

## MALACHITE AGGRESSIVE PREFERRED FUND

### Monthly Report, April 2005

It is indeed a pleasant feeling to be writing a monthly report again after such a long hiatus! The past several months have been something of a personal and professional ordeal, but the storm has passed and the wreckage is being cleared away.

Month	MAPF Total Return*	NB-50 Total Return	<i>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.</i>
May, 2004	+1.23%	-0.02%	
June	+1.49%	+0.86%	
July	+2.51%	+1.39%	
August	+1.27%	+0.40%	
September	+0.88%	+0.47%	
October	+0.75%	+0.82%	
November	+1.49%	+0.81%	
December, 2004	+1.14%	+1.26%	
January, 2005	+0.42%	+0.33%	
February**	-0.27%	-0.23%	
March**	-0.46%	-0.76%	
April, 2005**	-1.07%	+0.29%	
<b>Last 12 Months**</b>	<b>+9.75%</b>	<b>+5.75%</b>	
<b>Last 2 Years** (annualized)</b>	<b>+17.27%</b>	<b>+6.02%</b>	
<b>Last 3 Years** (annualized)</b>	<b>+11.89%</b>	<b>+6.01%</b>	
<b>Last 4 Years** (annualized)</b>	<b>+12.95%</b>	<b>+4.72%</b>	
<b>Total Since Inception (March, 2001)**</b>	<b>+64.55%</b>	<b>+19.85%</b>	
<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>** See text for explanation of trusteeship/portfolio management/regulatory issues commencing February 2005</i>			

An explanation of the issues that have arisen in 2005 is best introduced with a quotation from the Monthly Report of November, 2004: *"Perhaps the most interesting news of the month is that which has had, and which is anticipated to have in the future, the least actual influence on the fund: Portus Alternative Asset Management ([www.portus.ca](http://www.portus.ca)) has been appointed investment manager and I have accepted the position of Vice President, Research and Investments with them."*

Given the events of the past six months, it is easy to see why I scorn the siren song of market timing! One need not be a particularly assiduous reader of the financial section to be aware that Portus Alternative Asset Management has been the focus of a regulatory storm and a media frenzy since early February – for details, one may examine the news releases of the Ontario Securities Commission (OSC) ([http://www.osc.gov.on.ca/About/NewsReleases/2005/nr\\_2005\\_index.jsp](http://www.osc.gov.on.ca/About/NewsReleases/2005/nr_2005_index.jsp)) and the information page of KPMG, the receiver (<http://www.kpmg.ca/en/ms/cl/portus/>).

I was not among the Portus “inner circle” – I was hired to run Malachite Aggressive Preferred Fund in anticipation of it receiving a large infusion of client assets - and therefore any comments I may make about the situation must be taken as speculative. I take the view, however, that a damaging, but not crippling, regulatory entanglement was grossly mishandled by the firm, so badly as to exacerbate the problem; simply adding chum to the media frenzy. Out of respect for the continuing investigations of the OSC and KPMG, I will say no more.

Of greater interest to investors in MAPF is the current status of the fund. Events over the past several months affecting the fund are:

- **November 19, 2004:** Portus appointed Portfolio Manager of the fund; Portus assigns responsibility for portfolio management to me; therefore, I continued as portfolio manager with a different employer.
- **February 2, 2005:** OSC issues an order against Portus prohibiting it from accepting new client assets.
- **February 7, 2005:** Trusteeship of the fund transferred to Portus
- **February 10, 2005:** OSC issues a cease-trading order against Portus
- **March 4, 2005:** Portus placed in receivership by OSC under authority granted by the Securities Act; the court order terminated the employment of all employees.
- **April 27, 2005:** Trusteeship of the fund transferred back to Hymas Investment Management Inc. by court order upon a motion by the Receiver.

Supporting documents are available via the fund’s web-page at [www.himivest.com/malachite/MAPFMain.html](http://www.himivest.com/malachite/MAPFMain.html).

Hymas Investment Management Inc. allowed its registration with OSC to be suspended at year-end 2004; there was no point in maintaining this registration and it would have caused raised eyebrows, to say the least, had I maintained registration through two firms. I will attempt to renew this registration in the future and do not anticipate any problems in having the firm re-registered, but it is a regulatory decision, not mine!

As HIMI is not currently registered, it is unable to engage in the portfolio management of the fund. HIMI is trustee of the fund and as such is making arrangements for another investment counselor to perform these duties. An announcement should be made shortly on the fund’s web-page.

HIMI is, as trustee, currently waiving all fees and expenses that would normally be payable by the fund and its investors – these disbursements are being covered by HIMI. It is the

current intention to continue this waiver until such time as I resume responsibilities for the fund's portfolio management.

