

MALACHITE AGGRESSIVE PREFERRED FUND

Semi-Annual Report
June 29, 2007
(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.G)	5,131	5,150	0.9%
100	Canada Life Financial Corporation Ser 'B' Pr (CL.PR.B)	2,780	2,550	0.4%
400	Life & Banc Split Corp Pr (LBS.PR.A)	4,259	4,220	0.7%
9,600	Dividend 15 Split Corp Pr (DFN.PR.A)	101,805	99,552	16.4%
2,300	Royal Bank of Canada 1 st Pr Non-Cum Ser 'AF' (RY.PR.F)	52,165	51,405	8.5%
4,200	Financial 15 Split Corp II Pr (FFN.PR.A)	44,174	43,932	7.3%
4,100	Power Financial Corp 6% Ser 'I' 1 st Pr (PWF.PR.I)	107,589	106,190	17.5%
2,500	Canadian Imperial Bank Series '18' Pr (CM.PR.P)	63,010	63,750	10.5%
3,000	Power Corporation of Canada 5.80% Ser 'C' Pr (POW.PR.C)	76,260	76,650	12.7%
2,700	Royal Bank of Canada 1 st Pr Non-Cum Ser 'AC' (RY.PR.C)	62,028	62,127	10.3%
2,000	Royal Bank of Canada 1 st Pr Non-Cum Ser 'AD' (RY.PR.D)	44,900	45,020	7.4%
2,000	Royal Bank of Canada 1 st Pr Non-Cum Ser 'AE' (RY.PR.E)	45,200	45,000	7.4%
	Total (May not add precisely due to rounding)	609,300	605,546	100%

Balance Sheet

Assets	
Investments at Market Value	605,546
Cash in Bank	8,943
Dividends Due	3,117
Due From Dealers	74,832
Total Gross Assets (after rounding)	692,438
Liabilities	
Margin Borrowing	90,460
Accounts Payable	9,579
Accrued Expenses	3,537
Due to Dealers	0
Total Gross Liabilities	103,576
Net Assets	
Paid-in Capital	602,616
Retained Earnings (Loss)	0
Net Realized Gain (Loss) on Investments	(10,000)
Net Unrealized Gain (Loss) on Investments	(3,754)
Allowance for Coupon Receipts (note)	0
Total Net Assets	<u>588,862</u>

Units Issued and Outstanding: 63,240.8466

Net Asset Value Per Unit: \$9.3114

Statement of Operations

Investment Income	
Dividends	11,503
Interest	(683)
Total Investment Income	10,820
Expenses	
Office Expenses	57
Legal & Audit	2,700
Expenses covered by HIMI	(1,420)
Total Expenses	1,337
Net Investment Income	9,483
Net Realized Gain (Loss) on Investments	(10,000)
Change in Unrealized Gain (Loss) on Investments	(6,434)
Net Increase (Decrease) in net assets resulting from operations	(6,951)

Statement of Changes in Net Assets

Net Increase (Decrease) in net assets resulting from operations	(6,951)
Net Increase (Decrease) in net assets resulting from Distributions from Income	(9,483)
Net Increase (Decrease) in net assets resulting from issue of units	109,092
Total Increase (Decrease) in net assets	92,659
Net Assets, Beginning of Period	496,203
Net Assets, End of Period (after rounding)	588.862

Notes

Trading Volume & Expense

Cost of securities Purchased	1,664,616
Securities Sold, at cost	1,441,099
Securities received as subscriptions in kind	0
Total Commissions Paid	\$7,190