

MALACHITE AGGRESSIVE PREFERRED FUND

Semi-Annual Report
June 30, 2003
(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. Results since inception have been very gratifying:

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%

**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.*

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
5300	Bombardier Fixed-Reset Pr Series 3 (BBD.PR.D)	75,466	98,315	26.8%
100	Westcoast Energy Inc. 5.50% 1st Pr Series '7' (W.PR.H)	2,419	2,370	0.6%
2000	Brascan Corporation Cl 'A' Pr Series 2 (BNN.PR.B)	38,658	38,640	10.5%
400	Coastal Income Corp Senior Pr (DIV.PR.A)	10,412	10,544	2.9%
2800	Enbridge Inc. 7.60% Pr Securities (ENB.PR.B)	72,020	71,904	19.6%
3000	Power Financial FR Cum Rdm Pr Ser A (PWF.PR.A)	69,802	69,750	19.0%
2900	Power Financial Corp. 5.90% Series 'F' 1st Pr (PWF.PR.G)	75,351	75,487	20.6%
	Total (May not add precisely due to rounding)	344,128	367,010	100.00%

Balance Sheet

Assets	
Investments at Market Value	367,010
Cash	0
Dividends Due	34
Due From Dealers	58,463
Deferred Organization Cost	880
Total Gross Assets (after rounding)	426,387
Liabilities	
Margin Borrowing	9404
Accounts Payable	6,696
Accrued Expenses	(130)
Due to Dealers	0
Total Gross Liabilities	15,970
Net Assets	
Paid-in Capital	375,398
Retained Earnings (Loss)	(13,118)
Net Realized Gain (Loss) on Investments	24,711
Net Unrealized Gain (Loss) on Investments	22,882
Allowance for Coupon Receipts (note)	544
Total Net Assets	410,417

Units Issued and Outstanding: 38,036.9388

Net Asset Value Per Unit: \$10.7900

Statement of Operations

Investment Income	
Dividends	9,757
Interest	1,819
Total Investment Income	11,576
Expenses	
Amortization of Organization Cost	160
Legal & Audit	3,000
Expenses covered by HIMI	(2,258)
Total Expenses	902
Net Investment Income	10,674
Net Realized Gain (Loss) on Investments	24,712
Allowance for Coupon Receipts (note)	544
Change in Unrealized Gain (Loss) on Investments	21,272
Net Increase (Decrease) in net assets resulting from operations	57,202

Statement of Changes in Net Assets

Net Increase (Decrease) in net assets resulting from operations	57,202
Net Increase (Decrease) in net assets resulting from Distributions from Income	(10,675)
Net Increase (Decrease) in net assets resulting from issue of units	57,681
Total Increase (Decrease) in net assets	104,208
Net Assets, Beginning of Period	306,209
Net Assets, End of Period (after rounding)	410,417

Notes

Trading Volume

Cost of securities Purchased	1,810,636
Securities Sold, at cost	1,767,293
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 2003 was \$1,984 whereas total payments of \$2,528 had been received from issuers. The difference of \$544 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.