

MALACHITE AGGRESSIVE PREFERRED FUND

Semi-Annual Report
June 30, 2012
(unaudited)

General

Malachite Aggressive Preferred Fund is an unincorporated open-ended mutual fund trust established under the laws of the Province of Ontario by a Master Declaration of Trust, as amended (for the Malachite Funds in general) and an associated Fund Regulation (for the Fund itself). Hymas Investment Management Inc. is the Trustee and Manager of the fund.

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 from the website of the Manager/Trustee, <http://www.himinvest.com>.

Portfolio of Investments

Shares	Security	Book Value	Market Value	Weight in Portfolio (at market)
8,800	Atlantic Power Pref Eqty Ltd 4.85% Ser '1' (AZP.PR.A)	161,230	123,816	2.2%
1,400	Bombardier Inc. Series 2 Pr (BBD.PR.B)	20,085	20,020	0.4%
1,500	Bombardier 6.25% Ser 4 Cum Rdm Pr (BBD.PR.C)	35,497	35,850	0.7%
24,000	BAM Split Corp. Cl 'AA' Series 3 Pr (BNA.PR.C)	527,317	544,800	9.9%
3,300	Bank of Nova Scotia (The)5-Yr Reset Pr Ser 28 (BNS.PR.X)	90,311	87,285	1.6%
2,800	Brascan Soundvest Rising Distribute Tr Pr Sec (BSD.PR.A)	26,019	25,788	0.5%
3,500	Co-Operators General Insurance Co Cl E Pr 'C' (CCS.PR.C)	81,522	81,410	1.5%
600	Financial 15 Split Corp. II Pr (FFN.PR.A)	5,832	5,736	0.1%
6,900	First National Financial Corp Cl A Pr Ser '1' (FN.PR.A)	132,576	124,200	2.3%
3,000	Financial 15 Split Corp. Pr (FTN.PR.A)	28,814	29,310	0.5%
24,000	Great-West Lifeco Inc. 4.50% 1 st Pr Ser I (GWO.PR.I)	561,385	554,640	10.1%
4,200	Great-West Lifeco Inc. 5.65% 1 st Pr Series L (GWO.PR.L)	109,565	108,570	2.0%
17,700	Gt-West Lifeco Inc. 5.40% 1 st Pr Series P (GWO.PR.P)	452,251	454,005	8.2%
17,200	HSBC Bank Canada Cl 1 Non-Cumulative Ser E Pr (HSB.PR.E)	470,273	458,036	8.3%
19,900	Industrial Alliance Insurance & Fin Serv B Pr (IAG.PR.A)	457,904	459,690	8.3%
3,200	Industrial Alliance Ins & Fin Serv 5.90% Pr F (IAG.PR.F)	83,429	82,240	1.5%
6,100	Canadian Life Companies Split Corp. Pr (LFE.PR.B)	57,948	58,560	1.1%
6,100	Canadian Life Companies Split Corp 2013 Warrant (LFE.WT.A)	1,207	1,159	0.0%
6,100	Canadian Life Companies Split Corp 2014 Warrant (LFE.WT.B)	1,207	1,342	0.0%
18,000	Manulife Financial Corp. Cl A Pr Ser '2' (MFC.PR.B)	424,737	412,740	7.5%
6,800	Manulife Financial Corporation Ser '3' Pr (MFC.PR.C)	156,859	154,632	2.8%
1,700	Royal Bank of Canada 1 st Pr Non-Cum Ser 'AP' (RY.PR.P)	46,352	44,695	0.8%
7,400	Royal Bank of Canada 1 st Pr Non-Cum Ser 'AR' (RY.PR.R)	203,508	195,582	3.5%
1,500	Royal Bank of Canada 1 st Pr Non-Cum Ser 'AT' (RY.PR.T)	41,251	40,170	0.7%
6,300	Royal Bank of Canada 1 st Pr Non-Cum Ser 'AV' (RY.PR.X)	172,878	168,714	3.1%
20,200	Sun Life Financial 4.45% Cl 'A' Ser '3' Pr (SLF.PR.C)	451,140	444,198	8.1%
16,100	Sun Life Financial Inc. Class 'A' Series 4 (SLF.PR.D)	340,296	355,327	6.4%
18,300	Sun Life Financial Inc. Class 'A' Series 5 (SLF.PR.E)	388,485	405,528	7.4%
1,000	Valener Inc. Series 'A' Pr (VNR.PR.A)	25,377	25,400	0.5%
10,300	Yellow Media Inc. 5.00% 1 st Pr Series '2' (YLO.PR.B)	144,896	1,648	0.0%
19,900	Yellow Media Inc. 1 st Pr Series '3' (YLO.PR.C)	142,490	6,169	0.1%
3,500	Yellow Media Inc. 1 st Pr Series '5' (YLO.PR.D)	2,367	1,120	0.0%
<u>Total (May not sum precisely due to rounding)</u>		5,845,008	5,512,650	100.0%

Balance Sheet

Assets	
Investments at Market Value	5,512,650
Cash in Bank	205,697
Dividends Due	12,000
Due From Dealers	44,366
Total Gross Assets (after rounding)	5,774,413
Liabilities	
Margin Borrowing	111,934
Accounts Payable	42,449
Accrued Expenses	6,651
Due to Dealers	64,404
Total Gross Liabilities	225,438
Net Assets	
Paid-in Capital	5,745,600
Net Unrealized Gain (Loss) on Investments	(332,358)
Net Realized Gain (Loss) on Investments	136,032
Total Net Assets	<u>5,549,274</u>

Units Issued and Outstanding: 543,240.3797
Net Asset Value Per Unit: 10.2151

Statement of Operations

Investment Income	
Dividends	137,914
Interest	(1,157)
Total Investment Income	136,757
Expenses	
Office and Banking Expenses	243
Legal & Audit	5,450
Total Expenses	5,693
Net Investment Income	131,064
Net Realized Gain (Loss) on Investments	136,032
Change in Unrealized Gain (Loss) on Investments	(69,287)
Net Increase (Decrease) in net assets resulting from operations	197,809

Statement of Changes in Net Assets

Net Increase (Decrease) in net assets resulting from operations	197,809
Net Increase (Decrease) in net assets resulting from Distributions from Income	(131,063)
Net Increase (Decrease) in net assets resulting from issue of units	604,079
Net Increase (Decrease) in net assets resulting from redemption of units	(208,669)
Total Increase (Decrease) in net assets	462,156
Net Assets, Beginning of Period	5,087,119
Net Assets, End of Period (after rounding)	5,549,274

Notes

Trading Volume & Expense

Cost of securities Purchased	4,659,858
Securities Sold, at cost	4,055,680
Securities received as subscriptions in kind	0
Total Commissions Paid	2,945.46