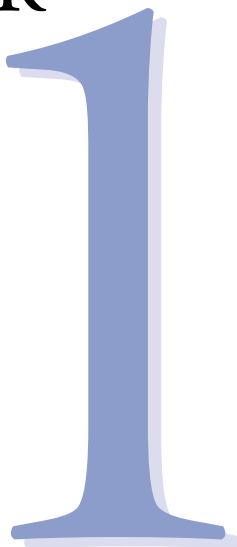


FRIEDBERG
MERCANTILE
GROUP

FIRST
QUARTER
REPORT
2001



FIRST QUARTER REPORT 2001

Dear Investor,

The storm is here.

As the winds gather strength, volatility and risk are sure to increase exponentially. Since nothing similar has occurred in more than half a century, those relying on recent history for guidance to financial survival will be disappointed.

Ironically, neither the bulls who ignored the warnings nor the bears (like ourselves) who foresaw the bursting of the bubble fully profited from their respective views, attesting to the old saying that the market will do what it can to fool most of the people. Having said that, we are happy to report that our funds, for the most part, continued the dramatic recovery they began in the last quarter. Leading the advance were the Diversified Fund (+36.4%), the International Securities Fund (+13%) and the Global Opportunities Fund (+37%), which combines the first two funds. Slightly down for the quarter — but still retaining most of their earlier quarterly gains — were the currencies funds (-1.6% to -4.9%), the foreign bond funds (-3.0% to -4.6%) and the equities hedge funds (-4.4% to -6.8%).

A more telling perspective is gained by looking at the year-over-year performance. Our bond funds were up anywhere between 2.1% and 7.4%, currency funds up between 14.2% and 18.3%, the equities hedge funds up between 18.2% and 20.9%, the International Securities Fund up 33.5% and the Diversified Fund down 1.2%. Our preparedness did pay off, at least with regard to the past year.

Expecting the financial storm to worsen, we continue to favour triple-A securities for our bond funds — in particular, inflation-linked US government bonds, which we believe will eventually trade up to real yields of 2% or less from their present level of 3.45%. Interestingly, these securities (purchased as well for our leveraged funds, via derivatives) provided some of the best trading gains, vindicating our feeling that they not only represented an excellent yield play but also, and more importantly, an outstanding capital gains vehicle.

Our greatest disappointment for the quarter was the poor performance of the euro, which accounted for more than 100% of the quarterly drawdown of the bond funds and the currency funds. Based on the importance of capital flows, our analysis had persuaded us that the US dollar would peak at or around the time when the US stock market was seen to have entered a bear market. We reasoned that the gap left behind by the huge current account deficit would no longer be covered by portfolio flows and the dollar would therefore be pressured downwards. Thus far, the market has not followed this logical script. The most likely explanations we can find are that the global investor a) trusts the magical abilities of Greenspan and his colleagues to fine-tune and stimulate the economy

and/or b) does not, as yet, recognize the fact that US equities are in a bear market (this is perhaps not so strange, since US fund managers evidently don't recognize it either) and/or c) recognizes the bear market but does not share the concern expressed by a minority of economists (ourselves included) that the wealth losses will eventually wreak havoc with consumption and will certainly aggravate a normal cyclical correction. Though by the end of the quarter we had, reluctantly, moved back to US dollars, we fully expect to shift out of the dollar before the end of the next quarter, once global investors see the vulnerability of the US economy.

Our second greatest disappointment — a lost opportunity rather than a loss-producing trade — was our premature exit from the sizeable long position in China B shares that we held in the International Securities Fund. We exited in the belief that an initial correction begun in connection with a government crackdown on manipulative practices would extend for some weeks and bring about a more serious decline. Instead, the crackdown turned out to be the prelude to opening the market to residents holding dollar balances — and the beginning of a huge rise. We bit the bullet and fortunately found the courage and the intellectual persuasion to reenter the market, albeit 40% higher (hardly any shares traded during the first four days, when upward moves were limited to 10%). Even at the higher levels, many B shares were still trading at an average 57% discount to the same A shares. Sooner or later, we reasoned, arbitrage activities would narrow and perhaps close the gap. So far, our view is being vindicated: B shares have continued to rise (on the back of a continuous rise of the A shares) and now stand at a smaller, though still large, 49% discount.

