FRIEDBERG MERCANTILE GROUP LTD.

Third Quarter Report 2003

Third Quarter Report 2003

Dear Investor,

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

Overall results for the period under review, best represented by the performance of the Global Macro Hedge funds, were flat (+0.1%, -0.2%). The quarterly and year-to-date results (+9.5% and +5.2% respectively) mask a less-than-smooth overall trajectory and significant divergences in the underlying sub-funds. In the order of losers to winners, the currency funds lost between 8.4% and 14.0% for the quarter but maintained a positive 7% to 20.7% gain for the year to date; the Diversified Fund lost 4.8% for the quarter, bringing year-to-date results to -31%; the fixed income funds ranged from flat to an increase of 1% (+13.9% to +16.2% year to date); the International Securities Fund was up 1.7% for the quarter and 6% for the year to date; and the equity hedge funds recovered practically all their earlier losses during the quarter (+7.8% to +8.9%), leaving them at -0.6% and +2.3% for the year to date.

We sustained relatively heavy losses in the early part of the quarter as interest rates shot up at the fastest pace in recent memory and Treasury securities fell. These losses affected the fixed income portfolios and the diversified trading fund, in particular the latter because of its high gearing. The severity of the move took us by surprise, as we saw little reason for it. We have already aired our views on this matter in our *Friedberg Commodity & Currency Comments* publication and see no need to expound on it again.

The recent slow but steady recovery in Treasury securities is vindicating our position. While non-leveraged portfolios took the storm in stride, leveraged futures positions were decimated, causing the Diversified Trading Fund to post losses for the third consecutive quarter. That was my side of the story. The part of the account managed by our investment team fared slightly better, though, unfortunately, not well enough to put us in the plus column (see comments of S. Sanik, below).

You will recall that I had given myself two quarters to determine whether important changes should be made in this program. The choices would go all the way from transferring the balance of my allocation to the investment group at Friedberg's to doing away with the program altogether. Another alternative being contemplated involved transferring the entire allocation now going to the Diversified Trading Fund to an outside manager or managers. We are pleased to inform you that, in the interim, we have allocated some 3% of the net assets of the Global Macro Hedge funds to a fund that clones the S&P futures index (Refco SPHINX Managed Futures Index Fund Ltd. http://www.refcoinvestors.com/download/Sphinx%20Fact%20Sheet.pdf), reducing funds we manage by a corresponding amount. This fund, managed by 14 of the brightest CTAs in the world, was organized by our partners at Refco Group Ltd. LLC and Refco acts as the fund's prime broker. It is not improbable that the SPHINX will become in time the benchmark for the futures industry.

We have made no changes to the composition of the fixed income funds, which continue to maintain positions in inflation-linked Treasury securities issued by the U.S. and Canada. The proportion of Canadian versus U.S. securities varies between the funds, with the Canadian fund lending greater weight to Canadian real return bonds (as the inflation-linked securities are called in Canada).

Our holdings in Argentina's peso-denominated bonds has remained stable, between 4% and 12%, depending on the fund. These bonds, which are current, are linked to inflation too, and yield around 11% in *real terms*. We continue to maintain a very small position in Seabridge Gold Inc. shares, a leveraged proxy for gold prices. Each share represents approximately one half ounce of gold in the ground, with commercial potential at average bullion prices in excess of $375/oz. The Friedberg group owns a significant stake in this superbly managed company and a senior officer of FMG is a director. For details and a breakdown of these holdings, please turn to the inside exhibits.

Where a change has taken place is in the currency exposure of these funds. We have once again, albeit belatedly, moved out of U.S. dollars by selling them against Canadian dollars. The speed with which the U.S. dollar correction ended took us somewhat by surprise. We had expected the dollar to remain in a stronger phase for yet another few months, if not longer, given the superior economic performance of the U.S. vis-à-vis most of the rest of the world.

