MALACHITE AGGRESSIVE PREFERRED FUND

Monthly Report, February 2004

February was another fine month for the fund, with a gain of +1.95% marking the eleventh consecutive month of positive returns by the fund, compared with estimated index performance of +0.90%. This was almost certainly the eleventh consecutive month in which the fund outperformed the index. This has been a very good run but clients should be aware that there is an element of risk in all investments and all an investment manager can do is improve the chances for success – there are no guarantees. Trading was restrained during the month, but several opportunities to take advantage of mispricing were exploited. During the general run-up of prices during the month a number of positions that had been held for a longer than the usual amount of time, such as WN.PR.A and CU.PR.B, outperformed and were sold.

<table>
<tr><td>Month</td><td>MAPF Total Return*</td><td>NB-50 Total Return</td><td rowspan="16">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.</td></tr>
<tr><td>March, 2003</td><td>-4.54%</td><td>-0.18%</td></tr>
<tr><td>April</td><td>+6.84%</td><td>+1.01%</td></tr>
<tr><td>May</td><td>+4.56%</td><td>+1.99%</td></tr>
<tr><td>June</td><td>+2.27%</td><td>+0.81%</td></tr>
<tr><td>July</td><td>+3.54%</td><td>-0.30%</td></tr>
<tr><td>August</td><td>+2.26%</td><td>+0.52%</td></tr>
<tr><td>September</td><td>+3.10%</td><td>+1.31%</td></tr>
<tr><td>October</td><td>+0.84%</td><td>+0.26%</td></tr>
<tr><td>November</td><td>+1.99%</td><td>+0.35%</td></tr>
<tr><td>December, 2003</td><td>+2.42%</td><td>+1.32%</td></tr>
<tr><td>January, 2004</td><td>+2.03%</td><td>+1.72%</td></tr>
<tr><td>February, 2004</td><td>+1.95%</td><td>+0.90%**</td></tr>
<tr><td>Last 12 Months</td><td>+30.44%</td><td>+10.12%**</td></tr>
<tr><td>Last 2 Years (annualized)</td><td>+14.78%</td><td>+6.08%**</td></tr>
<tr><td>Total Since Inception (March, 2001)</td><td>+53.04%</td><td>+16.46%**</td></tr>
<tr><td colspan="4">*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.</td></tr>
<tr><td colspan="4">**Index data for February, 2004, has been estimated by Hymas Investment Management Inc.</td></tr>
</table>

The preferred share yield curve and the premia attached to various attributes were relatively stable during February, with the major change being a decline in the "base rate" which resulted in good performance for the asset class as a whole. There was widespread expectation of a Bank of Canada rate cut following its March 2 meeting; expectations may have weighed heavily on the Floating Rate segment of the market, for which dividends are tied to the Canada Prime Rate which in turn depends on the Bank Rate set by the Bank of Canada.

While the "floating rate" attribute spread remained stable, returns realized by floating rate issues were lower than that achieved by fixed-rate issues – an apparent contradiction which has been referred to before in these reports and is largely due to the inhomogeneity of the various risk groups. Lower returns are also indicated for those issues which are currently paying (low!) floating rates (as opposed to fixed-floaters, which are deemed to be part of the floating rate group based on long-term expectations).

Curve Attribute	January 30, 2004 (After Tax Figures)	February 27, 2004 (After Tax Figures)
Base Rate	3.00%	2.94%
Short Term Premium	-3.09%	-2.91%
Short Term Decay Time	4.6 Years	4.8 Years
Long Term Premium	+0.48%	+0.45%
Long Term Decay Time	22.4 Years	23.6 Years
Interest Income Spread	+1.09%	+1.24%
Cumulative Div. Spread	-0.33%	-0.34%
Split-Share Spread	+0.88%	+0.94%
Retractability Spread	-0.59%	-0.64%
Floating Rate Spread	-1.19%	-1.19%
2nd Tier Credit Spread	+0.38%	+0.39%
3rd Tier Credit Spread	+1.00%	+0.94%
"High" Credit Spread	-0.12%	-0.10%
"Low" Credit Spread	+0.15%	+0.19%
Note: Figures for January have changed somewhat from the previous report. This is due to additions of data.		
Note: Figures are reported on an after-tax basis, for an investor subject to Ontario's highest marginal tax rate.		

