....                        | <u>513,429</u> |

**NET ASSETS:** (applicable to 7,380,979 shares  
outstanding: 20,000,000 shares of \$.01  
par value authorized).....

\$33,870,108**NET ASSET VALUE PER SHARE**

(\$33,870,108 ÷ 7,380,979 shares  
outstanding) .....

\$4.59

At June 30, 2005, net assets consisted of:

|  |                     |
|--|---------------------|
| Paid-in capital .....  | \$40,137,861        |
| Accumulated net realized loss on<br>investments and foreign currencies ..... | (6,610,761)         |
| Net unrealized appreciation on<br>investments and foreign currencies .....   | 343,008             |
|  | <u>\$33,870,108</u> |

**STATEMENT OF OPERATIONS**

Six Months Ended June 30, 2005 (Unaudited)

**INVESTMENT INCOME:**

|                               |                |
|-------------------------------|----------------|
| Interest .....                | \$ 627,387     |
| Dividends.....                | 59,647         |
| Total investment income ..... | <u>687,034</u> |

**EXPENSES:**

|                                       |                |
|---------------------------------------|----------------|
| Investment management (note 3) .....  | 132,702        |
| Administrative services (note 3)..... | 45,587         |
| Bookkeeping and pricing .....         | 17,530         |
| Auditing .....                        | 11,403         |
| Custodian.....                        | 9,050          |
| Printing and postage.....             | 8,590          |
| Directors.....                        | 7,815          |
| Exchange listing.....                 | 6,625          |
| Insurance .....                       | 5,792          |
| Transfer agent .....                  | 4,160          |
| Other .....                           | 137            |
| Total operating expenses .....        | 249,391        |
| Loan interest and fees (note 5).....  | 266            |
| Total expenses .....                  | <u>249,657</u> |
| Net investment income .....           | <u>437,377</u> |

**REALIZED AND UNREALIZED GAIN****ON INVESTMENTS AND  
FOREIGN CURRENCIES:**

|  |                      |
|--|----------------------|
| Net realized gain on investments and<br>foreign currencies (note 4) .....          | 330,108              |
| Unrealized depreciation on investments<br>and foreign currencies .....             | <u>(2,549,948)</u>   |
| Net realized and unrealized loss<br>on investments and foreign<br>currencies ..... | <u>(2,219,840)</u>   |
| Net change in net assets<br>resulting from operations .....                        | <u>\$(1,782,463)</u> |

## STATEMENTS OF CHANGES IN NET ASSETS

For the Six Months Ended June 30, 2005 (Unaudited) and the Year Ended December 31, 2004

|   | Six Months<br>Ended<br>June 30, 2005<br>(Unaudited) | Year<br>Ended<br>December 31,<br>2004 |
|---|---|---------------------------------------|
| <b>OPERATIONS:</b>  |   |                                       |
| Net investment income .....   | \$ 437,377  | \$ 792,013                            |
| Net realized gain on investments and foreign currencies .....   | 330,108   | 815,671                               |
| Unrealized (depreciation) appreciation on investments and foreign currencies .....                      | <u>(2,549,948)</u>                                  | <u>1,355,264</u>                      |
| Net change in net assets resulting from operations .....  | (1,782,463)   | 2,962,948                             |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |   |                                       |
| Distributions to shareholders (\$0.14 and \$0.25 per share, respectively) .....                         | (1,032,967)   | (1,607,586)                           |
| Tax return of capital to shareholders (\$0 and \$0.09 per share, respectively) .....                    | -   | (573,375)                             |
| <b>CAPITAL SHARE TRANSACTIONS:</b>  |   |                                       |
| Net proceeds received from rights offering (1,745,315 shares issued) (note 8) .....                     | -   | 6,875,737                             |
| Reinvestment of distributions to shareholders (3,439 and 66,829<br>shares, respectively) (note 6) ..... | <u>15,019</u>                                       | <u>300,947</u>                        |
| Total change in net assets .....  | (2,800,411)   | 7,958,671                             |
| <b>NET ASSETS:</b>  |   |                                       |
| Beginning of period .....   | <u>36,670,519</u>                                   | <u>28,711,848</u>                     |
| End of period .....   | <u>\$33,870,108</u>                                 | <u>\$36,670,519</u>                   |

