FRIEDBERG MERCANTILE GROUP LTD.

Second Quarter Report 2003

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Second Quarter Report 2003

Dear Investor,

It gives us pleasure to present to you the financial report of the Friedberg Group of Funds for the quarter ended June 30, 2003.

Once again, our overall performance was satisfactory. Our two Global-Macro Hedge Funds were up 5.7% and 3.9% for the quarter, capping six-month returns of 9.4% and 5.4% respectively. As explained in earlier communications, the difference in returns can be ascribed mostly to slight changes in allocation, the direct result of the impact of new subscriptions and redemptions. Over the medium term, we expect these returns to converge. These funds are a sort of Fund of Funds of the Friedberg family of funds and best reflect our composite performance.

On an individual basis, however, we find a great deal of variability. The currency funds, for example, posted gains of 14.2% to 27.1% for the quarter (six-month returns of 18.1% to 40.4%), and the fixed income funds posted gains of 8.2% to 9.0% (12.9% to 17.2% over six months). The remaining funds, however, posted losses. The Diversified Fund fell 15.1% for the quarter, thus increasing its six-month loss to 27.5%. The Friedberg Equity Hedge funds fell by 6.1% to 6.3%, bringing six-month losses to 6.1% to 7.8% and the International Securities Fund fell 1.9%, cutting the positive six-month return to 4.2%.

The U.S. dollar continued to weaken but at a distinctly more selective pace in recent weeks. The emphasis shifted from the Euro to high-yielding currencies such as the Australian and Canadian dollars. For the most part, we moved in that same direction during the period under review, though, as we approached the quarter-end we reduced and finally eliminated short dollar exposure.

Most of our effort was directed at crosses. Starting with a basic long Euro/short Swiss franc (as discussed last quarter), we moved to replace the Euro leg with the three principal Central European currencies: the Czech koruna, the Polish zloty and the Hungarian forint. We were attracted to them by the greater dynamism of their economies. Productivity in these countries is growing much faster than in the rest of Europe, and unit labour costs remain competitive with the rest of Europe on the eve of their entry into the European Community. Near-term disturbances — including lack of experience in dealing with foreign exchange markets and investors' expectations (Hungary), outsized fiscal deficits (Hungary, Czech Republic), and cabinet changes that introduce some uncertainty (Poland) — have weakened, if ever so slightly, these currencies vis-à-vis the Euro. Thus, our Euro proxy backfired to some degree.

Still, we remain satisfied. For one thing, the basic Euro/Swiss franc cross has moved our way, and should continue to do so in view of the serious overvaluation of the latter. For another, the strong long-term fundamentals of the three Central European economies should reassert themselves. The outlook is positive for Poland, in particular, where a pro-growth fiscal policy is seriously being considered. In recent days, we have deepened our short Swiss exposure, this time vis à vis Sterling. Here we count on a significant yield advantage and the fact that Sterling, at a Euro/Sterling rate of .69, has fallen far enough to allow it to enter the Community without further exchange adjustment. We also continue to hold a long Aussie/New Zealand cross in the belief that the Australian economy is at the moment growing faster than New Zealand's, while its political climate is more investor-friendly.

Finally, we have made a small and relatively inexpensive bet that the Hong Kong dollar will be devalued in the next few months in an attempt to brake the severe price deflation. Growing fiscal deficits are weakening the currency board, which, at any rate (and shockingly), does not guarantee a *specific rate*. Here's a final bear argument: as this small economy becomes more and more integrated with China, the two currencies will have to merge. This is likely to result in a slight increase in the yuan and a small devaluation of the Hong Kong dollar.

The fixed income funds continued to benefit from the fall in real interest rates that drove Treasury Inflation Protected Securities (TIPS) to new all-time highs. While we expect real rates to continue to fall, perhaps as low as 1.5%, we also expect breakevens to shrink slightly given the powerful near-term disinflation forces at work. At the moment, they are slightly more than 200 basis points, indicating a long-term inflation expectation of 2% per annum. In the near term, therefore, nominal long-term securities may outperform TIPS. Still, with a central bank committed to reflation, we sleep more comfortably because we hold indexed bonds.

