

MALACHITE AGGRESSIVE PREFERRED FUND

Semi-Annual Report
June 30, 2006
(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 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 Trustee.

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

And from:.

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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 have been amortized over a period of 60 months from the date of recognition. Costs were 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	Weight in Portfolio (at market)
200	Canadian General Investments Ltd. 4.65% Pr 2 (CGI.PR.B)	5,131	5,258	1%
4,400	Brookfield Asset Management Inc Cl A Pr Ser 12 (BAM.PR.J)	124,252	119,900	21%
100	Canada Life Financial Corporation Ser 'B' Pr (CL.PR.B)	2,780	2,608	0.5%
100	National Bank of Canada 1st Pr Series '15' (NA.PR.K)	2,727	2,667	0.5%
400	World Financial Split Corp. Pr (WFS.PR.A)	4,390	4,212	1%
4,100	Canadian Imperial Bank Series '24' Pr (CM.PR.B)	107,255	107,051	19%
7,500	Premium Income Corporation Pr (PIC.PR.A)	122,931	120,000	21%
4,400	Great-West Lifeco Inc. 4.50% 1st Pr Ser I (GWO.PR.I)	102,946	103,180	18%
4,000	Weston Ltd. George 4.75% Pr Ser 'V' (WN.PR.E)	96,030	95,840	17%
	Total (May not add precisely due to rounding)	568,442	560,716	100%

Balance Sheet

Assets	
Investments at Market Value	560,716
Cash	0
Dividends Due	5,099
Due From Dealers	0
Deferred Organization Cost	0
Total Gross Assets (after rounding)	565,815
Liabilities	
Margin Borrowing	91,077
Accounts Payable	6,286
Accrued Expenses	3,755
Due to Dealers	0
Total Gross Liabilities	101,118
Net Assets	
Paid-in Capital	476,080
Retained Earnings (Loss)	0
Net Realized Gain (Loss) on Investments	(3,656)
Net Unrealized Gain (Loss) on Investments	(7,726)
Allowance for Coupon Receipts (note)	0
Total Net Assets	<u>464,698</u>

Units Issued and Outstanding: 49,760.413

Net Asset Value Per Unit: \$9.3387

Statement of Operations

Investment Income	
Dividends	17,079
Interest	(2,877)
Total Investment Income	14,202
Expenses	
Amortization of Organization Cost	80
Legal & Audit	2,900
Expenses covered by HIMI	(1,819)
Total Expenses	1,161
Net Investment Income	13,041
Net Realized Gain (Loss) on Investments	(3,657)
Change in Unrealized Gain (Loss) on Investments	(9,111)
Net Increase (Decrease) in net assets resulting from operations	273

Statement of Changes in Net Assets

Net Increase (Decrease) in net assets resulting from operations	273
Net Increase (Decrease) in net assets resulting from Distributions from Income	(13,041)
Net Increase (Decrease) in net assets resulting from issue of units	13,041
Total Increase (Decrease) in net assets	273
Net Assets, Beginning of Period	464,424
Net Assets, End of Period (after rounding)	464,697

Notes

Trading Volume

Cost of securities Purchased	1,198,438
Securities Sold, at cost	1,193,553
Securities received as subscriptions in kind	0