## Notes to Financial Statements (Unaudited)

(1) Global Income Fund, Inc., a Maryland corporation registered under the Investment Company Act of 1940, as amended, is a non-diversified, closed-end management investment company, whose shares are listed on the American Stock Exchange. The Fund's primary and fundamental objective is to provide a high level of income. The Fund's secondary, non-fundamental, investment objective is capital appreciation. The Fund pursues its investment objectives by investing primarily in a global portfolio of investment grade fixed income securities. The Fund is subject to the risk of price fluctuations of the securities held in its portfolio which is generally a function of the underlying credit ratings of an issuer, currency denomination, duration, and yield of its securities, and general economic and interest rate conditions. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. With respect to security valuation, securities traded on a national securities exchange or the Nasdaq National Market System ("NMS") are valued at the last reported sales price on the day the valuations are made. Such securities that are not traded on a particular day and securities traded in the over-the-counter market that are not on NMS are valued at the mean between the current bid and asked prices. Certain of the securities in which the Fund invests are priced through pricing services which may utilize a matrix pricing system which takes into consideration factors such as yields, prices, maturities, call features and ratings on comparable securities. Bonds may be valued according to prices quoted by a dealer in bonds which offers pricing services. If market quotations are not available or deemed reliable, then such securities are valued as determined in good faith under the direction of or pursuant to procedures established by the Fund's Board of Directors. Debt obligations with remaining maturities of 60 days or less are valued at cost adjusted for amortization of premiums and accretion of discounts. Securities denominated in foreign currencies are translated into U.S. dollars at prevailing exchange rates. Forward contracts are marked to market and the change in market value is recorded by the Fund as an unrealized gain or loss. When a contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The Fund could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably. Investment transactions are accounted for on the trade date (the date the order to buy or sell is executed). Interest income is recorded on the accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) The Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable investment income and net capital gains, if any, after utilization of any capital loss carryforward, to its shareholders and therefore no Federal income tax provision is required. At December 31, 2004, the Fund had an unused capital loss carryforward of approximately \$6,940,900 of which \$2,481,600 expires in 2007, \$1,708,500 in 2008, \$1,381,600 in 2009, and \$1,369,200 in 2011. No capital gain will be distributed until the capital loss carryforwards have been exhausted. Based on Federal income tax cost of \$33,403,603, gross unrealized appreciation and gross unrealized depreciation were \$775,599 and \$405,002, respectively, at June 30, 2005. Distributions paid to shareholders during the year ended December 31, 2004 differ from net investment income and net gains (losses) from security, foreign currency, and futures transactions as a result of capital distributions due to the managed distribution policy of the Fund. These distributions are shown under "Distributions to Shareholders" in the Statements of Changes in Net Assets.

(3) The Fund retains CEF Advisers, Inc. as its Investment Manager. Under the terms of the Investment Management Agreement, the Investment Manager receives a management fee, payable monthly, based on the average weekly net assets of the Fund at the annual rate of 7/10 of 1% of the first \$250 million, 5/8 of 1% from \$250 million to \$500 million, and 1/2 of 1% over \$500 million. This fee is calculated by determining the average of net assets on each Friday of a month and applying the applicable rate to such average for the number of days in the month. Certain officers and directors of the Fund are officers and directors of the Investment Manager. The Fund reimbursed the Investment Manager \$45,587 for providing at cost certain administrative services comprised of compliance services of \$23,330 and accounting services of \$22,257 during the six months ended June 30, 2005.