The year-to-date has seen a fair amount of new issues of good size, which may be summarized as:

Issue	First Trading Date	Number of shares issued	Issue Price	Fair Value according to HIMIPref (last day prior to trading)	Fair Value includes liquidity allowance of
RY.PR.W	2005-01-31	12,000,000	25.00	25.17*	0.95*
FTU.PR.A	2005-02-15	4,875,000	10.00	11.04*	0.17*
MFC.PR.B	2005-02-18	14,000,000	25.00	24.62*	1.18*
SLF.PR.A	2005-02-25	16,000,000	25.00	24.47*	0.79*
CM.PR.H	2005-03-10	16,000,000	25.00	24.32	0.79
NA.PR.L	2005-03-15	8,000,000	25.00	24.25	0.66
BNS.PR.K	2005-03-15	12,000,000	25.00	24.09	0.65
WN.PR.C	2005-04-18	8,000,000	25.00	25.21	1.12
HSB.PR.C	2005-04-19	7,000,000	25.00	25.31	1.13
* Fair value calculated on second day of trading – pre-issue instrument not set up in HIMIPref					

This month's graph shows the yield curve's "Liquidity Premium" for the past year – a measure used to quantify the premium placed by the market on liquid issues. As can be seen, it is only recently that the market has commenced paying for the privilege of being able to trade in appreciable size – should this premium return to zero, the new issues listed above would be even less attractive, in aggregate, than they are in the presence of this premium.

As many will know, I have managed this fund on the basis of quantitative analysis of the preferred share market, which has involved the creation of a suite of software programmes collectively referred to as HIMIPref™. I am very pleased to announce that this software has entered the beta-testing phase prior to its commercial release – further information is available at [www.prefshares.com](http://www.prefshares.com). Given the extensive practical use that has been made of this software over the past five years, the beta-testing phase is anticipated to be of relatively short duration; should any readers desire to become beta-testers, please contact me at [jiHymas@himivest.com](mailto:jiHymas@himivest.com), or (416) 604-4204.

James Hymas  
Hymas Investment Management Inc. (Trustee)  
President

# Yield Curve Data : Period (inclusive) from 2004-04-30 to 2005-04-29

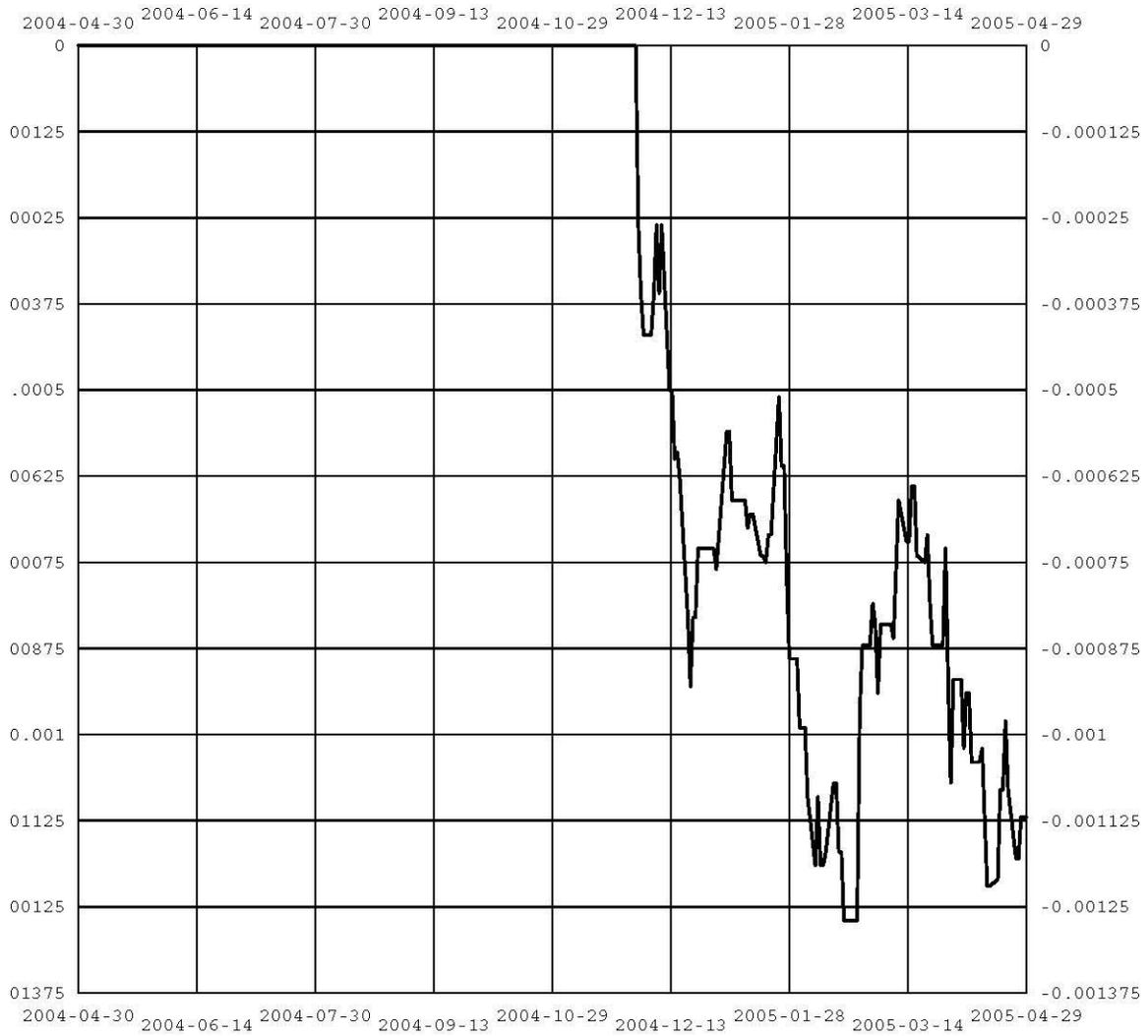
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PREMIUM - LIQUIDITY MEASURE : Spot Rate

X-Axis: Date

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Y-Axis: Yield (premium) as fraction



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