You will recall that in past quarters we successfully undertook a number of transactions to hedge our U.S. dollar exposure. These transactions enhanced our overall performance by a not inconsiderable number of basis points. We are proud to say that the combination of a very conservative selection policy — U.S. and Canadian government securities have constituted more than 85% of our fixed income portfolios for the past few years — and some well timed currency turns have allowed us to trounce our self-referenced benchmark by a wide mark for five years running (see inside exhibits). In fact, the three-year and five-year returns easily exceed stock market returns for that period (-9.09% and -0.17% respectively for the S&P 500).

In our currency program we pursued simultaneously three different strategies. Our largest and most consistent trade consisted of the purchase of central European currencies, in particular Polish zloty, Hungarian forint and Czech koruna, against the sale of Swiss francs, to take advantage of favourable interest rate differentials and differentials in prospects for economic growth. This position, which originated and was profitable in the previous quarter, lost just under 2% of beginning assets during the current quarter. The central European currencies, especially the Czech koruna, were negatively affected by market fears of fiscal spending and deficits and their potential effect on the plans of these countries to join the European Community.

We have few concerns in this respect. In the first place, these are rapidly growing economies, which ought to generate revenues more quickly than expected in coming months. Second, their debt levels are quite manageable, and in many cases, lower than those of established members of the Community. Third, their ruling classes, and in particular their central bank officials, are keenly aware of the fiscal problem and are in the process of addressing it. More importantly, in at least one case, there is strong interest in adopting more pro-growth policies, especially a low and uniform tax rate, in view of the extraordinary results obtained in the former Soviet Union. Finally, the Swedish rejection of the European Community embrace and the Danish and British voters' near certain rejection of the same in the upcoming polls may make more palatable the alternative of staying out. (Needless to say, we are quite sympathetic to this position, both for political and economic reasons.) If this fact is properly understood and absorbed, it may tend to reduce jitters every time a "convergence factor" is endangered. In the interim, we eliminated the Czech koruna position and replaced it with a larger position in Polish zloty and Hungarian forint. We intend to keep this position for some time.

Our second strategy was built around an outright U.S. dollar position. In this instance, we established a long position in the U.S. dollar anticipating that the euro/dollar move to the 1.20 level would correct to at least 1.00. We reasoned that the dollar drop resulted from a misreading of the U.S. current account deficit — mostly an Asian affair and willingly financed by this region. In addition, from a valuation point of view, we considered the drop excessive when factoring in, among other things, superior U.S. productivity. The slow but dramatic unpegging of the yen should have taken some pressure off the euro/dollar parity. Instead, it rekindled the general notion that the U.S. is heading towards bankruptcy as it continues to run large external deficits. Aborting on a dime, the reversal caught us short euros.

The highly leveraged position, however, had the small consolation of wonderfully focusing our mind. As a result, we reacted quickly and the damage was contained. Subsequently, we took a long position in Canadian dollars on the assumption that even a slightly weaker U.S. dollar would benefit the world's commodity producers. We felt instinctively that the European unit, at these rarified levels, was a great deal more "expensive" than the Canadian dollar, as the latter was relatively well protected by favourable terms of trade. This position has been carried into the new quarter and at present is showing a healthy profit.

Finally, we dedicated a small part of our trading capital to a bet on special situations, unrelated to the main theatre of activity, which is centred on the U.S. dollar-euro-yen axis. We discussed our short Hong Kong dollar position and its rationale in our last letter to you. We need only point out that the trade is not working as we expected. We assumed that four years of deflation would convince the HK authorities of the benefits of unpegging the currency (while retaining the currency board at a lower parity) and allowing it to move down towards the Chinese yuan.

In the meantime, powerful revaluation pressures operating on the Mainland Chinese unit have, irrationally we believe, created a bullish atmosphere for the HK dollar. Spot has moved to a premium of about 1.5% and forwards have swung from positive 100 basis points to negative 400 basis points. This has caused us to lose approximately 1.6% of our initial equity. We intend to run this position to maturity (an additional six months).