## Notes to Financial Statements (Unaudited)

(4) The Fund has an arrangement with its custodian and transfer agent whereby interest earned on uninvested cash balances is used to offset a portion of the Fund's expenses. Purchases and sales of securities other than short term notes aggregated \$3,000,000 and \$4,123,088, respectively, for the six months ended June 30, 2005. A forward currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund could be exposed to risk if counterparties to the contracts are unable to meet the terms of their contracts. The Fund had no forward currency contracts outstanding at June 30, 2005. Realized gains and losses arising from exchange differences are included in net realized gain on investments and foreign currencies in the Statement of Operations.

(5) The Fund may borrow through a committed bank line of credit. At June 30, 2005, there was \$444,511 outstanding and the interest rate was at the borrower's option of (i) overnight federal funds or (ii) LIBOR (30, 60, 90 days), each as in effect from time to time, plus 0.75% per annum, calculated on the basis of actual days elapsed for a 360-day year. For the six months ended June 30, 2005, the weighted average interest rate was 3.48% based on the balances outstanding during the period and the weighted average amount outstanding was \$13,673.

(6) The tax character of distributions paid to shareholders for the six months ended June 30, 2005 and for the year ended December 31, 2004 was as follows:

|                          | June 30,<br>2005 | December 31,<br>2004 |
|--------------------------|------------------|----------------------|
| Distributions paid from: |                  |                      |
| Ordinary income          | \$1,032,967*     | \$1,607,586          |
| Return of capital        | —                | 573,375              |
|                          | \$1,032,967      | \$2,180,961          |

\* A reclassification between ordinary income and return of capital is likely to occur for the Fund's fiscal year ended December 31, 2005, although the exact amount is not estimable at June 30, 2005.

As of December 31, 2004, the components of distributable earnings on a tax basis were as follows:

|   |               |
|---|---------------|
| Unrealized appreciation on investments and foreign currencies | \$ 2,892,956  |
| Capital loss carryforwards                                    | (6,940,869)   |
|   | \$(4,047,913) |

Accounting principles generally accepted in the United States of America require certain components of net assets be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended December 31, 2004, a permanent difference between book and tax accounting of \$1,188,534 was reclassified from accumulated net realized loss on investments and foreign currencies to paid-in capital as a result of the expiration of capital loss carryforward in 2004.

(7) Regarding concentration of credit risk, investing in securities of foreign issuers involves special risks which include changes in foreign exchange rates and the possibility of future adverse political and economic developments which could adversely affect the value of such securities. Moreover, securities of many foreign issuers and in foreign markets may be less liquid and their prices more volatile than those of U.S. issuers and markets.

(8) At June 30, 2005 there were 7,380,979 shares of \$.01 par value common stock outstanding (20,000,000 shares authorized). The shares issued and resulting increase in paid-in capital in connection with reinvestment of distributions during the six months ended June 30, 2005 and for the year ended December 31, 2004 were as follows:

|                              | Shares issued | Increase in paid-in capital |
|------------------------------|---------------|-----------------------------|
| 6 months ended 6/30/05 ..... | 3,439         | \$ 15,019                   |
| 2004 .....                   | 66,829        | \$300,947                   |

## Notes to Financial Statements (Unaudited) (concluded)

During June 2004, the Fund issued 1,745,315 shares of common stock in connection with a rights offering of the Fund's shares. Shareholders of record on May 21, 2004 were issued one non-transferable right for each share owned. The rights entitled the shareholders to purchase one new share of common stock for every four rights held. These shares were issued at a subscription price of \$4.05. Net proceeds to the Fund were \$6,875,737 after deducting total expenses of \$192,789. The net asset value per share of the Fund's common shareholders was reduced by approximately \$0.21 per share as a result of the share issuance.

