

MALACHITE AGGRESSIVE PREFERRED FUND

Semi-Annual Report
June 28, 2002
(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). Subscribers must meet the definition of “exempt investor” as defined by the Ontario Securities Commission; details are available from the Manager/Trustee.

Further information is available on the website of the Manager/Trustee, www.himinvest.com.

Performance Review

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

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%	+0.49%**
<i>*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.</i>		
<i>**June return data for the NB-50 was not available at time of writing and has been estimated by Hymas Investment. The estimate may vary considerably from the actual number due to differences in issues examined, weighting and calculation methodology.</i>		

Sincerely,
HYMAS INVESTMENT MANAGEMENT INC.

James Hymas
President
jiHymas@himinvest.com

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
100	Brascan Corporation Class A Preference Shares, Series 10 (BNN.PR.H)	2,544	2,575	0.91%
2500	BCE Inc. Cumulative Redeemable First Preferred Shares, Series R (BCE.PR.R)	63,118	62,250	22.00%
3000	Power Financial Corporation 5.25% Non-Cumulative First Preferred Shares, Series E (PWF.PR.F)	66,697	67,500	23.86%
7700	Mulvihill Pro-AMS RSP Split Share Corp, Class A (SPL.A)	75,235	73,766	26.08%
1000	Magna International Inc. 8.65% Redeemable Preferred Securities, Series A (MG.PR.A)	25,779	25,700	9.08%
2000	TransAlta Corporation 8.15% Redeemable Preferred Securities (TA.PR.B)	50,830	51,100	18.06%
	Total (May not add precisely due to rounding)	284,203	282,891	100.00%

Statement of Assets and Liabilities

Assets	
Investments at Market Value	282,891
Cash	22,606
Dividends Due	1,436
Due From Dealers	0
Deferred Organization Cost	1,200
Total Gross Assets (after rounding)	308,131
Liabilities	
Accounts Payable	6,148
Accrued Expenses	(1,048)
Due to Dealers	25,779
Total Gross Liabilities	30,879
Net Assets	
Paid-in Capital	259,754
Net Realized Gain (Loss) on Investments	17,817
Net Unrealized Gain (Loss) on Investments	(1,312)
Allowance for Coupon Receipts (note)	993
Total Net Assets	277,252

Units Issued and Outstanding: 25,932.9955
Net Asset Value Per Unit: \$10.6911

Statement of Operations

Investment Income	
Dividends	4,404
Interest	1,505
Total Investment Income	5,909
Expenses	
Amortization of Organization Cost	160
Legal & Audit	2,100
Interest Expense	239
Total Expenses	2,499
Net Investment Income	3,410
Net Realized Gain (Loss) on Investments	17,817
Allowance for Coupon Receipts (note)	993
Change in Unrealized Gain (Loss) on Investments	2,252
Net Increase (Decrease) in net assets resulting from operations	24,472

Statement of Changes in Net Assets

Net Increase (Decrease) in net assets resulting from operations	24,472
Net Increase (Decrease) in net assets resulting from Distributions from Income	(3,410)
Net Increase (Decrease) in net assets resulting from issue of units	3,410
Total Increase (Decrease) in net assets	24,472
Net Assets, Beginning of Period	252,782
Net Assets, End of Period (after rounding)	277,252

Notes

Trading Volume

Cost of securities Purchased	1,455,598
Securities Sold, at cost	1,445,219
Securities received as subscriptions in kind	0

Allowance for Coupon Receipts

While income issues which pay a dividend (preferred *shares*) is recognized only on the ex-date, in the amount of the dividend payment, income from those which pay interest (preferred *securities*) is accrued daily, in accordance with Canadian tax regulations. The total of such interest accruals in the first half of 2002 was \$1505, whereas total payments of \$2,499 had been received from issuers. The difference of \$993 is considered to be a return of capital and hence should ideally be reflected as either realized or unrealized capital gains. This adjustment has not been made for these interim statements, however, in order to allow interested users of these statements to reconcile the figures more easily with trading summaries published on the web-site of the Manager-Trustee, www.himivest.com.