We encountered stormy weather indeed in the equities markets. The vastly oversold tech sector mounted a fairly dramatic rally in the early days of the year, triggering some stop-loss covering on our part. As a result, the subsequent recovery was not complete even though all the shares in question returned to their earlier lows. This bear market phenomenon is well known but, unfortunately, unpredictable. Our policy continues to be one of riding positions as long as the fundamental and technical indications warrant doing so. Counter-trend corrections that appear, so to say, out of the blue, are an unavoidable risk in this business. Fortunately, the situation righted itself for the most part over the balance of the quarter, allowing us to show only small losses. Still, the easy pickings — grossly overvalued securities — are largely gone. Also, we found little comfort with the long side of the equation, given our relatively bearish views on the economy and corporate earnings. In the end, we selected the health care, oil and gas and waste management sectors, as well as miscellaneous small caps (via the Russell 2000 index) as the most likely to outperform in the ongoing profits recession, though not with a lot of conviction. As is the case in these circumstances, performance tends to suffer.

In sum, this second phase of the bear market is far more difficult to play than the first one. Extreme overvaluations are disappearing but dynamic winners have yet to appear. We don't expect a quick resolution to this dual crux and therefore expect to remain on the defensive for still another quarter.

We continue to base our strategy on the expectation that the US economy has entered a prolonged period of economic stagnation at best, and depression at worst, accompanied by higher-than-acceptable rates of inflation in the non-tradables sector. To the extent that our views — currently not part of the consensus — prove correct, we should continue to earn extraordinary returns overall.



Albert D. Friedberg

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FRIEDBERG ALLOCATION MODEL

Neil Rackoff Comments:

The Friedberg Allocation model was up 0.35% for the quarter and YTD. On a year over year basis the model allocation was up 13.00%

We encourage you to follow our allocation model if only because we have no way to guess which program will be the next winner. (Wouldn't it have been nice to have allocated last quarter all our money in the Diversified Trading Program?)

Alternatively, look at all asset classes, analyze the risk/reward for each one and then allocate your resources in a mix that reflects your tolerance for risk. Please call us if you would like to discuss this further.

We have rebalanced our portfolio to continue to reflect the following allocation:

Global Fixed Income: 65%

Equity Hedge: 15%

Currency: 10%

Global Opportunities: 10%

Please note: Insofar as securities regulations often limit investments in *some* of the funds to a minimum of \$150,000, the allocation above pertains only to our high net worth clients.

FOREIGN BONDS

FRIEDBERG FOREIGN BOND FUND FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD. FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

The Funds seek total investment return, consisting of a combination of interest income, currency gains, and capital appreciation, by investing in both investment grade and non-investment grade fixed income obligations and convertible corporate bonds denominated in a variety of currencies.

LOW RISK. Objective: LIBOR+4% per annum

PERFORMANCE as of March 31, 2001

	NAV	Quarter	Year over Year	Three Years ²
Friedberg Foreign Bond Fund ¹	9.93	0.33%	11.46%	5.20%
Friedberg Total Return Fixed Income Fund Ltd.	1037.39	-3.90%	5.93%	1.65%
Friedberg Total Return Fixed Income Fund L.P.	105.43	-3.02%	7.40%	2.02%

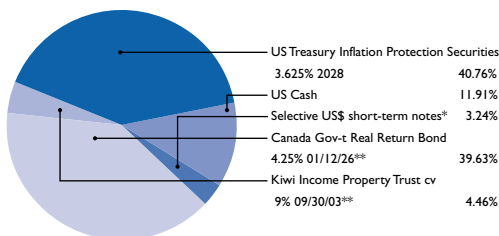
¹Priced in Canadian Dollars

²Compounded Annual Rate of Return

FRIEDBERG FOREIGN BOND FUND

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



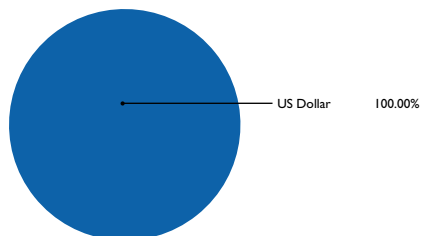
Weighted average yield to maturity 8.32%
Weighted average current yield 4.03%

*TVX Gold 5% 03/28/02, Argentina BOCON Pre 2 04/01/01

**Currency Partially or Totally Hedged

FRIEDBERG FOREIGN BOND FUND

Currency Exposure

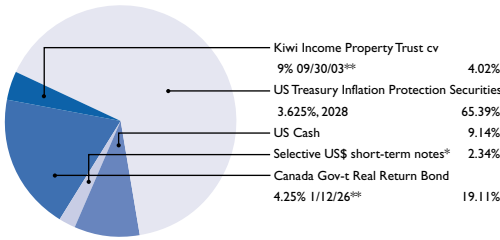


Adjusted modified duration 5.98 years
Estimated overall credit rating AAA

FRIEDBERG FIXED INCOME FUND LTD.