A short position in Mexican pesos, on the other hand, is working out well. Disappointment has set in over Mexico's stagnating economy and the inability of the Fox administration to carry out meaningful reforms. To make matters worse, Mexico's largest borrower, its state-owned Petroleos Mexicanos (Pemex), has recently been downgraded by one of the international credit agencies, even as oil prices remain historically high. In an effort to stimulate exports, officials have expressed sympathy for a further depreciation. We intend to cash out in the very near term.

The good performance of the equity hedge funds was achieved even as our net long position was gradually *reduced*, to –3% (slightly more shorts than longs) from +28.8% (more longs than shorts) even as the overall market, as measured by the S&P 500, was up for the quarter (approximately 2.2%). While our short side underperformed the market during the quarter, our long portfolio returned more than 14%, easily outpacing the technology and small-cap indexes. Helping us to achieve the better results was the widening of the spread between winners and losers and our ability to capitalize on this phenomenon (see "best quarterly performance" inside for details). We believe that as the bull market ages more divergences will occur which, in turn, should translate into a greater number of profitable opportunities.

Turnover in the International Securities Fund was greater than usual, though little change took place in sectoral weights and overall strategy. We benefited from the strong performance of our North American portfolio, made up of an interesting mix of biotechnology and high-tech stocks. We also continued to benefit from our core Latin holdings, Banco Latinoamericano, Banco de Galicia (Argentina) and Enersis (Chile), discussed in our previous letter. Finally, we switched our bond exposure from TIPS to nominal 30-year Treasuries (via CBOT-traded futures), to take advantage of better trading liquidity and in the hopes of capitalizing on swollen breakevens (for an explanation, see our latest *Friedberg's Commodity & Currency Comments*). Treasury bonds contributed to profits for the quarter, though the rise in interest rates reduced the final results.

Our biggest disappointment continues to be the performance of Japanese regional banks. A powerful upswing in the money centre banks, not irrationally encouraged by the rescue of Reesona and the implications for future bank bailouts, spilled over into our group and cost us a heavy 6% of initial equity. We continue to believe that the smaller banks will neither be recapitalized by the government nor nationalized outright. Rather, they will be liquidated and/or sold to larger money centre banks after their equity has been written down to zero. Huge increases in the monetary base, the result of unsterilized intervention, are apparently having some effect on growing broad money. Should the BOJ's efforts in this direction bear out, new problems are likely to erupt. First among them, of course, would be a collapse in JGBs and the ripple effect this would have on financial institutions already weakened by enormous loan losses.

In line with our comments in the second quarterly letter, we retained our short position in the South Korean market and doubled it just after the quarter end. It now represents approximately 45% of our total net assets. Old problems in South Korea have become even more acute of late: soaring labour costs, an extremely erratic and dangerous neighbour to the north, lack of financial transparency, poor governance, weak political leadership.

In sum, it was a decent quarter, though a struggling one. We did not read the tea leaves all that well and that accounted for the fact that we did not make the "ton of money" we hoped for last quarter. It is not at all clear to us that present trends will continue, though reaction time has shortened and volatility has increased rather dramatically. Given the huge pools of speculative and commercial money operating in these markets, one would be foolhardy to stand in front of the train. As the wise king once said, there is "a time for embracing and a time for shunning embraces; a time for seeking and a time for losing, a time for keeping and a time for discarding." Indeed, "there is nothing new beneath the sun!"

With continued wishes for health and prosperity,

Respectfully yours,

Albert D. Friedberg

PS: In the future we would like to send the quarterly reports by e-mail to ensure the fastest delivery possible. Please e-mail us at **reports@friedberg.ca** if you would like to receive your reports electronically.

Sholom Sanik Comments

We eked out a microscopic gain of 0.066% in the third quarter.