Spiking performance was the synthetic foreign exchange exposure that we took during the quarter: selling U.S. dollar exposure forward against the purchase initially of Euros and then Australian and Canadian dollars. In effect, we enjoyed the privilege of owning the world's most secure bonds, U.S. Treasury obligations, while managing to convert the currency exposure to currencies stronger than the dollar. Alternatively, we could have sold the TIPS and bought Canadian Real Return bonds (of which we already own some), French Treasuries (denominated in Euros and also indexed to the consumer price index), and Australian inflation-linked government securities. Transaction ("slippage") costs, however, would have been a multiple of those we incurred by hedging out the U.S. dollar in the foreign currency market, especially given the relatively short-term focus of the recent operation. Our purchase of Argentinean Boden bonds, denominated in local currency and now yielding about 10% more than the increase in the cost of living, has so far proven to be a success. The peso has appreciated and so have the bonds as the market has better understood and assessed the risks of these instruments.

The Equity Hedge funds continue to be affected by the phenomena that stock markets have been experiencing recently — that is, much lower variability of returns between stock winners and losers (empirically demonstrated by a Goldman Sachs analyst). The more closely individual stocks converge on the indices or averages, the more difficult it is to profit by outperforming the averages. This is as true for long-only managers, fixated on their benchmarks, as it is for hedge fund operators who carry long and short positions and try to outperform the averages on both sides of the market. A slight underperformance for a long-only manager translates into a slight failure to meet his benchmark. In a rising market he will show gains but those gains might miss the benchmark by, say, 200 basis points. A hedge fund operator who has properly neutralized his portfolio and who underperforms may be doubling that "miss" and actually report a loss, regardless of whether the market rises or falls. This should clearly illustrate the perils of low variability.

In our particular case, the long side of the portfolio outperformed the S&P 500 by a margin of about 800 basis points. The short side, however, underperformed by more than that, rising 1300 basis points more than the benchmark. (Oh, that we had been long-only managers for this past quarter!)

Aside from variability issues, we continue to have difficulty finding good shorts, a theme that we have been sounding now for quite some time. It may not mean that we are in a full-fledged bull market but, at least for now, the bear is gone.

In an effort to build a more responsive portfolio, we increased turnover and consequently incurred greater transaction costs. This too has taken its toll. Looking for shorts, we have turned our attention to large-cap cyclical stocks with heavy debt levels that are vulnerable to foreign competition and susceptible to a consumer slowdown. On the long side, we have moved into smaller caps, beaten down stocks with good balance sheets and trading at reasonable multiples of sales. For details, see the exhibits following the comments. We are as yet not sure to have overcome the handicaps that have held back our performance for a number of quarters — a matter that does not rest entirely in our hands — but we are hopeful that the portfolio will begin to show better results.

I continue to be highly disappointed with my futures trading in the Diversified Trading program. It is still too active and, while commodity futures leverage has come under better control, financial futures leverage has not. More work needs to be expended on it, especially in view of the longer horizon that I adopt for trades. While I have grown more comfortable with entry criteria and procedures, I am still groping for an adequate exit mechanism. I am giving myself two more quarters before undertaking a more radical solution. One such solution is handing over even a greater portion of the portfolio that I manage to another (outside) qualified manager or to our investment team, which now manages 40% of the total, although it too has disappointed of late, as you will read in the comments written by Sholom Sanik which follow my letter. Another solution may simply be to shut this program entirely and stop the bleeding. Because my own money is also on the line, rest assured that I will not content myself with the status quo.

In the International Securities Fund we continued to look for unusual (bullish and bearish) opportunities around the globe. In equities, we did best on the long side in Latin America, where our long-held position in Banco Latinoamericano de Exportaciones S.A. bloomed. We initially picked up this stock for what we thought was a song relative to its franchise value. A discounted rights offering, carried out to firm up a capital base devastated by Argentinean and Venezuelan defaults, gave us an opportunity to increase exposure to this first-class lender of short-term trade credit and maintain our equity interest in the bank. Incidentally, providing investors with inalienable pre-emptive rights — seen in only a smattering of countries — is the only fair way to treat investors (SEC take note!).

