

MALACHITE AGGRESSIVE PREFERRED FUND

Semi-Annual Report
June 29, 2001
(unaudited)

General

Malachite Aggressive Preferred Fund (MAPF) is a “mutual fund in Ontario”, as defined in The Securities Act, R.S.O. 1990, Chapter S.5, as amended (the “Act”), subsection 1(1). The investment objective of the fund is to achieve a long-term capital growth in addition to a high level of after tax income through investments primarily in preferred shares and preferred securities listed on The Toronto Stock Exchange.

Hymas Investment Management Inc. is the Investment Manager and trustee of the fund. The fund is offered as an investment via a Master Declaration of Trust (for the Malachite Funds in general) and an associated Fund Regulation (for the fund itself). Initial investments must be not less than \$150,000.00 per beneficial unitholder, portions of which may be held indirectly.

Performance Review

MAPF commenced operations on March 30, 2001, with an initial subscription from James Hymas, president of the Manager/Trustee. In its first quarter of operation, results have been quite encouraging:

Month Ending	Fund Performance	Index (Nesbitt-Burns 50) Performance	Relative Outperformance of Fund
April 30, 2001	+ 1.11%	-0.32%	+1.43%
May 31, 2001	- 0.20%	-0.66%	+0.46%
June 29, 2001	+ 2.56%	-0.62%	+3.18%

Further challenges lie in the future, particularly relating to the possibility of large increases in the funds under management, which would both allow and force the changing of trade execution methodology. The firm continues to invest heavily in systems development and back-testing to derive robust and actionable measures of risk and returns in the preferred share market.

Sincerely,
HYMAS INVESTMENT MANAGEMENT INC.

James Hymas
President

SIGNIFICANT ACCOUNTING POLICIES

Portfolio Valuation

Investments are stated at market value. For securities held long, this value is usually determined by the last bid price on the Toronto Stock Exchange on the Valuation Date: further details are contained in the Master Declaration of Trust.

Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date.

Tax Status

It is the intention of the Trustee that sufficient income and net realized capital gains of the fund will be payable to unitholders in each taxation year so that the fund will not be liable for tax under Part I of the Tax Act.

Organization Costs

Costs incurred in the organization of the fund will be amortized over a period of 60 months from the date of recognition. Costs will be recognized within 12 months of the commencement of fund operations.

Declaration of Trust

Further details of fund valuation are contained in the Master Declaration of Trust, available on application to the Manager/Trustee.

Portfolio of Investments

Shares	Security	Book Value	Market Value	Percent of Portfolio
2400	Great-West Lifeco Inc. 4.70% Non-Cum. Convert. First Pref., Series D	54,736.24	54,840	23.6%
1900	Power Financial Corporation 5.5% Non-Cum. Redeem. First Pref., Series D	44,850.00	45,030	19.4%
2000	TransCanada PipeLines Limited 5.6% Cum. Redeem. First Pref., Series Y	90,400.00	90,100	38.8%
1800	Westcoast Energy Inc. 5.5% Cum. Redeem. First Pref., Series 7	41,525.62	42,120	18.1%
	Total (May not add precisely due to rounding)	231,511.90	232,090.00	

Statement of Assets and Liabilities

Assets	
Investments at Market Value	232,090.01

Cash	16,634.01
Dividends Due	3,498.75
Due From Dealers	37,792.00
Deferred Organization Cost	1,519.99
Total Gross Assets	291,534.76
Liabilities	
Accounts Payable	1,600.00
Accrued Expenses	200.00
Due to Dealers	49,509.00
Total Gross Liabilities	51,309.00
Net Assets	
Paid-in Capital	236,759.75
Net Realized Gain (Loss) on Investments	2,887.86
Net Unrealized Gain (Loss) on Investments	578.15
Total Net Assets	240,225.76

Units Issued and Outstanding: 23,635.9786
Net Asset Value Per Unit: \$10.1636

Statement of Operations

Investment Income	
Dividends	4,667.50
Total Investment Income	4,667.50
Expenses	
Amortization of Organization Cost	80.01
Legal & Audit	200.00
Net Interest Expense	65.74
Total Expenses	345.75
Net Investment Income	4,321.75
Net Realized Gain (Loss) on Investments	2,887.86
Net Unrealized Gain (Loss) on Investments	578.15
Net Increase (Decrease) in net assets resulting from operations	7,787.76

Statement of Changes in Net Assets

Net Increase (Decrease) in net assets resulting from operations	7,787.76
Net Increase (Decrease) in net assets resulting from Distributions from Income	(4,321.75)
Net Increase (Decrease) in net assets resulting from issue of units	236,759.75
Total Increase (Decrease) in net assets	240,225.76
Net Assets, Beginning of Period	0
Net Assets, End of Period	240, 225.76

Notes

Trading Volume

Cost of securities Purchased	372,125.00
Securities Sold, at cost	371,301.14
Securities received as subscriptions in kind	230,688.00