### FINANCIAL HIGHLIGHTS

|   | Six Months<br>Ended<br>June 30,<br>2005<br>(Unaudited) | Years Ended December 31, |                 |                 |                 |                 |
|---|--|--------------------------|-----------------|-----------------|-----------------|-----------------|
|   |  | 2004                     | 2003            | 2002            | 2001            | 2000            |
| <b>PER SHARE DATA</b>   |  |                          |                 |                 |                 |                 |
| Net asset value at beginning of period .....  | \$4.97   | \$5.16                   | \$5.04          | \$5.44          | \$5.72          | \$5.77          |
| Income from investment operations:  |  |                          |                 |                 |                 |                 |
| Net investment income (a) .....   | .06  | .11                      | .18             | .28             | .32             | .42             |
| Net realized and unrealized gain<br>(loss) on investments .....                             | (.30)  | .25                      | .30             | (.18)           | (.04)           | .11             |
| Total from investment operations .....  | (.24)  | .36                      | .48             | .10             | .28             | .53             |
| Dilution from rights offering.....  | —  | (.21)                    | —               | —               | —               | —               |
| Less distributions:   |  |                          |                 |                 |                 |                 |
| Distributions to shareholders .....   | (.14)  | (.25)                    | (.22)           | (.28)           | (.36)           | (.42)           |
| Tax return of capital to shareholders .....   | —  | (.09)                    | (.14)           | (.22)           | (.20)           | (.16)           |
| Total distributions .....   | (.14)  | (.34)                    | (.36)           | (.50)           | (.56)           | (.58)           |
| Net asset value at end of period.....   | <u>\$4.59</u>  | <u>\$4.97</u>            | <u>\$5.16</u>   | <u>\$5.04</u>   | <u>\$5.44</u>   | <u>\$5.72</u>   |
| Per share market value at end of period .....   | <u>\$4.35</u>  | <u>\$4.82</u>            | <u>\$5.01</u>   | <u>\$4.60</u>   | <u>\$4.91</u>   | <u>\$4.69</u>   |
| <b>TOTAL RETURN ON NET ASSET</b>  |  |                          |                 |                 |                 |                 |
| <b>VALUE BASIS (b)</b> .....  | <u>(4.66)%</u>   | <u>3.57%</u>             | <u>10.22%</u>   | <u>0.04%</u>    | <u>2.33%</u>    | <u>9.05%</u>    |
| <b>TOTAL RETURN ON MARKET VALUE BASIS (b)</b> .....   | <u>(6.92)%</u>   | <u>3.45%</u>             | <u>17.25%</u>   | <u>3.60%</u>    | <u>15.94%</u>   | <u>19.75%</u>   |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |  |                          |                 |                 |                 |                 |
| Net assets at end of period (000's omitted) .....   | <u>\$33,870</u>  | <u>\$36,671</u>          | <u>\$28,712</u> | <u>\$27,589</u> | <u>\$29,110</u> | <u>\$29,783</u> |
| Ratio of expenses before loan interest,<br>commitment fees, and nonrecurring expenses ..... | <u>1.41%*</u>  | <u>1.66%</u>             | <u>1.61%</u>    | <u>1.44%</u>    | <u>1.72%</u>    | <u>1.38%</u>    |
| Ratio of total expenses to average net assets (c) .....                                     | <u>1.41%*</u>  | <u>1.67%</u>             | <u>1.61%</u>    | <u>1.44%</u>    | <u>1.73%</u>    | <u>2.69%</u>    |
| Ratio of net investment income to average net assets.....                                   | <u>2.48%*</u>  | <u>2.49%</u>             | <u>3.54%</u>    | <u>5.35%</u>    | <u>5.94%</u>    | <u>8.31%</u>    |
| Portfolio turnover rate .....   | <u>12%</u>   | <u>97%</u>               | <u>146%</u>     | <u>162%</u>     | <u>160%</u>     | <u>259%</u>     |

(a) Computed using average shares outstanding throughout the period.

(b) Total return on market value basis is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total return on net asset value basis will be higher than total return on market value basis in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total return on net asset value basis will be lower than total return on market value basis in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. Total return calculated for a period of less than one year is not annualized. The calculation does not reflect brokerage commissions, if any.

(c) Ratio after custodian credits was 1.72% and 2.66%, for the years ended December 31, 2001 and 2000. There were no custodian credits for the six months ended June 30, 2005 and for the years ended December 31, 2004, 2003, and 2002.

\* Annualized.