We further weighted this region by establishing an initial position in Enersis, a major Chilean energy distributor, also offering rights in order to raise capital, and Banco de Galicia, Argentina's largest bank. The latter trades with a market cap of a mere five hundred million dollars, but its asset side is admittedly heavily laden with Republic peso-denominated debt of doubtful status, offset with Central Bank liabilities of a similar nature. Some type of offset will need to be worked out, and some reasonable definitions of the exact status of sovereign local debt will need to be arrived at, so that these banks can begin providing credit to a credit-starved economy. It is a bet on reasonableness, though, as we well know, Argentina has not been a paragon of reasonableness.

Other exciting and profitable bets were Indian pharmaceuticals, ever stronger in the area of generic drugs, and the modestly priced New Zealand Telecom (ADR) and Trustpower, both offering high yields and enjoying decent growth prospects. We maintained short positions in Japanese regional banks and the South Korean stock market despite incurring losses for the quarter. The Resona bank bailout in Japan ratcheted upwards the level of moral hazard. The government kept up the fiction of positive, though sharply reduced, net worth and provided funds without wiping out shareholders' equity. Despite the 70% dilution, share prices recovered (!) and signaled to other bank shareholders that a day of full reckoning was not in the cards.

Our reading is slightly different: we believe that the big city banks will be bailed out in this manner, but not so the smaller secondary ones. At some point, the government will decide to nationalize most of the secondary sector and consolidate their balance sheets into those of the larger banks. If this happens, the equity of these secondary players will become, de jure, worthless. As to

South Korea, we find it puzzling that the market has recovered this far in the face of a worsening political climate (burying your head in the sand and hoping that the nuclear problem goes away won't do) and an economy that is growing more indebted and more vulnerable with every passing day. We plan to stick it out on both accounts.

The largest contributor to gains for the quarter was our modestly leveraged play on long-term inflation-indexed U.S. Treasuries. As we suggested above, we are still looking for long-term real rates to dip well below 2% per annum, which, if achieved, should provide further capital gains.

On the surface it appears that the economic situation has normalized — equity markets have recovered and corporate and emerging market credit spreads have collapsed. Still, problems continue to fester below the surface. No fundamental improvement has taken place in Japan (in fact, banking losses have continued to mount as deflationary forces have gathered strength), economic activity in Euroland is slowing to a crawl, the U.S. is continuing to rely on a housing bubble to sustain consumer buying, and central banks around the world are leaning ever more surely (and desperately) on the stimulative powers of monetary policy unmindful of the dangers of further boom/bust cycles. A yield-chasing orgy has ensued, an orgy that sooner or later will come to a sorry end.

If we read it right, we should be able to make a ton of money in the period ahead. The key word, as always, is "if."

On a separate note I have the pleasure of informing you that Refco Futures (Canada) Ltd. ("Refco") has acquired a 50% interest in FMG from the current partners of FMG. Refco is a prominent Canadian securities and commodities brokerage, and a subsidiary of Refco Group Ltd. LLC, a diversified financial services corporation that provides a broad range of products and services to clients throughout the world. Refco Group Ltd. LLC is one of the world's largest brokers of exchange-traded derivatives and options.

This is both an exciting and important strategic initiative for us. We intend to combine our expertise with Refco's to provide our customers with access to a more extensive menu of products and services on a global basis. This new relationship will also permit both companies to benefit from the rationalization of certain operating platforms and take advantage of Refco's global transaction processing engine.

Under the terms for the transactions, I will continue to maintain my duties and position as Chief Executive Officer of FMG and as chief investment strategist and portfolio manager for FMG and the accounts managed by it and its subsidiaries. The agreement contemplates that Refco Canada will purchase, in five years, the remaining equity interest in FMG. The rest of the management and administration team will also stay on with me. As part of the transaction we have changed our name and structure to **Friedberg Mercantile Group Ltd.**, a corporation, from the previous Friedberg Mercantile Group, a partnership of two corporations.

I want to take this opportunity to express my thanks and appreciation for all the support and loyalty you have shown us over the years and to assure you that we will continue to maintain the high degree of personal attention that has always distinguished us and that you have come to expect from FMG.

Respectfully yours,

Albert D. Friedberg

Sholom Sanik Comments

It was not a good quarter. Our portfolio suffered a 15.8% loss. The disappointing performance was the result of a series of losing trades rather than any single disaster.