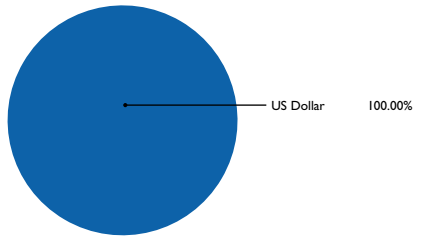
FRIEDBERG FIXED INCOME FUND Ltd.

Portfolio Allocation



FRIEDBERG FIXED INCOME FUND Ltd.

Currency Exposure



Weighted average yield to maturity **8.28%**
Weighted average current yield **3.96%**

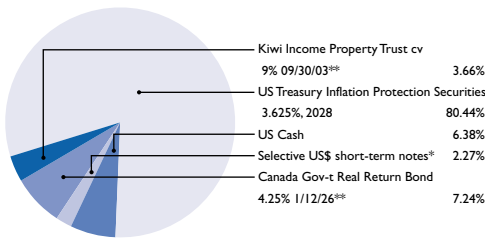
Adjusted modified duration **6.23 years**
Estimated overall credit rating **AAA**

*TVX Gold 5% 03/28/02, Argentina BOCON Pre 2 04/01/01
**Currency Partially or Totally Hedged

FRIEDBERG FIXED INCOME FUND L.P.

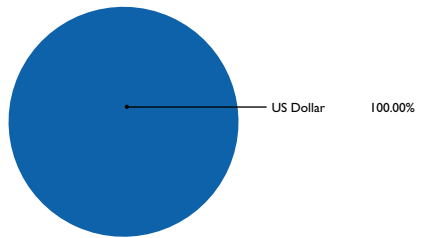
FRIEDBERG FIXED INCOME FUND L.P.

Portfolio Allocation



FRIEDBERG FIXED INCOME FUND L.P.

Currency Exposure



Weighted average yield to maturity **8.59%**
Weighted average current yield **3.93%**

Adjusted modified duration **6.46 years**
Estimated overall credit rating **AAA**

*TVX Gold 5% 03/28/02
**Currency Partially or Totally Hedged

EQUITY HEDGE PROGRAM

FRIEDBERG EQUITY HEDGE FUND LTD. FRIEDBERG EQUITY HEDGE FUND

The funds use leverage to trade equity securities and stock index futures contracts and related options. The fund balances long and short positions in an attempt to eliminate systematic or market risk.

MEDIUM RISK. Objective: 20-25% per annum

PERFORMANCE¹ as of March 31, 2001

	NAV	Quarter	Year over Year	Three Years ²
Friedberg Equity-Hedge Fund Ltd.	1787.28	-4.37%	20.86%	22.00%
Friedberg Equity-Hedge Fund	15.96	-6.78%	18.22%	18.06%

¹Net of Fees

²Compounded annual rate of return

INVESTMENT ALLOCATION³

	Dec-00	Jan-01	Feb-01	Mar-01
LONGS	57.58%	56.66%	57.78%	58.00%
SHORTS	42.42%	43.34%	42.22%	42.00%
TOTAL GROSS LEVERAGE	2.22 x	2.97 x	2.39 x	2.74 x

³As percentage of total gross assets (based on the Friedberg Equity-Hedge Fund Ltd.)

LARGEST SECTORS (LONGS)⁴

Small Cap Industrials (Russell 2000 futures) ⁵	29.98%
Aerospace/Defence Equipment	7.08%
Oil & Gas Exploration & Production	6.75%

LARGEST SECTORS (SHORTS)⁴

Telecom	7.23%
Investment Banking/Brokers	6.20%
Computers	4.97%

⁴As percentage of total gross assets (as per the Friedberg Equity-Hedge Fund Ltd.)

⁵Market value of futures contracts

LARGEST LONG POSITIONS

Russell 2000 index futures
Valero Energy Corporation
Devon Energy Corporation
General Dynamics Corporation
Waste Management Inc.
Allied Waste Industries Inc.
Esterline Technologies Corporation
United Technologies Corporation
Apache Corporation
Waste Connections Inc.

