

## MALACHITE AGGRESSIVE PREFERRED FUND

### Monthly Report, July 2005

The fund returned +0.22% in July, exceeding the index return of +0.01%. This means that for the six months ended July 29, 2005, during which the fund was able to trade for only the first two weeks, MAPF returned +1.17%, versus an index return of 0.87%. The fund return, while no great shakes, significantly outperformed the index, showing one great strength of the trading style: while turnover is very heavy, the fund's investments are not chosen solely for their potential to generate a short term capital gain, but they are also high quality instruments that one might be happy with over the longer term.

Results might have been adversely affected had the fund been in the process of executing a major portfolio shift at the time trading was cut off and had a significant cash or margin position, but fortunately this was not the case.

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>
August, 2004	+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	-1.07%**	+0.29%	
May	+1.62%**	+0.98%	
June	+1.15%**	+0.59%	
July, 2005	+0.22%**	+0.01%	
<b>Last 12 Months</b>	<b>+7.34%**</b>	<b>+5.06%</b>	
<b>Last 2 Years (annualized)</b>	<b>+13.12%**</b>	<b>+5.54%</b>	
<b>Last 3 Years (annualized)</b>	<b>+13.21%**</b>	<b>+5.78%</b>	
<b>Last 4 Years (annualized)</b>	<b>+12.73%**</b>	<b>+5.34%</b>	
<b>Total Since Inception (March, 2001)</b>	<b>+69.52%**</b>	<b>+21.75%</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>**MAPF was not traded for all or part of the period; HIMI is absorbing fees and expenses for the duration this circumstance. See <a href="http://www.himinvest.com">http://www.himinvest.com</a> for details.</i>			

I am pleased to announce that not only have the fund's custodial issues been resolved, but on August 12, 2005, I was advised that the Ontario Securities Commission has reinstated my registration – Hymas Investment Management and my personal registration are now back to what they were before I joined Portus Alternative Asset Management last November in what proved to be a disastrous attempt to apply my skills and software to the portfolios of a broader range of clientele.

The yield curve was largely unaffected in July, perhaps an example of the summer doldrums decreasing the desire of portfolio managers to make large-scale asset class switches when vacations beckon. A first glance at the “Curve Attributes” comparison on the right might lead one to suspect that this is not the case – the shape factors changed significantly over the month. However, as may be seen from this month's chart, a comparison of the “Yield Curve Core Rates” [which are comprised of the Base Rate and the short- and long-term shape factors] for December 31, 2004, June 30 and July 29, 2005, the effects turn out to be relatively minor. There is a certain amount of flattening observed at the short end of the curve, but rates beyond ten years are virtually unaffected.

Curve Attribute	June 30, 2005 (After Tax Figures)	July 29, 2005 (After Tax Figures)
Base Rate	3.33%	3.32%
Short Term Premium	-3.26%	-2.39%
Short Term Decay Time	1.5 Years	2.5 Years
Long Term Premium	-1.17%	-0.96%
Long Term Decay Time	10.0 Years	11.1 Years
Interest Income Spread	0.89%	0.91%
Cumulative Div. Spread	0.00%	0.00%
Split-Share Spread	0.34%	0.42%
Retractability Spread	-0.63%	-0.61%
Floating Rate Spread	-1.76%	-1.74%
Liquidity Spread	-0.12%	-0.13%
2 <sup>nd</sup> Tier Credit Spread	0.13%	0.16%
3 <sup>rd</sup> Tier Credit Spread	0.41%	0.49%
“High” Credit Spread	0.00%	0.00%
“Low” Credit Spread	0.13%	0.16%
<i>Note: Figures are reported on an after-tax basis, for an investor subject to Ontario's highest marginal tax rate.</i>		

Risk Factor	July 2005 Returns for “True” (Pre-Tax)	July 2005 Returns for “False” (Pre-Tax)	Regression Coefficient*
Retractable	-0.10%±1.20%	-0.14%±1.45%	-0.03%
Split Share Corp	+0.12%±1.19%	-0.20%±1.37%	+0.27%
Cumulative Dividends	-0.13%±1.54%	-0.10%±0.89%	-0.25%
Payments are Dividends	-0.12%±1.35%	-0.11%±0.98%	-0.09%
Floating Rate	-0.01%±2.06%	-0.14%±1.11%	+0.68%
Credit Class 2	-0.10%±1.07%	-0.15%±1.61%	+0.06%
Credit Class 3	-0.38%±1.16%	-0.08%±1.35%	+0.01%
Credit Class Modifier “High”	-0.37%±0.80%	-0.07%±1.41%	-0.31%
Credit Class Modifier “Low”	-0.06%±1.05%	-0.16%±1.50%	+0.10%
<i>*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 0.1616 after rejection of outliers.</i>			

Two new issues were announced in July, both of which have commenced trading at time of writing (August 14, 2005): GWO.PR.H and WN.PR.D . Curve-price analysis for these two issues as of July 29, 2005 and their current (August 12) price is shown in the table to the

Component of Price (July 29)	WN.PR.D	GWO.PR.H
Base Rate	25.05	23.82
Short-Term Shape Factor	0.11	0.10
Long-Term Shape Factor	0.62	0.61
Liquidity	1.23	1.25
Credit Class 2 Spread	-0.78	-0.79
Credit Class Low Spread	-0.78	N/A
Error	0.07	0.04
Curve Price (Total – may not add due to rounding)	25.53	25.02
Quotation (August 12, 2005)	25.31-49	24.70-75

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As may be seen there is a very good correlation between the yield-curve analysis of the “pre-issue” instruments and their trading price – the difference in the curve price of \$0.51 calculated July 29 is very close to the actual quotation differential of \$0.61 (bid-to-

bid). HIMIPref™ analytical software continues to be a useful predictive tool for preferred share analysis!