With this in mind, it becomes interesting to compare the Hymas Investment Management categorization of floating rate issues with that employed by BMO-Nesbitt Burns in the course of their preparation of their BMO-NB 50 Preferred share index. Analysis of the BMO-NB 50 index as reported during January 2004 shows that Hymas Investment Management considers 26% of the index to be floating-rate, as opposed to just over 6% reported indirectly by BMO-NB. The difference is due to the issues: AIT.PR.A, BC.PR.B, BC.PR.C, BCE.PR.R, BCE.PR.Z, BNN.PR.G, IQW.PR.D, NA.PR.J, NRD.PR.G. These issues are all "reset/floater"

Risk Factor	February 2004 Returns for "True" (Pre-Tax)	February 2004 Returns for "False" (Pre-Tax)
Retractable	0.70%±1.22%	0.93%±1.76%
Split Share Corp	1.08%±1.57%	0.75%±1.48%
Cumulative Dividends	0.75%±1.74%	0.90%±1.03%
Payments are Dividends	0.87%±1.54%	0.09%±0.73%
Floating Rate	0.53%±1.97%	0.90%±1.30%
Credit Class 2	0.88%±1.13%	0.73%±1.84%
Credit Class 3	0.73%±2.26%	0.83%±1.25%
Credit Class Modifier "High"	1.05%±1.50%	0.72%±1.50%
Credit Class Modifier "Low"	0.72%±1.04%	0.86%±1.71%

preferreds: the fixed rate will be reset to an unknown figure on a definite date in the future, this rate being dependant upon the yield of Government of Canada Bonds and the discretion of the issuer. They are all exchangeable into Floating Rate issues at that time, all but one of these being "Ratchet Rate" types, in which the percentage of prime paid is dependant upon the market price of the securities (within limits: 50% lower bound and 100% upper bound is the standard feature).

Hymas Investment Management Inc. considers the riskiness of these issues to be equivalent to "Floating Rate" issues.

This month's chart plots the price difference (corrected for "accrued dividends") for the trailing 12 months for the pair BCE.PR.Z/BCE.PR.Y. The former pays a fixed rate until the next reset date on December 1, 2007, while the latter is "ratchet rate". As these issues become exchangeable into each other on the reset date, one may expect the difference in price to decline to zero over the next 45 months – the first order implication from the price difference, therefore, is that the "Z" series will pay $2.25 more in dividends over the period than the "Y". This is a rough calculation – more careful analysis will take account of the price difference when computing yield, address the issue of present value vs. future value and estimate tax effects on total returns.

The "Z" may be expected to pay about $5.00 total dividend over this period, implying $2.75 dividends on the "Y" for first-order equality - a yield of 2.9% p.a. on par value. The Canada Prime Rate is now 4%, the minimum proportion for the "Y" is 50% of prime and the current proportion of prime paid is just over 70% - the issues are of approximately equal value, but Hymas Investment Management considers them both expensive. Those who expect major changes in prime over the period, however, may differ!

TSE Ticker Symbol	Total Return, February 2004	Remarks (Valuation commentary based on Ontario's highest marginal tax rate)
BPP.PR.H	-4.71%	Very low volume, floating rate, credit class 3
BPP.PR.J	-4.31%	Very low volume, floating rate, credit class 3
AR.PR.B*	-3.49%	Some doubt as to how Conrad Black will sell Hollinger!
BPP.PR.G*	-3.15%	Very low volume, floating rate, credit class 3
MMF.PR.B	-2.87%	Low volume, credit class 2. Inexpensive at $25.40
…	…	…
DIV.PR.A	+3.80%	Expensive at $27.01-52: currently callable at $25.80
BBD.PR.D	+4.61%	Credit class 3, floating rate, expensive at $24.95-25.00
BBD.PR.B	+4.62%	Credit class 3, floating rate, expensive at $24.90-95
BT.PR.E	+5.40%	Credit class 3, very low volume
STQ.E*	+5.51%	Credit class 4, split share corp.
**Indicates issue was also listed in January's Best/Worst Returns list.*		

James Hymas
Portfolio Manager

BCE.PR.Z Period (inclusive) from 2003-02-28 to 2004-02-27

Tax Identifier: 7

BCE.PR.Y

Flat Bid Price : Spot Rate

X-Axis: Date

Y-Axis: Dollars