*The additional information below and on the following pages is supplemental and not part of the financial statements of the Fund.*

## **BOARD OF DIRECTORS' ANNUAL APPROVAL OF THE INVESTMENT MANAGEMENT AGREEMENT**

The investment management agreement between the Fund and the Investment Manager generally provides that the agreement shall continue automatically for successive periods of twelve months each, provided that such continuance is specifically approved at least annually (i) by a vote of a majority of the Directors of the Fund who are not parties to the agreement, or interested persons of any such party and (ii) by the Board of Directors of the Fund or by the vote of the holders of a majority of the outstanding voting securities of the Fund.

In considering the annual approval of the agreement between the Fund and the Investment Manager, the Board of Directors considered information that had been provided throughout the year at regular Board meetings, as well as information furnished to the Board for a meeting held in March 2005 to specifically consider the renewal of the agreement. Such information included, among other things, the following: information comparing the management fee of the Fund with those of comparable funds; information regarding Fund investment performance in comparison to a relevant peer group of funds; the economic outlook and the general investment outlook in relevant investment markets; the Investment Manager's results and financial condition and the overall organization of the Investment Manager; the allocation of brokerage and the benefits received by the Investment manager as a result of brokerage allocation; the Investment Manager's management of relationships with the custodian, transfer agent, and fund accountant; the resources devoted to the Investment Manager's compliance efforts undertaken on behalf of the funds it manages and the record of compliance with the investment policies and restrictions and with policies on personal securities transactions; the quality, nature, cost, and character of the administrative and other non-investment management services provided by the Investment Manager and its affiliates; and the terms of the agreement and the reasonableness and appropriateness of the particular fee paid by the Fund for the services described therein.

The Board of Directors also considered the nature, extent, and quality of the management services provided by the Investment Manager. In so doing, the Board considered the Investment Manager's management capabilities with respect to the types of investments held by the Fund, including information relating to the education, experience, and number of investment professionals and other personnel who provide services under the agreement. The Board also took into account the time and attention to be devoted by management to the Fund and the other funds in the Investment Company Complex. The Board evaluated the level of skill required to manage the Fund and concluded that the human resources available at the Investment Manager were appropriate to fulfill effectively its duties on behalf of the Fund.

The Board received information concerning the investment philosophy and investment process applied by the Investment Manager in managing the Fund. In this regard, the Board considered the Investment Manager's in-house research capabilities as well as other resources available to the Investment Manager personnel, including research services that may be available to the Investment Manager as a result of securities transactions effected for the Fund and related investment management clients. The Board concluded that the Investment Manager's investment process, research capabilities and philosophy were well suited to the Fund, given the Fund's investment objective and policies.

In its review of comparative information with respect to Fund investment performance, the Board received comparative information, comparing the Fund's performance to that of similar peer groups. After reviewing this information, the Board concluded that the Fund has performed within a range that the Board deemed competitive. With respect to its review of investment management fees, the Board considered information comparing the Fund's management fee and expense ratio to those of comparable funds with similar management fee characteristics. This information assisted the Board in concluding that the fee paid by the Fund is within the range of those paid by comparable funds within the fund industry. In reviewing the information regarding

the expense ratio of the Fund, the Board concluded that although the Fund's expense ratio is within a higher range, it is competitive with comparable funds in light of the quality of services received.

In addition to the factors mentioned above, the Board reviewed the level of the Investment Manager's profits in providing investment management and related services for the Fund and for all the funds in the Investment Company Complex. In addition, the Board considered the fiduciary duty assumed by the Investment Manager in connection with the services rendered to the Fund and the business reputation of the Investment Manager and its financial resources. The Board concluded that in light of the services rendered, the profits realized by the Investment Manager are not unreasonable.

The Board did not consider any single factor as controlling in determining whether or not to renew the agreement. Nor are the items described herein all the matters considered by the Board. In assessing the information provided by the Investment Manager and its affiliates, the Board also took into consideration the benefits to shareholders of investing in a fund that is part of a family of funds which provides a large variety of shareholder services.