Our second foray into the long side of cotton — while not the biggest loser among this quarter's trades — was the most disheartening and somewhat characteristic of the way the cookie has been crumbling for us in this program recently. Fears of a SARS-related drop in consumption created an excellent buying opportunity in a market that had carried and continues to carry very bullish fundamentals on both the supply and demand sides. We established a position and moved our protective stop towards the market as prices rose. Our sell stop was triggered – leaving us with a microscopic profit. The market then rose immediately and substantially, relegating us to spectator status. We still consider the dynamics of this market to have shifted considerably and we will take another look at it when the chance presents itself.

Low prices are discouraging investment in coffee plantations in major producing countries. This coincides with a dramatic fall in Brazilian output because of the nature of this commodity's biannual growing cycle. It's been difficult to trade this market, though, because each time we pass a critical date and no frost appears, discouraged bulls liquidate, pushing the market lower and disposing of weak-handed longs. We were caught twice in just such a fashion.

The only successful trade was in soybeans, and we bring it up only as it pertains to another losing trade. Soybean prices have been going up since early 2002 because of rapidly rising Asian demand for poultry and hog feed. Corn's participation in this bull market has lagged, partly because of excessive availability of FSU feed wheat over the past two years. With yields expected to return to normal this season, the carbohydrate-feed market may find itself in a tight position, with corn prices being a principal beneficiary. We went with the breakout in corn, but the rally never materialized. We left a fair bit of money on the table, so even the soybean trade was typical of this quarter's performance.

Finally, our belief that the bear market in stocks had not ended cost us dearly. Our short sales on the S&P 500 represented our biggest single loss. A massive counter-trend rally in the U.S. dollar bear market put a cap on gold prices, stopping us out with a tiny profit. We believe that gold is still in a long term-bull market and we intend to revisit the long side.

FRIEDBERG MERCANTILE GROUP LTD.

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FIXED INCOME FUNDS

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 denominated in a variety of currencies.
LOW RISK. Objective: Beat Benchmark

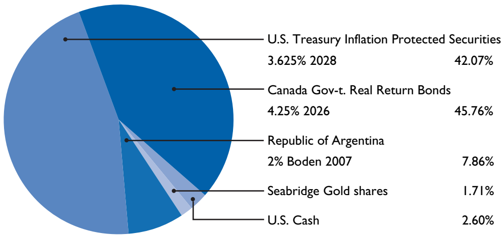
PERFORMANCE as of June 30, 2003

	NAV	Quarter	Year over Year[2]	Two Years[2]	Three Years[2]	Five Years[2]
Friedberg Foreign Bond Fund[1]	13.97	0.00%	15.48%	10.08%	8.85%	5.88%
Friedberg Total Return Fixed Income Fund Ltd.	1,459.33	8.22%	33.29%	19.50%	14.64%	8.35%
Friedberg Total Return Fixed Income Fund L.P.	152.62	8.86%	36.20%	20.90%	16.14%	9.21%
Benchmark[3]	—	N.A.	12.41%	8.37%	8.58%	6.78%

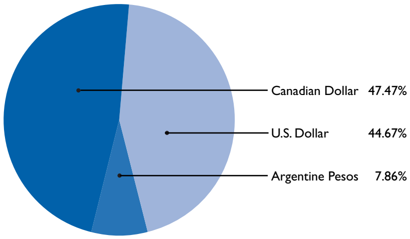
[1]Priced in Canadian Dollars
[2]Compounded Annual Rate of Return through May 2003
[3]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Currency Exposure



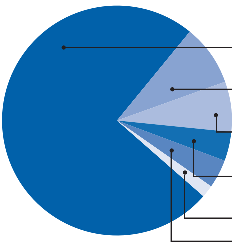
Weighted average yield to maturity	3.42%*
Weighted average current yield	3.04%*

*Assumes zero inflation.

Adjusted modified duration		6.43
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	90.43%
	CC	7.86%
	Unrated	1.71%

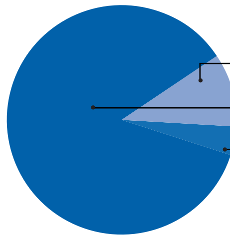
FRIEDBERG FIXED INCOME FUND LTD.