Gold prices rose by close to $50 per ounce in the quarter. Although the weak U.S. dollar continued to be the major factor in bullion's strength, gold may be taking on a life of its own. It has remained strong in the face of a recovery in equity markets and the absence of apparent inflationary pressures. A heavy speculative presence in the market will lead to periodic overbought conditions and inevitable setbacks, but we believe that we are in a long-term bull market. Our long position represented our most profitable trade.

Our uncertainty regarding the U.S. economy sent us on a brief, ill-fated foray into the long side of the Treasury note market in July. We tried to pick the bottom of what we believed was a countertrend in a powerful bull market, but we misjudged the magnitude of the slide. Our sell stops were triggered in short order, handing us our largest loss of the quarter and compromising an otherwise steady performance.

Explosive demand for feed grains in Asia made perfect crop weather an absolute necessity. Fearful that South American soybean supplies would be an adequate substitute for any potential production shortfall, we placed our bets with the long side of corn. We also reasoned that owning both corn and soybeans created excessive exposure to two markets that are typically affected by the same weather systems. We were wrong on both counts. Demand for soybeans was strong enough to absorb North and South American crops, and the dry spell in the U.S. Midwest this past summer had a more devastating effect on soybeans than it did on corn. Our performance in the grain complex bore no fruit.

Looking ahead, we established a long position in crude oil late in the quarter. OPEC was becoming uneasy as it watched prices penetrate the upper side of its $22-to-$28-per-barrel band, despite reasonably strong demand and falling inventories. Its response — to cut output by 900,000 barrels a day — caught the market by surprise and heavily short. We managed to get on board just after the production cuts were announced and we're looking for much higher prices.

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

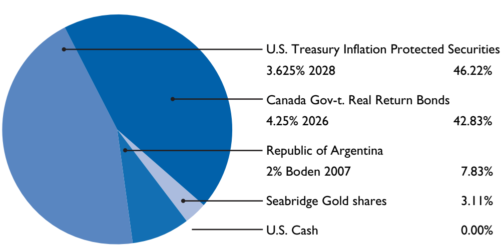
PERFORMANCE[4] as of September 30, 2003

	NAV	Quarter	Year over Year[2]	Two Years[2]	Three Years[2]	Five Years[2]
Friedberg Foreign Bond Fund[1]	13.98	0.07%	3.69%	8.62%	7.77%	4.27%
Friedberg Total Return Fixed Income Fund Ltd.	1,472.24	0.88%	13.39%	17.00%	12.19%	7.46%
Friedberg Total Return Fixed Income Fund L.P.	154.21	1.04%	15.98%	18.63%	14.95%	8.54%
Benchmark[3]	—	N.A.	10.73%	6.75%	7.00%	6.17%

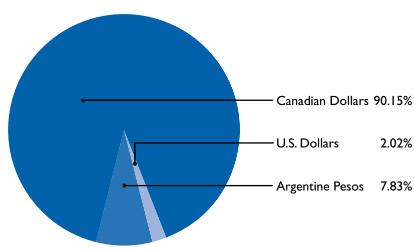
[1] Priced in Canadian Dollars
[2] Compounded Annual Rate of Return through August 2003
[3] 70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)
[4] Net of fees

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	3.34%*
Weighted average current yield	3.03%*

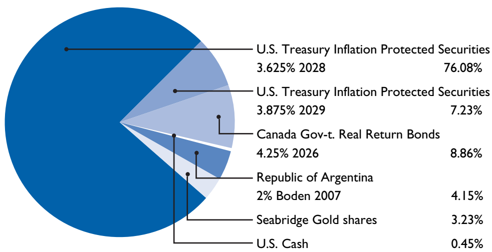
*Assumes zero inflation.

Adjusted modified duration	6.43
Approximate overall credit rating	AAA

Bond rating breakdown:	AAA	89.06%
	CC	7.83%
	Unrated	3.11%

FRIEDBERG FIXED INCOME FUND LTD.

