MALACHITE AGGRESSIVE PREFERRED FUND

Monthly Report, November 2004

The fund performed well in November, providing a return of +1.49% to unitholders, outperforming the index by a significant margin.

Month	MAPF Total Return*	NB-50 Total Return	
December, 2003	+2.42%	+1.32%	
January, 2004	+2.03%	+1.72%	*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.*
February	+1.95%	+0.62%	
March	+2.57%	+0.83%	
April	-4.49%	-3.23%	
May	+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, 2004	+1.49%	+0.81%	
Last 12 Months	**+14.86%**	**+6.08%**	
Last 2 Years (annualized)	**+22.48%**	**+6.88%**	
Last 3 Years (annualized)	**+13.87%**	**+5.41%**	
Total Since Inception (March, 2001)	**+64.98%**	**+18.80%**	
***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.**			

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) has been appointed investment manager and I have accepted the position of Vice President, Research and Investments with them.

There are no changes planned to the investment philosophy of the fund or its implementation. I am continuing to use the same software to analyze the preferred share market and will continue to make improvements in the software in my continuing efforts to extract the maximum value possible from the preferred share market's inefficiency.

Hymas Investment Management Inc. continues, for now, to be the Manager/Trustee of the fund; these duties will be transferred to Portus effective March 11, 2005. This should

provide the opportunity for clients to switch their holdings more easily to and from other "alternative" investments and provide greater back-office support for administrative functions so that I may more deeply focus on portfolio management. All in all, this arrangement is favourable for all concerned.

After reporting such news it is almost a let-down to return to the topic of the behaviour of the preferred share market, but that's what these reports are for! The most interesting changes during the month were Retractibles becoming even more expensive, while Floating Rate issues continued their decline from prior lofty levels.

Curve Attribute	October 29, 2004 (After Tax Figures)	November 30, 2004 (After Tax Figures)
Base Rate	3.13%	3.09%
Short Term Premium	-3.14%	-3.13%
Short Term Decay Time	5.7 Years	5.5 Years
Long Term Premium	2.02%	2.13%
Long Term Decay Time	13.5 Years	11.4 Years
Interest Income Spread	1.01%	1.28%
Cumulative Div. Spread	-0.23%	-0.19%
Split-Share Spread	0.46%	0.53%
Retractability Spread	-0.92%	-1.02%
Floating Rate Spread	-1.09%	-0.94%
2nd Tier Credit Spread	0.23%	0.23%
3rd Tier Credit Spread	0.66%	0.64%
"High" Credit Spread	-0.23%	-0.23%
"Low" Credit Spread	0.00%	0.00%
Note: Figures for October 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.		

Interestingly, the sign of the regression coefficient calculated for the "Retractible" attribute did not agree with the change in the spread or with the simple binary division of the universe. This will be another example of what a statistician might call "over-parameterizing the data" with seventeen risk dimensions being used to characterize only 136 issues, which exhibit great heterogeneity in their attributes. No single analysis may be considered to be the final arbiter of risk or value in the preferred share universe!

Risk Factor	November 2004 Returns for "True" (Pre-Tax)	November 2004 Returns for "False" (Pre-Tax)	Regression Coefficient*
Retractable	0.93%±1.37%	0.46%±2.28%	-0.17%
Split Share Corp	0.71%±1.29%	0.70%±2.03%	-0.12%
Cumulative Dividends	0.38%±2.12%	1.25%±1.23%	-0.37%
Payments are Dividends	0.76%±1.88%	-0.09%±1.75%	+1.01%
Floating Rate	-0.22%±0.99%	0.99%±1.83%	-1.75%
Credit Class 2	0.99%±1.38%	0.39%±1.27%	+0.50%
Credit Class 3	0.22%±2.90%	0.82%±1.50%	+1.16%
Credit Class Modifier "High"	1.39%±1.47%	0.52%±1.94%	+0.01%
Credit Class Modifier "Low"	0.56%±2.14%	0.79%±1.70%	-0.08%
**This is the coefficient produced by a multi-linear regression of monthly return vs. all risk factors – not just those reported here. R-Squared is 0.3929 after rejection of outliers.*			

This month's graph shows the effect of changes in the bid price on the "Pseudo-Modified-Duration (Port Method) of GWO.PR.X.

This calculated

value attempts to determine the effect of changing price on "Portfolio Yield". This latter value defines the yield of the instrument in terms of a "pseudo-portfolio" of individual instruments, each of which represents an option exercise – to illustrate, the following table shows the calculation of "Portfolio Yield" at two different prices.

GWO.PR.X : Calculations performed with bid price set to $23.80			
Type of maturity	Date	Probability	Yield
Call	2009-10-30	6.09%	4.80%
Call	2010-10-30	0.11%	4.40%
"Soft Maturity"	2013-09-29	93.80%	3.87%
Weighted Average Yield-to-Maturity ("Port Yield") at $23.80			3.93%
Calculations performed with bid price set to $31.74			
Type of Maturity	Date	Probability	Yield
Call	2009-10-30	76.04%	-0.29%
"Soft Maturity"	2013-09-29	23.96%	+0.79%
Weighted Average Yield-to-Maturity ("Port Yield") at $31.74			-0.03%

A very rough calculation shows that a 33% increase in price (from $23.80 to $31.74) results in a 3.96% change in absolute "yield", implying a "pseudo-modified-duration" of 33 / 3.96 = 8.3 Years.

When these calculations are performed more precisely over the interval, however, the results are as shown on this month's graph. A calculation of an instrument with a set maturity and no embedded options will result in a curve that resembles a hyperbola (xy = constant), a curve described as showing positive convexity (in the nature of its curvature). Negative convexity is a property of instruments with embedded options and has been successfully modeled in this qualitative manner by the concept of the "Portfolio Method".

TSE Ticker Symbol	Total Return, November 2004	Remarks (Valuation commentary based on Ontario's highest marginal tax rate)
BBD.PR.C*	-10.17%	DBRS downgrade Bombardier to Pfd-4(high) on December 1 ….
BBD.PR.B	-6.00%	… which appears to have been anticipated by the market …
AR.PR.B*	-5.88%	Extremely volatile and thinly traded.
BBD.PR.D	-5.00%	… so the Bombardier preferreds approach their 2002 lows.
YLD.PR.B	-4.50%	In default, thinly traded
…	…	…
BPO.PR.I	+3.15%	Credit Class 3, retractible, fair-to-inexpensive at $26.20-25
POW.PR.C	+3.23%	Credit Class 2,non-retractible, good volume, expensive at $26.85-90
CCS.PR.A	+3.42%	Credit Class 3, floating-rate, currently callable at $25
GWO.PR.F	+4.36%	Credit Class 2, non-retractible, expensive at $27.60-89
GWO.PR.G	+4.78%	Credit Class 2, non-retractible, expensive at $26.02-17
**Indicates that the issue was also on October's Best/Worst Performers List.*		

James Hymas
Portfolio Manager

Instrument□:□GWO.PR.X (Security A46006)

Tax Identifier: 7

X-Axis: Bid

Y-Axis: Pseudo-Modified Duration (Port Me