Based on its consideration of the foregoing factors and conclusions, and such other factors and conclusions as it deemed relevant, and assisted by counsel, the Board concluded that the approval of the agreement, including the fee structure, is in the interests of shareholders.

## **PRIVACY POLICY**

Global Income Fund, Inc. recognizes the importance of protecting the personal and financial information of its shareholders. We consider each shareholder's personal information to be private and confidential. This describes the practices followed by us to protect our shareholders' privacy. We may obtain information about you from the following sources: (1) information we receive from you on forms and other information you provide to us whether in writing, by telephone, electronically or by any other means; (2) information regarding your transactions with us, our corporate affiliates, or others. We do not sell shareholder personal information to third parties. We will collect and use shareholder personal information only to service shareholder accounts. This information may be used by us in connection with providing services or financial products requested by shareholders. We will not disclose shareholder personal information to any nonaffiliated third party except as permitted by law. We take steps to safeguard shareholder information. We restrict access to nonpublic personal information about you to those employees and service providers who need to know that information to provide products or services to you. With our service providers we maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. Even if you are no longer a shareholder, our Privacy Policy will continue to apply to you. We reserve the right to modify, remove or add portions of this Privacy Policy at any time.

## **PROXY VOTING**

The Fund's Proxy Voting Guidelines (the "Guidelines") as well as its voting record for the 12 months ended December 31, 2004, are available without charge, by calling the Fund collect at 1-212-344-6310 and on the SEC's website at <http://www.sec.gov>. The Guidelines are also posted on the Fund's website at <http://www.globalincomefund.net>.

## **QUARTERLY HOLDINGS**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's Internet site at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room. Copies of this information can be obtained, after paying a duplicating fee, by e-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102. The Fund's Investment Company Act file number is 811-08025. The Fund makes the information on Form N-Q available to shareholders upon request free of charge by e-mail request to [info@globalincomefund.net](mailto:info@globalincomefund.net) or by calling the Fund collect at 1-212-344-6310.

## **WWW.GLOBALINCOMEFUND.NET**

Visit us on the Internet at [www.globalincomefund.net](http://www.globalincomefund.net). The site provides information about the Fund including market performance, net asset value (NAV), dividends, press releases, and shareholder reports. For further information, you can email us at [info@globalincomefund.net](mailto:info@globalincomefund.net). The Fund is a member of the Closed-End Fund Association (CEFA). Its website address is [www.cefa.com](http://www.cefa.com). CEFA is solely responsible for the content of its website.

### **MANAGED DISTRIBUTIONS**

The Board's current policy is to provide investors with a stable quarterly distribution out of current income, supplemented by realized capital gains, and to the extent necessary, paid-in capital. The Fund is subject to U.S. corporate, tax, and securities laws. Under U.S. tax accounting rules, the amount of distributable net income is determined on an annual basis and is dependent during the fiscal year on the aggregate gains and losses realized by the Fund and, to a lesser extent, the actual exchange rate between the U.S. dollar and the currencies in which Fund assets are denominated. Therefore, the exact amount of distributable income can only be determined as of the end of the Fund's fiscal year. Under the U.S. Investment Company Act of 1940, however, the Fund is required to indicate the source of each distribution to shareholders. The Fund estimates that distributions for the fiscal period commencing January 1, 2005, including the distributions paid quarterly, are comprised approximately two-thirds of net investment income and the balance from paid-in capital. This estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future realized gains and losses on securities and fluctuations in the value of currencies in which Fund assets are denominated. In January after each fiscal year, a Form 1099 DIV will be sent to shareholders, which will state the amount and composition of distributions and provide information with respect to their appropriate tax treatment.