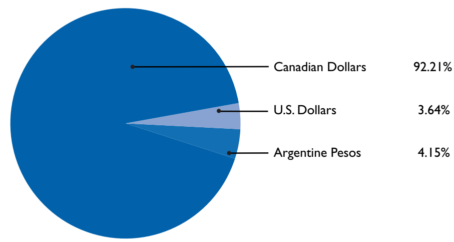
Portfolio Allocation



Weighted average yield to maturity	2.84%*
Weighted average current yield	2.90%*

*Assumes zero inflation.

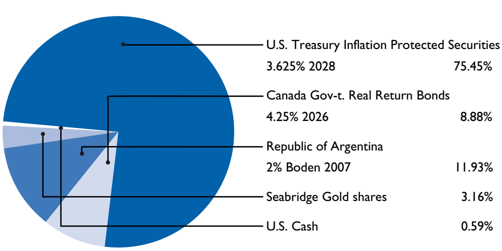
Currency Exposure



Adjusted modified duration		6.87
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	92.62%
	CC	4.15%
	Unrated	3.23%

FRIEDBERG FIXED INCOME FUND L.P.

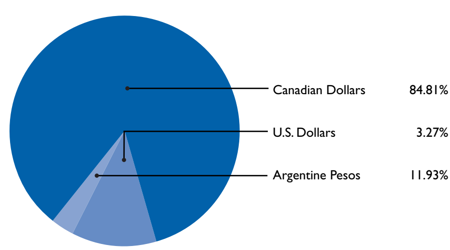
Portfolio Allocation



Weighted average yield to maturity	3.51%*
Weighted average current yield	2.79%*

*Assumes zero inflation.

Currency Exposure



Adjusted modified duration		6.32
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	84.91%
	CC	11.93%
	Unrated	3.16%

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 September 30, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity-Hedge Fund Ltd.	16.23	7.77%	-13.97%	4.09%	8.59%
Friedberg Equity-Hedge Fund	1,939.63	8.95%	-10.20%	7.05%	11.63%
CSFB/Tremont Equity Market Neutral Index	—	N.A.	5.50%	7.66%	11.59%

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

INVESTMENT ALLOCATION[3]

	30-Jun-03	31-Jul-03	31-Aug-03	30-Sep-03
LONGS	56.30%	52.74%	53.75%	49.14%
SHORTS	43.70%	47.26%	46.25%	50.86%
TOTAL GROSS LEVERAGE	2.83 *x*	3.03 *x*	2.69 *x*	2.83 *x*

LARGEST SECTORS (LONGS)[3]

Telecom-equipment	6.44%
Computers-networking/ integrated systems	5.24%
Biotechnology	5.19%

LARGEST SECTORS (SHORTS)[3]

Industrials-large cap (S&P 500 index futures)	15.46%
Technology-large cap (NASD 100 index futures)	10.07%
Medical-drugs/biomedical	6.33%

[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.
Catellus Development Corp.
Geron Corp.
Imclone Systems
Cuno Inc.
Gateway Inc.
Cubic Corp.
Southern Corp.

LARGEST SHORT POSITIONS

S&P 500 index futures
NASD 100 index futures
General Motors Corp.
Walgreen Corp.
Johnson & Johnson
Microsoft Corp.
Kohl's Corp.
New York Times Co.
Coca Cola Company
H.B. Fuller Co.

BEST QUARTERLY PERFORMANCE

LONGS

Dusa Pharmaceuticals Inc.	86.45%
Novell Inc.	64.67%
Solectron Corp.	56.42%

SHORTS

Schering Plough Corp.	47.10%
Coca Cola Co.	7.43%
Weight Watchers International Inc.	4.87%

WORST QUARTERLY PERFORMANCE

LONGS

CV Therapeutics Inc.	-36.52%
Firstenergy Corp.	-30.04%
Sun Microsystems Inc.	-22.58%

SHORTS

Johnson & Johnson	-35.65%
Harley Davidson Inc.	-21.48%
America International Group Inc.	-14.35%