LARGEST PAIRS

Lehman Brothers (Long)/
Goldman Sachs (Short)

Advance Micro Devices (Long)/
Intel Corporation (Short)

LARGEST SHORT POSITIONS

IBM Corporation
Goldman Sachs Group
Intel Corporation
General Electric Co.
AOL Time Warner
First Union Corporation
Wal-Mart Stores Inc.
US Bancorp
Telefonica SA (ADR)
Charles Schwab Corporation

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Republic Services Inc.	14.68%	Cisco Systems Inc.	58.66%
Elan Corp. PLC (ADR)	13.97%	Exodus Comm. Inc.	46.25%
Patina Oil & Gas Corp.	10.82%	F5 Networks Inc.	43.75%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Trigon Healthcare Inc.	-31.89%	BMC Software Inc.	-117.91%
Oxford Health Plans	-30.05%	RCN Corporation	-88.58%
Entergy Corporation	-29.45%	Lucent Technologies	-51.39%

CURRENCY PROGRAM

FRIEDBERG CURRENCY FUND
 THE FIRST MERCANTILE CURRENCY FUND
 FRIEDBERG CURRENCY FUND LTD.
 FRIEDBERG FOREX LP

Speculative trading in currency futures instruments, currency forwards
 and options.

HIGH RISK. Objective: 25% per annum

PERFORMANCE as of March 31, 2001

	NAV	Quarter	Year over Year	Three Years ²
Friedberg Currency Fund ¹	18.00	-0.06%	23.97%	-1.70%
Friedberg First Mercantile Fund ¹	15.34	-3.89%	8.41%	-0.47%
Friedberg Currency Fund Ltd.	1082.18	-1.58%	30.64%	2.67%
Friedberg Forex L.P.	15.55	-2.57%	18.34%	-3.68%

¹Priced in Canadian Dollars

²Compounded Annual Rate of Return

OPEN POSITIONS - March 31, 2001

	leverage
Long US Treasury Inflation Protection Securities	0.83
Short Brazilian Real	0.54
Short New Zealand Dollar	0.74
gross leverage at March 31, 2001	2.10 x
maximum gross leverage during quarter	5.25 x

ACTIVITY REPORT - First Quarter 2001

	profit as percentage of beginning equity	percentage of total profits
PROFITABLE TRANSACTIONS		
Short Brazilian Real	3.53	28.76
Long Euro Currency-Short Japanese Yen	1.24	10.08
Short New Zealand Dollar	3.44	28.00
Long Polish Zloty	0.99	8.05
Treasury Inflation Protection Securities	3.08	25.10
	loss as percentage of beginning equity	percentage of total losses
LOSING TRANSACTIONS		
Long Euro Currency	(15.14)	100.00

Model account value Dec. 31, 2000 63,753.11

Model account value Mar. 31, 2001 **61,801.11**

Percentage gain (loss) in quarter: (3.06%)

DIVERSIFIED TRADING PROGRAM

FRIEDBERG DIVERSIFIED FUND

Speculative trading of commodity, interest rates, and stock index futures, over the counter forwards and options markets.
HIGH RISK. Objective: 40% per annum

PERFORMANCE as of March 31, 2001

	NAV	Quarter	Year over Year	Three Years ¹
Friedberg Diversified Fund	7.33	36.25%	-1.48%	-11.06%

¹Compounded Annual Rate of Return

OPEN POSITIONS - March 31, 2001

	leverage
Long US Treasury Inflation Protection Securities	2.31 x
Short NASDAQ	0.48 x
Short Copper	0.72 x
Long Natural Gas	0.38 x
Short Platinum	0.20 x
gross leverage at March 31, 2001	4.10 x
maximum gross leverage during quarter	6.75 x

ACTIVITY REPORT - First Quarter 2001

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Bonds	1.80	4.05
Cocoa	12.03	27.07
Copper	7.41	16.68
Cotton	0.52	1.18
Equity Futures	10.28	23.14
Platinum	0.48	1.07
Silver	2.38	5.35
Treasury Inflation Protection Securities	9.54	21.46
LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Cattle	(2.98)	15.96
Coffee	(3.09)	16.58
Energy	(2.02)	10.83
Gold	(1.95)	10.47
Soymeal	(1.81)	9.67
Sugar	(3.35)	17.93
Wheat	(3.47)	18.56

Model account value Dec. 31, 2000 104,861.71
 Model account value Mar. 31, 2001 132,060.13

Percentage gain (loss) in quarter: 25.94%

FRIEDBERG FUTURES FUND

The Futures Fund combines the Currency and Diversified programs in approximately equal weights. Please refer to our earlier graphs and tables regarding these programs.