### **DIVIDEND REINVESTMENT PLAN**

The Fund has adopted a Dividend Reinvestment Plan (the "Plan"). Under the Plan, each dividend and capital gain distribution, if any, declared by the Fund on outstanding shares will, unless elected otherwise by each shareholder by notifying the Fund in writing at any time prior to the record date for a particular dividend or distribution, be paid on the payment date fixed by the Board of Directors or a committee thereof in additional shares. If the Market Price (as defined below) per share is equal to or exceeds the net asset value per share at the time shares are valued for the purpose of determining the number of shares equivalent to the cash dividend or capital gain distribution (the "Valuation Date"), participants will be issued additional shares equal to the amount of such dividend divided by the greater of that NAV per share or 95% of that Market Price per share. If the Market Price per share is less than such net asset value on the Valuation Date, participants will be issued additional shares equal to the amount of such dividend divided by the Market Price. The Valuation Date is the day before the dividend or distribution payment date or, if that day is not an American Stock Exchange trading day, the next trading day. For all purposes of the Plan: (a) the Market Price of the shares on a particular date shall be the average of the volume weighted average sales prices or, if no sales occurred then the mean between the closing bid and asked quotations, for the shares on the Exchange on each of the five trading days the shares traded ex-dividend on the Exchange immediately prior to such date, and (b) net asset value per share on a particular date shall be as determined by or on behalf of the Fund.

## HISTORICAL DISTRIBUTION SUMMARY

| Period                       | Investment<br>Income | Return of<br>Capital | Total   |
|------------------------------|----------------------|----------------------|---------|
| 6 Months Ended 6/30/05.....  | \$0.140              | \$0.000 (a)          | \$0.140 |
| 2004 .....                   | \$0.245              | \$0.090              | \$0.335 |
| 2003 .....                   | \$0.220              | \$0.140              | \$0.360 |
| 2002 .....                   | \$0.280              | \$0.220              | \$0.500 |
| 2001 .....                   | \$0.360              | \$0.200              | \$0.560 |
| 2000 .....                   | \$0.420              | \$0.160              | \$0.580 |
| 6 Months Ended 12/31/99..... | \$0.230              | \$0.070              | \$0.300 |
| 12 Months Ended 6/30/99..... | \$0.550              | \$0.130              | \$0.680 |
| 12 Months Ended 6/30/98..... | \$0.520              | \$0.320              | \$0.840 |

(a) A reclassification of ordinary income and return of capital is likely to occur for the year ended December 31, 2005, although the exact amount is not estimable at June 30, 2005.

### STOCK DATA

|                                 |        |
|---------------------------------|--------|
| Price (6/30/05) .....           | \$4.35 |
| Net Asset Value (6/30/05) ..... | \$4.59 |
| Discount .....                  | 5.23%  |

American Stock Exchange Symbol: GIF  
Newspaper exchange listings appear under an abbreviation, such as: Glicn

### 2005 DISTRIBUTION PAYMENT DATES

| <u>Declaration</u> | <u>Record</u> | <u>Payment</u> |
|--------------------|---------------|----------------|
| March 1            | March 17      | March 31       |
| June 2             | June 16       | June 30        |
| September 1        | September 16  | September 30   |
| December 2         | December 15   | December 30    |

## FUND INFORMATION

#### Investment Manager

CEF Advisers, Inc.  
11 Hanover Square  
New York, NY 10005

#### Custodian

State Street Bank & Trust Co.  
801 Pennsylvania Avenue  
Kansas City, MO 64105

#### Independent Registered Public Accounting Firm

Tait, Weller & Baker  
1818 Market St., Suite 2400  
Philadelphia, PA 19103

#### Stock Transfer Agent and Registrar

American Stock Transfer & Trust Co.  
59 Maiden Lane  
New York, NY 10038  
www.amstock.com  
1-800-278-4353

#### Internet

www.globalincomefund.net  
email: info@globalincomefund.net

This report, including the financial statements herein, is transmitted to the shareholders of the Fund for their information. The financial information included herein is taken from the records of the Fund. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report. Pursuant to Section 23 of the Investment Company Act of 1940, notice is hereby given that the Fund may in the future purchase shares of its own common stock in the open market. These purchases may be made from time to time, at such times and in such amounts as may be deemed advantageous to the Fund, although nothing herein shall be considered a commitment to purchase such shares.

# **GLOBAL INCOME FUND**

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New York, NY 10005

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