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[3] as of September 30, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Currency Fund[1]	7.26	-13.88%	17.91%	-15.41%	-19.94%
The First Mercantile Currency Fund	591.28	-8.38%	25.75%	-6.84%	-11.03%
Friedberg Currency Fund II Ltd.	528.00	-8.47%	26.95%	-8.54%	-14.73%
Friedberg Currency Fund Ltd.	6.70	-9.34%	17.96%	-15.03%	-18.48%
Friedberg Forex L.P.	6.78	-8.38%	19.90%	-15.93%	-16.91%
Barclay Trader Indexes Currency		N.A.	4.85%	6.02%	4.24%

[1]Priced in Canadian Dollars
[2]Compounded Annual Rate of Return through August 2003
[3]Net of fees

OPEN POSITIONS - September 30, 2003

	Leverage
Long Hungarian Forint / Long Polish Zloty / Short Swiss Franc	4.02
Long Canadian Dollar	3.10
Short Hong Kong Dollar	2.07
Short Mexican Peso	0.58
gross leverage at September 30, 2003	9.78 *x*
maximum gross leverage during quarter	11.29 *x*

ACTIVITY REPORT - Third Quarter 2003

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Short Swiss Franc	3.42	50.17
Long Canadian Dollar	3.09	45.39
Short Mexican Peso	0.30	4.44

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long / Short Euro Currency	-8.76	46.82
Long U.S. Treasury Inflation Protected Securities	-4.66	24.89
Long Basket[3] / Short Swiss Franc	-1.87	10.00
Short Hong Kong Dollar	-1.62	8.66
Long Australian Dollar / Short New Zealand Dollar	-1.30	6.98
Long British Pound / Short Swiss Franc	-0.49	2.65

[3]Czech Koruna, Polish Zloty, Hungarian Forint

Model account value June 30, 2003	35,098.73
Model account value September 30, 2003	30,964.59
Percentage gain (loss) in quarter:	-11.78%

DIVERSIFIED TRADING PROGRAM

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

PERFORMANCE[2] as of September 30, 2003

	NAV	Quarter	Year over Year[1]	Three Years[1]	Five Years[1]
Friedberg Diversified Fund	5.79	-4.77%	-38.01%	-3.01%	-17.65%
CSFB/Tremont Managed Futures Index	—	N.A.	10.91%	13.60%	7.27%

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

OPEN POSITIONS - September 30, 2003

	Leverage
Long Thirty Year Bonds	2.51
Long Cocoa	0.12
Long Soybeans	0.25
Long Corn	0.33
Long Gold	0.29
Long Crude Oil	0.43
gross leverage at September 30, 2003	3.94 *x*
maximum gross leverage during quarter	8.35 *x*

ACTIVITY REPORT - Third Quarter 2003

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long / Short U.S. Thirty Year Bonds	5.41	53.50
Long Gold	1.52	15.06
Long S&P Futures	1.47	14.53
Short Crude Oil	0.89	8.82
Long Corn	0.82	8.08

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long U.S. Treasury Inflation Protected Securities	(7.47)	50.27
Long Ten Year Notes	(2.96)	19.96
Short Cotton	(1.46)	9.82
Long Five Year Notes	(1.23)	8.26
Long Wheat	(0.77)	5.16
Long Cocoa	(0.66)	4.41
Long Soybeans	(0.31)	2.11

FRIEDBERG INTERNATIONAL SECURITIES FUND

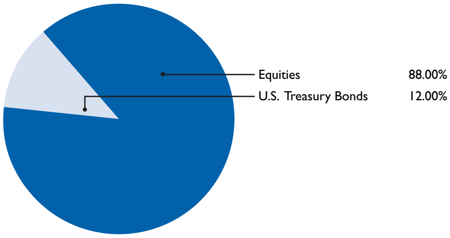
The fund seeks to capitalize on the rise and fall of local markets throughout the world by anticipating long term secular trends or by identifying, at an early stage, cyclical economic expansions and contractions of economies of selected countries. The fund uses leverage, and trades fixed income and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