FRIEDBERG INTERNATIONAL SECURITIES FUND

The fund seeks to capitalize on the rise and fall of local markets throughout the world by anticipating long term secular trends or by identifying, at an early stage, cyclical economic expansions and contractions of economies of selected countries.

MEDIUM RISK. Objective: 20% per annum

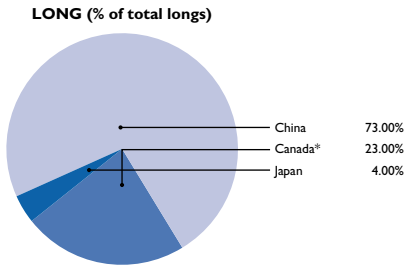
PERFORMANCE¹ as of March 31, 2001

NAV	Quarter	Year over Year	Three Years ²
11.15	12.95%	33.51%	-0.83%

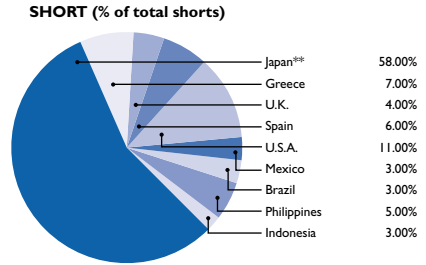
¹Net of Fees

²Compounded Annual Rate of Return

EQUITIES EXPOSURE BY COUNTRY



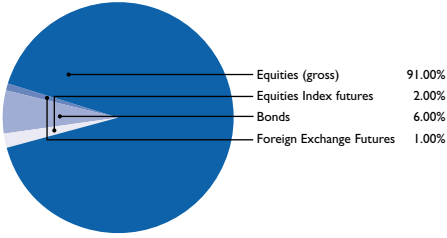
*Oil & Gas Shares



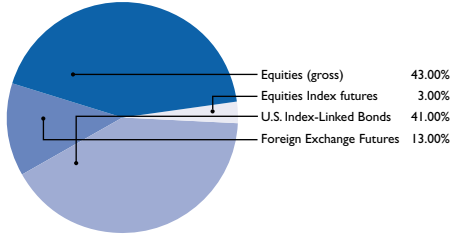
**Secondary Banks (hedged with JY futures)

FRIEDBERG INTERNATIONAL SECURITIES FUND con't

BREAKDOWN BY INVESTED AMOUNTS*



BREAKDOWN BY TOTAL GROSS EXPOSURE



*Based on margins used in each category

POSITIONS ESTABLISHED DURING THE QTR.

- 1) Bought long Japanese Yen Futures
- 2) Bought long basket of Canadian Energy Stocks
- 3) Re-established long Chinese basket of "B" Shares
- 4) Increased long U.S. Index-linked Bonds
- 5) Established spread (long Olympus Optical (Japan) & short Affymetrix (U.S.))
- 6) Bought long Nissan Motors (Japan)

TOTAL GROSS LEVERAGE 3.20 x

POSITIONS LIQUIDATED DURING THE QTR.

- 1) Liquidated Chinese basket of "B" Shares
- 2) Sold long Turkish T-Bills
- 3) Liquidated spread established during the quarter (long Olympus Optical (Japan) & short Affymetrix (U.S.))
- 4) Liquidated long Tyre and Rubber (China "B" Share)
- 5) Liquidated Benson Petroleum (Canada)

FRIEDBERG GLOBAL OPPORTUNITIES FUND

The Global Opportunities Fund comprises the Diversified Trading Program and the International Fund. Please refer to corresponding graphs and tables for these two programs.

PERFORMANCE¹ as of December 31, 2000

NAV	Quarter	Year over Year	Three Years ²
635.78	37.01%	6.22%	-15.23%

¹Net of fees

²Compounded Annual Rate of Return

David Rothberg Comments:

The Fund returned 5.51% during the quarter, beating its median objective by 56% — the Fund seeks to earn between 10% and 15% annually without correlation to and with less volatility than the S&P 500. By comparison, the S&P suffered a soul-destroying 12.1% loss over the quarter.

As of the end of March the Fund was allocated as follows:

Long/Short Value	33.896%
Event Driven (specializing in risk arbitrage)	28.495%
Convertible Arbitrage	28.139%
Managed (Currency) Futures	9.450%

Clearly, the Skill Based Fund is proving its worth as an alternative investment suitable for risk-averse portfolios of High Net Worth and institutional investors. We expect returns to improve, as new investors come on board, providing us with greater opportunities for diversification.



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