The market has had a significant volume of issuance in the past seven months of perpetual issues from high-quality issuers. There is no way for me to tell just what the fall will bring by way of continued issuance, but events will continue to be reported in these monthly reports to unit holders and, now that the impediments to the fund’s trading have been removed, I look forward to exploiting anomalies in the day-to-day price movements of the market on a regular basis.

TSE Ticker Symbol	Total Return, July 2005	Remarks (Valuation commentary based on Ontario’s highest marginal tax rate)
NTL.PR.F*	-6.61%	Nervousness ahead of Nortel’s quarterly reporting had an effect ...
NSI.PR.D	-5.53%	Tiny volume
BPP.PR.G	-4.68%	Tiny volume
AR.PR.B*	-4.17%	Tiny volume for this remnant of Conrad Black’s empire
NTL.PR.G*	-3.57%	... but Nortel preferreds have bounce back since month-end.
...	...	...
BNN.PR.E	+1.69%	Tiny volume
BBD.PR.D	+2.16%	Bombardier Preferreds, like Nortel’s, gyrate with every headline...
STR.E	+2.37%	Poor credit quality
BBD.PR.B	+3.62%	... and may be viewed as equity-substitutes rather than fixed Income
YLD.PR.B	+4.59%	Poor credit quality

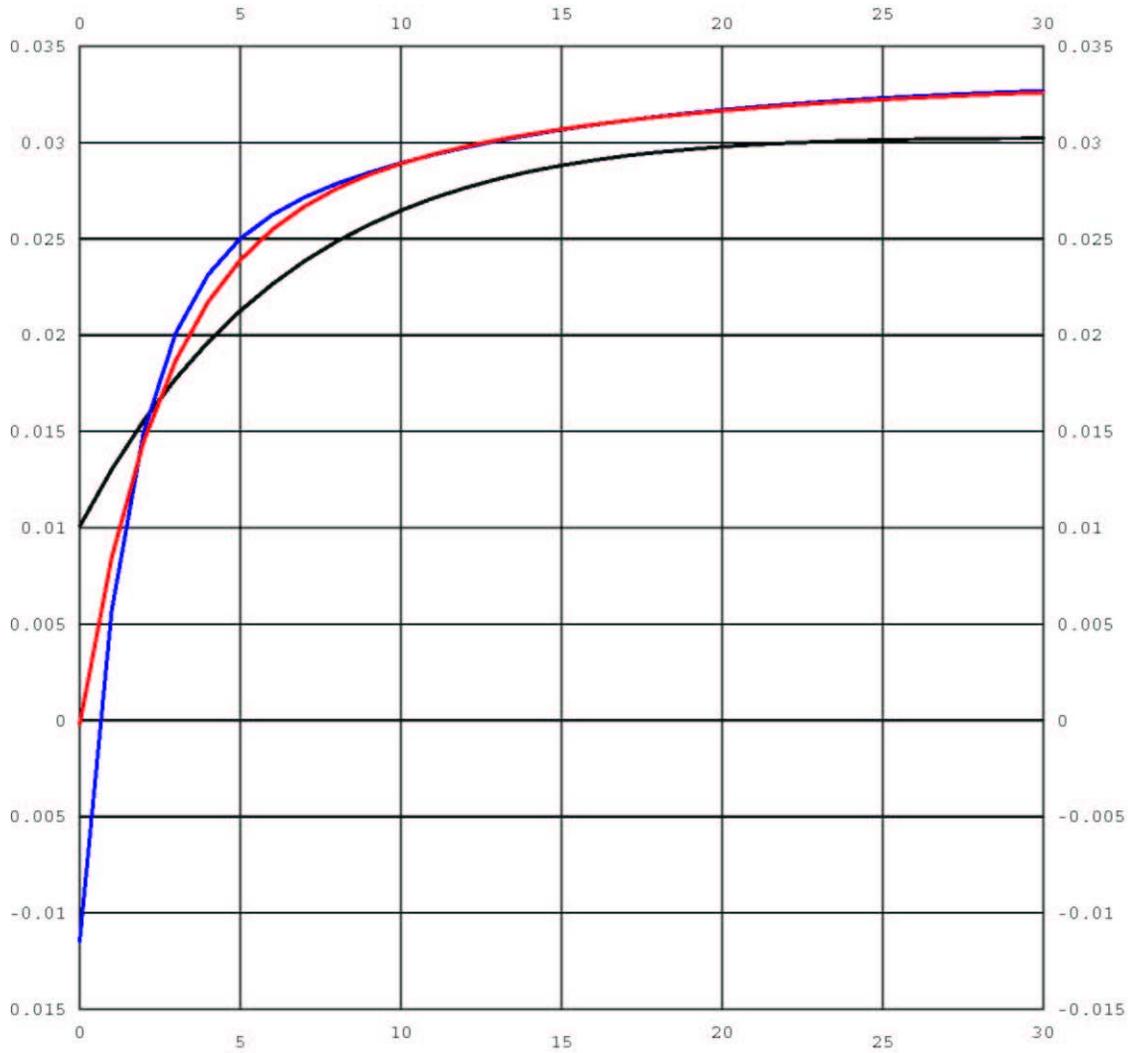
James Hymas  
Portfolio Manager

# YIELD CURVE - CORE RATE

Tax Identifier: 7

Yield Curve : 2004-12-31  
Yield Curve : 2005-06-30  
Yield Curve : 2005-07-29

X-Axis: Term to Cash Flow (Years)  
Y-Axis: Yield (As Fraction)



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