PERFORMANCE[1] as of September 30, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg International Securities Fund	15.08	1.69%	-2.44%	21.50%
CSFB/Tremont Hedge Fund Index	—	N.A.	11.23%	5.25%

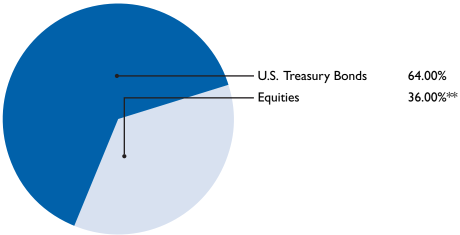
[1]Net of fees
[2]Compounded annual rate of return through August 2003

BREAKDOWN BY INVESTED AMOUNTS*



*Based on margins used in each category

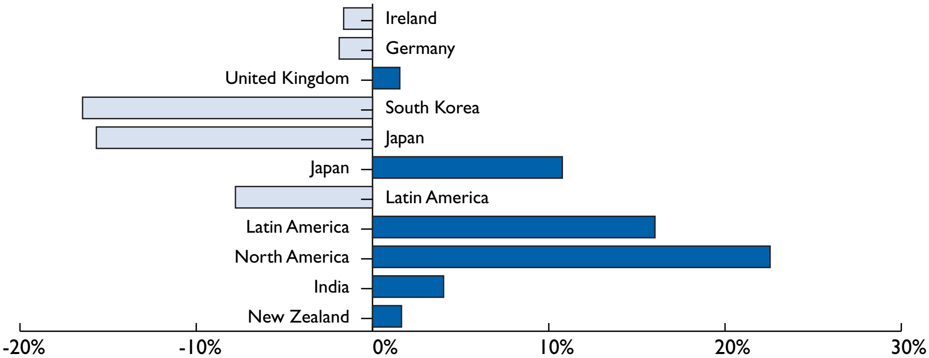
BREAKDOWN BY TOTAL GROSS EXPOSURE**



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

TOTAL GROSS LEVERAGE 3.09 *x*

EQUITIES ALLOCATION BY COUNTRY



NEW POSITIONS ESTABLISHED DURING THE QTR.
1) Long Old Mutual (U.K.)
2) Short Allied Irish Bank ADR (Ireland)
3) Short Banco Bradasco ADR (Brazil)
4) Short Brasil Telecom ADR (Brazil)
5) Short Companhia Energetica de Minas Gerais ADR (Brazil)
6) Short Petroleo Brasil ADR (Brazil)
7) Long Immunogen (U.S.)
8) Long Vical (U.S.)

POSITIONS LIQUIDATED DURING THE QTR.
1) Long Puma (Germany)
2) Short Muenchen Rueck (Germany)
3) Short Shikoku Bank (Japan)
4) Short Hyakujushi Bank (Japan)
5) Short Sumitomo Mitsui Financial (Japan)
6) Short Tokyo Tomin Bank (Japan)
7) Long Nissan ADR (Japan)
8) Short Korea Fund (Korea)
9) Short Banco Bradasco ADR (Brazil)
10) Short Companhia Energetica de Minas Gerais ADR (Brazil)
11) Long Key Energy Services (U.S.)
12) Long Western Digital Corp. (U.S.)
13) Long New Zealand Telecom ADR (New Zealand)
14) Long U.S. Index Linked Bonds (U.S.)