Portfolio Allocation



U.S. Treasury Inflation Protected Securities 3.625% 2028	74.47%
U.S. Treasury Inflation Protected Securities 3.875% 2029	7.08%
Canada Gov-t. Real Return Bonds 4.25% 2026	8.59%
Republic of Argentina 2% Boden 2007	4.03%
Seabridge Gold shares	1.74%
U.S. Cash	4.08%

Currency Exposure



Canadian Dollar	10.33%
U.S. Dollar	85.63%
Argentine Pesos	4.03%

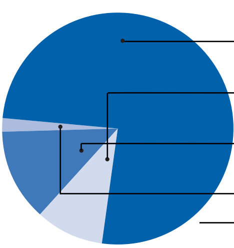
Weighted average yield to maturity	2.81%*
Weighted average current yield	2.88%*

*Assumes zero inflation.

Adjusted modified duration		6.85
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.23%
	CC	4.03%
	Unrated	1.74%

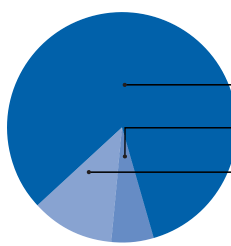
FRIEDBERG FIXED INCOME FUND L.P.

Portfolio Allocation



U.S. Treasury Inflation Protected Securities 3.625% 2028	75.80%
Canada Gov-t. Real Return Bonds 4.25% 2026	9.54%
Republic of Argentina 2% Boden 2007	12.84%
Seabridge Gold shares	1.89%
U.S. Cash	-0.07%

Currency Exposure



Canadian Dollar	11.43%
U.S. Dollar	75.73%
Argentine Pesos	12.84%

Weighted average yield to maturity	3.71%*
Weighted average current yield	2.80%*

*Assumes zero inflation.

Adjusted modified duration		6.52
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	85.27%
	CC	12.84%
	Unrated	1.89%

FRIEDBERG EQUITY HEDGE FUND LTD.
FRIEDBERG EQUITY HEDGE FUND

A leveraged market neutral fund that balances long and short positions in an attempt to eliminate market risk.

PERFORMANCE[1] as of June 30, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity-Hedge Fund Ltd.	1,780.34	-6.12%	-11.02%	5.97%	11.87%
Friedberg Equity-Hedge Fund	15.06	-6.34%	-15.59%	3.13%	9.01%
CSFB/Tremont Equity Market Neutral Index	—	N.A.	7.32%	8.83%	11.22%

[1]Net of fees
[2]Compounded annual rate of return through May 2003

INVESTMENT ALLOCATION[3]

	31-Mar-02	33-Apr-03	31-May-03	30-Jun-03
LONGS	56.29%	55.75%	58.53%	56.30%
SHORTS	43.71%	44.25%	41.47%	43.70%
TOTAL GROSS LEVERAGE	2.77 *x*	3.14 *x*	2.64 *x*	2.83 *x*

LARGEST SECTORS (LONGS)[3]

Oil-Exploration and Production	8.10%
Energy-Electric Integrated	6.25%
Aerospace-Defence Equipment	5.01%

LARGEST SECTORS (SHORTS)[3]

Misc. Industrials (S&P 500 index futures)	15.62%
Retail	4.46%
Insurance	3.65%

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

LARGEST LONG POSITIONS

Corning Inc.
Philadelphia Suburban Corp.
Entergy Corp.
Patina Oil & Gas Corp.
Apache Corp.
Catellus Development Corp.
XTO Energy Inc.
Southern Corp.
Bear Stearns Companies Inc.
Raytheon Company

LARGEST SHORT POSITIONS

S&P 500 index futures
Waddell & Reed Financial
Walgreen Corp.
Bank of New York Corp. Inc.
Coca Cola Company
Microsoft Corp.
Omnicom Group
Kohl's Corp.
American International Group
General Motors Corp.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Imclone Systems	93.29%	Kohl's Corp.	7.28%
Fresh Del Monte Produce Inc.	68.46%	Maxim Integrated Products	5.59%
Dusa Pharmaceuticals Inc.	41.81%	Harley Davidson Inc.	3.23%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Western Digital Corp.	-17.73%	Capital One Financial Corp.	-50.52%
Atmel Corp.	-14.12%	Waddell & Reed Financial	-46.10%
Enterasys Networks Inc.	-13.43%	Bank of New York Corp. Inc.	-40.24%

CURRENCY FUNDS

FRIEDBERG CURRENCY FUND
THE FIRST MERCANTILE CURRENCY FUND
FRIEDBERG CURRENCY FUND II LTD.
FRIEDBERG CURRENCY FUND LTD.
FRIEDBERG FOREX L.P.

