

MALACHITE AGGRESSIVE PREFERRED FUNDMonthly Report, December 2004

The fund finished another calendar year with a return of +1.14%, slightly ahead of the year's geometric average. The NB-50 index returned +1.26%.

Month	MAPF Total Return*	NB-50 Total Return	<i>The "NB-50" is an index of preferred shares proprietary to BMO Nesbitt Burns. It is composed of 50 issues having good liquidity and credit quality.</i>
January, 2004	+2.03%	+1.74%	
February	+1.95%	+0.62%	
March	+2.57%	+0.83%	
April	-4.49%	-3.23%	
May	+1.23%	-0.02%	
June	+1.49%	+0.86%	
July	+2.51%	+1.39%	
August	+1.27%	+0.40%	
September	+0.88%	+0.47%	
October	+0.75%	+0.82%	
November	+1.49%	+0.81%	
December, 2004	+1.14%	+1.26%	
Last 12 Months	+13.42%	+6.02%	
Last Two Years (annualized)	+23.07%	+6.67%	
Last Three Years (annualized)	+15.28%	+5.91%	
Since Inception (March, 2001)	+66.86%	+20.30%	

**MAPF total returns include reinvestment of dividends and are after fund expenses but prior to management fees. They are shown for illustrative purposes only and future returns are not assured.*

Quarter	MAPF Total Return	NB-50 Total Return
2Q01	+3.50%	-1.59%
3Q01	+7.50%	+2.12%
4Q01	-2.12%	+0.78%
1Q02	+6.57%	-0.02%
2Q02	+2.92%	+0.27%
3Q02	-11.35%	+2.25%
4Q02	+4.05%	+1.84%
1Q03	+1.65%	-0.15%
2Q03	+14.24%	+3.85%
3Q03	+9.16%	+1.53%
4Q03	+5.34%	+1.94%
1Q04	+6.70%	+3.21%
2Q04	-1.87%	-2.41%
3Q04	+4.73%	+2.27%
4Q04	+3.42%	+2.92%

Related news of most immediate importance to unitholders, of course, is the contemplated transfer of the fund's Trusteeship to Portus Alternative Asset Management. The next stage in this process is a meeting of the unitholders of the fund to vote on a change to the Master Declaration of Trust; this meeting will be held on January 13, 2005; please contact me for further details.

There were major changes in the yield curve over the month, primarily a major shift in the "Long Term Premium" which saw the long end of the yield curve shift sharply upwards, on a relative basis to the rest of the curve – in other words, there was a major twisting of the yield curve which caused the short-end of the curve to fall sharply while the long end of the curve "steepened", which in this case means became more flat relative to its month-prior negative slope.

This month's graph compares the "core" yield curves for three dates – the magnitude of the shift can be appreciated by considering that roughly half of the entire yield curve shift for the first eleven months of the year was reversed in December.

Curve Attribute	November 30 2004 (After Tax Figures)	December 31, 2004 (After Tax Figures)
Base Rate	3.02%	3.06%
Short Term Premium	-3.13%	-3.15%
Short Term Decay Time	5.0 Years	5.5 Years
Long Term Premium	2.11%	1.54%
Long Term Decay Time	11.7 Years	10.6 Years
Interest Income Spread	1.29%	1.14%
Cumulative Div. Spread	-0.17%	-0.37%
Split-Share Spread	0.45%	0.53%
Retractability Spread	-1.01%	-0.69%
Liquidity Spread	0.00	-0.12%
Floating Rate Spread	-0.95%	-0.95%
2 nd Tier Credit Spread	0.23%	0.21%
3 rd Tier Credit Spread	0.69%	0.41%
"High" Credit Spread	-0.23%	-0.05%
"Low" Credit Spread	0.00%	0.15%
<i>Note: Figures for November have changed somewhat from the previous report. This is due to additions of data.</i>		

It will not, therefore, come as a surprise to those who are familiar with the fund's

Risk Factor	Returns for "True" (Pre- Tax)	Returns for "False" (Pre- Tax)	Regression Coefficient*
Retractable	1.54%±1.47%	0.92%±2.04%	+0.82%
Split Share Corp	1.55%±1.63%	1.14%±1.83%	+0.17%
Cumulative Dividends	1.18%±2.11%	1.33%±1.08%	+0.05%
Payments are Dividends	1.18%±1.83%	2.21%±0.77%	-0.47%
Floating Rate	0.19%±2.42%	1.56%±1.40%	-1.29%
Credit Class 2	1.45%±1.26%	1.00%±2.22%	+0.07%
Credit Class 3	0.36%±2.71%	1.47%±1.36%	-0.45%
Credit Class Modifier "High"	1.32%±1.05%	1.21%±1.94%	-0.42%
Credit Class Modifier "Low"	0.93%±2.27%	1.43%±1.37%	-0.35%
<i>*This is the coefficient produced by a multi-linear regression of monthly return vs. all risk factors – not just those reported here. R-Squared is 0.3686 after rejection of outliers.</i>			

Hymas Investment Management Inc.

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investment philosophy that the fund slightly underperformed the index in December – an unfortunate way to end 2004, but only the third month of the year in which this occurred. The basis of the Hymas Investment Management Inc. philosophy is that financial markets will reflect a great deal more “noise” than “signal” – as the old joke goes, the (common) stock market has predicted seventeen of the last five recessions! Changes in actual investment fundamentals are expected to be much less common than transient changes in security prices, and even entire yield curves are expected to change more often than the economic fundamentals which, in theory, are responsible for their changes.

Thus, when an actual shift in fundamentals does occur (or even a somewhat less meaningful change in the yield curve is observed), the fund may be expected to perform relatively worse than it will in the absence of any such underlying factor. The fund will be investing in the expectation that individual security prices will return to their “normal” positions, and they will ... but the “normal” position will have changed! All one can do is attempt to exploit “noise” to the greatest extent possible while maintaining protection against “signal”.

In the forty-five months since inception, the fund has been successful in this endeavor, returning a cumulative 66.86% vs. a 20.30% return for the index. I look forward to continuing to analyze the preferred share market on behalf of unitholders when Portus adds Trusteeship of the fund to its current responsibilities as portfolio manager.

TSE Ticker Symbol	Total Return, December 2004	Remarks (Valuation commentary based on Ontario’s highest marginal tax rate)
BBD.PR.D*	-9.91%	DBRS placed Bombardier under credit review in December ...
BBD.PR.B*	-8.06%	... with negative implications ... again ...
BBD.PR.C*	-2.44%	...and the shares responded accordingly.
BSN.PR.A	-1.00%	Split share, Credit Class 2, tiny volume
TFS.PR.A	-0.78%	Split share, Credit Class 3, tiny volume
...
IGL.PR.A	+3.87%	Credit class 2, liquid, expensive at \$29.50-90
BNA.PR.B	+4.37%	Split share, Credit Class 2, liquid, expensive at \$26.25-30
CGQ.E	+4.68%	Split share, Credit Class 4, reasonable volume
NSI.PR.D	+5.58%	Credit class 2, tiny volume, expensive at \$30.25-74
STQ.E	+5.79%	Split share, Credit class 4, good volume.
*indicates that the issue was also on last month’s best/worst performers table		

James Hymas
Portfolio Manager

YIELD CURVE - CORE RATE

Tax Identifier: 7

Yield Curve : 2003-12-31
Yield Curve : 2004-11-30
Yield Curve : 2004-12-31

X-Axis: Term to Cash Flow (Years)
Y-Axis: Yield (As Fraction)