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

PERFORMANCE as of June 30, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Currency Fund[1]	8.43	16.60%	25.07%	-18.09%	-17.02%
The First Mercantile Currency Fund	7.40	10.61%	14.38%	-19.80%	-16.18%
Friedberg Currency Fund II Ltd.	576.89	19.58%	35.41%	-12.11%	-13.14%
Friedberg Currency Fund Ltd.	645.39	18.20%	32.81%	-9.52%	-9.68%
Friedberg Forex L.P.	7.39	14.22%	12.54%	-19.06%	-17.63%
Barclay Trader Indexes Currency		N.A.	14.07%	6.00%	3.00%

[1]Priced in Canadian Dollars
[2]Compounded Annual Rate of Return through May 2003

OPEN POSITIONS - June 30, 2003

	Leverage		Leverage
Short Swiss Franc	4.21	Long Czech Koruna	0.59
Short Hong Kong Dollar	1.81	Long Polish Zloty	0.57
Long British Pound	1.01	Long Hungarian Forint	0.55
Long U.S. Treasury Inflation Protected Securities	0.79	Short New Zealand Dollar	0.48
		Long Australian Dollar	0.48

gross leverage at June 30, 2003	10.49 *x*
maximum gross leverage during quarter	11.78 *x*

ACTIVITY REPORT - Second Quarter 2003

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Canadian Dollar	5.96	28.17
Long Euro Currency / Short Swiss Franc	5.13	24.28
Long U.S. Treasury Inflation Protected Securities	4.39	20.76
Short Swiss Franc	2.85	13.48
Long Australian Dollar / Short New Zealand Dollar	2.11	9.97
Long Australian Dollar	0.68	3.24
Long British Pound / Short Swiss Franc	0.02	0.10

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Basket[3] / Short Swiss Franc	(4.06)	82.35
Short Hong Kong Dollar	(0.87)	17.65

[3]Czech Koruna, Polish Zloty, Hungarian Forint

Model account value March 31, 2003	30,085.85
Model account value June 30, 2003	35,098.73
Percentage gain (loss) in quarter:	16.66%

DIVERSIFIED TRADING PROGRAM

Speculative trading of commodity, interest rate, and stock index futures, over-the-counter forwards and options markets.

PERFORMANCE as of June 30, 2003

	NAV	Quarter	Year over Year[1]	Three Years[1]	Five Years[1]
Friedberg Diversified Fund	6.08	-15.08%	13.13%	7.24%	-6.35%
CSFB/Tremont Managed Futures Index	—	N.A.	37.50%	14.36%	10.15%

[1]Compounded annual rate of return through May 2003

OPEN POSITIONS - June 30, 2003

	Leverage
Long U.S. Treasury Inflation Protected Securities	1.74
Short Crude Oil	0.43
Short Cotton	0.43
Long Five Year Notes	0.82
Long Thirty Year Bonds	1.67
Long Soybeans	0.39
gross leverage at June 30, 2003	6.36 *x*
maximum gross leverage during quarter	6.54 *x*

ACTIVITY REPORT - Second Quarter 2003

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long U.S. Treasury Inflation Protected Securities	7.06	78.28
Long Bonds	0.95	10.58
Short Wheat Puts	0.80	8.84
Long / Short Cocoa	0.15	1.69
Long / Short Soybeans	0.06	0.61

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long / Short Crude Oil	(5.69)	21.85
Long / Short Wheat	(5.24)	20.09
Long Gold	(3.20)	12.27
Long / Short Sugar	(2.66)	10.21
Long / Short Cotton	(2.57)	9.86
Long Corn	(2.02)	7.75
Long Coffee	(1.91)	7.31

FRIEDBERG INTERNATIONAL SECURITIES FUND

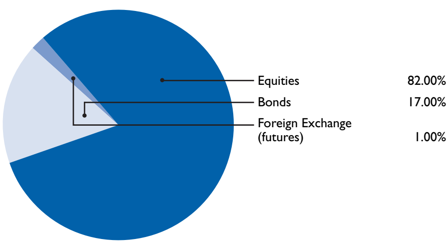
The fund seeks to capitalize on the rise and fall of local markets throughout the world by anticipating long term secular trends or by identifying, at an early stage, cyclical economic expansions and contractions of economies of selected countries. The fund uses leverage, and trades fixed income and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

PERFORMANCE[1] as of June 30, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg International Securities Fund	14.83	-1.92%	31.14%	26.35%
CSFB/Tremont Hedge Fund Index	—	N.A.	7.94%	7.16%

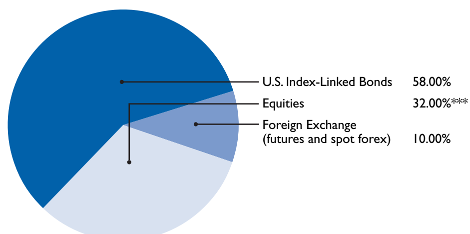
[1]Net of fees
[2]Compounded Annual Rate of Return through May 2003

BREAKDOWN BY INVESTED AMOUNTS*



*Based on margins used in each category

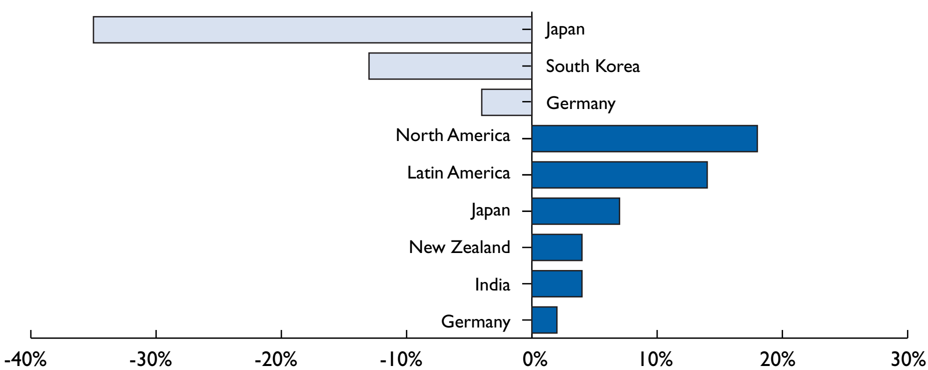
BREAKDOWN BY TOTAL GROSS EXPOSURE**



** Including notional values of derivatives
*** See chart below for breakdown

TOTAL GROSS LEVERAGE 3.58 *x*

EQUITIES ALLOCATION BY COUNTRY



NEW POSITIONS ESTABLISHED DURING THE QTR.
1) Long Puma (Germany)
2) Long Dr. Reddy Labs (India)
3) Long Toshiba (Japan)
4) Long Torii & Co. Pharma. (Japan)
5) Long Enersis (Chile)
6) Long Galicia (Argentina)
7) Long Devlan Exploration (Canada)
8) Long basket of small cap companies (U.S.)
9) Long Telecom New Zealand ADR (New Zealand)

POSITIONS LIQUIDATED DURING THE QTR.
1) Short Foodland (Australia)
2) Long Frontline (Norway)
3) Short Man Group (U.K.)
4) Long Hong Kong Equities (Hong Kong)
5) Long Mastek (India)
6) Short Hyakugo Bank (Japan)
7) Short Kagoshima Bank (Japan)

APPROXIMATE GROSS RETURNS ON BEGINNING EQUITY BY MAJOR SECTORS

(April 1 - June 30)[2]

Japan[3]	-6.14%	Australia	-0.34%
Korea	-3.65%	India	0.06%
U.S. Index-linked Bonds	10.02%	Europe	-2.44%
North America	-1.64%	New Zealand	0.52%
Hong Kong	-0.06%		
Latin America	2.14%		

[2]not time adjusted
[3]includes currency hedge

FRIEDBERG GLOBAL OPPORTUNITIES FUND LTD.

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

PERFORMANCE[1] as of June 30, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[1]
Friedberg Global Opportunities Fund Ltd.	628.97	-12.33%	21.80%	17.95%	-5.95%

[1]Net of fees
[2]Compounded Annual Rate of Return through May 2003

FRIEDBERG GLOBAL–MACRO HEDGE FUNDS

FRIEDBERG GLOBAL–MACRO HEDGE FUND LTD.
FRIEDBERG GLOBAL–MACRO HEDGE FUND

A fund of (Friedberg) funds. Allocations are reviewed periodically.

PERFORMANCE as of June 30, 2003

	NAV	Quarterly	Year over Year[1]
Friedberg Global–Macro Hedge Fund Ltd.	1,271.73	3.93%	22.63%
Friedberg Global–Macro Hedge Fund	11.78	5.75%	21.40%
CSFB/Tremont Hedge Fund Index	—	N.A.	7.94%

[1]Return through May 2003

Allocation of the Friedberg Global–Macro Hedge Fund Ltd. as of June 30, 2003 is as follows:

FUND	PROPOSED NEW ALLOCATION	CURRENT ALLOCATION	TOTAL $VALUE
Fixed Income Fund Ltd.	65.00%	66.09%	$58,482,179.97
Global Opportunites Fund Ltd.	10.00%	7.01%	$6,205,413.73
Equity Hedge Fund Ltd.	10.00%	10.74%	$9,505,289.94
Currency Fund Ltd.	10.00%	10.35%	$9,162,663.14
Commodity Trading Account	5.00%	5.78%	$5,113,995.92
Cash	0.00%	0.02%	$18,906.75
	100.00%	100.00%	$88,488,449.45

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 SKILL-BASED MANAGERS FUND

The Fund is a multi-strategy fund-of-funds. The objective is to generate steady returns in all environments. Albert Friedberg and David Rothberg co-manage.

PERFORMANCE as of June 30, 2003

	NAV	Quarter	Year over Year	Three Years[1]
Friedberg Skilled-Based Managers Fund	12.66	3.60%	6.18%	8.08%
CSFB/Tremont Hedge Fund Index	—	N.A.	7.94%	7.16%

[1]Compounded Annual Rate of Return through May 2003

David Rothberg Comments:

The Skill Based Managers Fund earned 3.6% during the second quarter, net of all fees. The allocation as of the end of June and returns during the quarter, by strategy, were as follows:

Strategy	Allocation in Percent	Return in Percent
Long/Short Value U.S.	34.4	5.6
Event Driven specializing in Risk Arbitrage	20.2	7.4
Convertible Arbitrage	28.2	2.2
CTA	12.9	2.4
Cash & Treasuries	4.3	.05

Inspired by the relatively quick victory in Iraq and relentless aid from the U.S. Federal Reserve, securities turned buoyant during the second quarter. As investors came to believe that risk was priced too high, spreads of distressed, junk and convertible debt over Treasuries of comparable terms shrank dramatically. The question is whether investors were being objective about issuers' ability to repay or whether they simply had too much cash in their pockets. The decline in Treasuries toward the quarter's end — even though it took much of the profit out of bond funds of all stripes — would seem to lend credence to the former view. Bond bears argued that stocks followed debt higher; business was getting better. We are inclined to disagree. Of all the arguments we've read about where the economy is headed, the most eloquent comes from a long/short value manager with whom the fund is invested. He said he could not accept any more money because he cannot find enough long positions to invest it in.

Like all human emotions, optimism is impossible to quantify, so it may very well be that equities have further to climb and bonds further to fall. Still, we're playing it as though the second quarter has exhibited irrational exuberance, post nineties style — that is, the same but smaller.

Turning now to the Skill Based Fund's portfolio, our allocation to **long/short value** returned positive results partly because a portion of the strategy is invested in distressed debt. Our current thinking is that profitable shorts will be abundant should distressed debt and equities tumble in synch.

Convertible arbitrage, which had enjoyed shrinking credit spreads, can depend upon this no longer. In addition, the strategy faces a wall of new supply that issuers, seeing assets in the strategy swelling by record amounts, are pricing at record highs. In coming months, positive results will accrue only to the deft.

Risk arbitrage is back with a vengeance. Yes, results can be attributed partly to buoyant equity markets. We think industry consolidation is more a factor — witness Oracle's go at PeopleSoft — and, given where we are in the economic cycle, should continue.

CTAs had their day last year when commodity markets trended from 190 to 250 (basis the Commodity Research Bureau Index). They've been choppy since then, which has been tough on quantitative/systems traders who dream of long trends like last year's the way hunters dream of prey. Discretionary managers like us, and who we favour, are more like chess players. The board offers lots of moves.

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