APPROXIMATE GROSS RETURNS ON BEGINNING EQUITY BY MAJOR SECTORS

(July 1 - Sept 30)[2]

North America	4.81%	New Zealand	0.05%
Latin America	2.50%	Europe	-0.03%
U.S. Treasury Bonds	1.56%	Korea	-0.93%
India	0.34%	Japan[3]	-5.98%

[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 September 30, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[1]
Friedberg Global Opportunities Fund Ltd.	569.47	-9.46%	-30.13%	8.25%	-17.95%

[1]Net of fees
[2]Compounded annual rate of return through August 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[2] as of September 30, 2003

	NAV	Quarterly	Year over Year[1]
Friedberg Global–Macro Hedge Fund Ltd.	1,269.59	-0.17%	3.21%
Friedberg Global–Macro Hedge Fund	11.79	0.08%	6.27%
CSFB/Tremont Hedge Fund Index	—	N.A.	11.23%

[1]Return through August 2003
[2]Net of fees

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

FUND	PROPOSED NEW ALLOCATION	CURRENT ALLOCATION	TOTAL $ VALUE
Fixed Income Fund Ltd.	65.00%	65.07%	$57,060,215.81
Equity Hedge Fund Ltd.	10.00%	11.85%	$10,387,425.92
Currency Fund Ltd.	10.00%	9.57%	$8,394,536.98
Global Opportunites Fund Ltd.	7.50%	6.43%	$5,636,303.09
Refco SPHINX Managed Futures Index Fund Ltd.	2.50%	2.12%	$1,854,727.53
Commodity Trading Account	5.00%	5.03%	$4,406,342.11
Cash	0.00%	-0.05%	($44,942.87)
	100.00%	100.00%	$87,694,608.57

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[2] as of September 30, 2003

	NAV	Quarter	Year over Year[1]	Three Years[1]
Friedberg Skilled-Based Managers Fund	13.05	3.08%	11.61%	9.59%
CSFB/Tremont Hedge Fund Index	—	N.A.	11.23%	5.25%

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

David Rothberg Comments:

The Skill Based Managers Fund earned 3.13% during the third quarter, net of all fees. Year-to-date, the Fund is up 7.81%. The allocation as of the end of September and returns during the quarter, by strategy, were as follows:

Strategy	Allocation in Percent	Return in Percent
Long/Short Value U.S.	37.4	8.18
Event Driven specializing in Risk Arbitrage	20.9	3.12
Convertible Arbitrage	27.8	-1.67
CTA	13.7	5.80
Cash & Treasuries	—	—

Markets respond to stories. A financial story is a narrative that emerges from a chaos of rumours, opinions, and theories that are all the time surrounding, enveloping, and insinuating themselves into markets — you can include this report in the list. With its emergence, the narrative takes on the cachet of truth. Recent examples include: Stocks Will Go Up Because the Equity Risk Premium is Too Low, or Stocks will Go Down Because of Deflation and Consumer Indebtedness. What's obvious, of course, is that the only truth is in the term "story" — as in a tale, as in fiction. As Karl Popper would have said: We humans can do nothing more.

The past quarter featured competing best sellers. Long-time favourite Stocks will Go Down Because of Deflation and Consumer Indebtedness was challenged by Greenspan Again Saves the Day With Courageously Massive Infusions of Liquidity.

When the new story first appeared bonds collapsed; December Treasury Note Futures fell to 108 from 117, and stocks rose — by quarter's end, by nearly 6.5%. However, testifying to the uncertainty, by month's-end bonds had recovered two thirds of their loss, and commodity futures, proxies for price expectations, staggered in taut limbo never managing to rise or fall by more than 4.5% of their average price during the quarter.

With the exception of the CTA component, our Fund's returns reflect the stories. Value investors in equities and distressed securities were big winners. Convertible arbitrage strategists — saddled with equity volatility that has ratcheted down to inordinately quiet levels in addition to bond weakness and despite the stock market's rise — lost a bit. Event driven/risk arbitrage profited from an estimated 10% increase in deal flow during the quarter, much of it a reflection of stock market buoyancy, and much of it unfriendly, that's to say, complex and therefore generating relatively wide spreads.

That our CTA component outperformed its category reflects an increase in the volatility of the individual commodities that make up the asset class.

What now? The story we are writing to ourselves is: It's 1971 — Sort of. Expect a weaker dollar, higher gold prices, a mushy stock market; and sooner or later, higher bond yields. In this setting, we would underweight convertible arbitrage, remain neutral on risk arbitrage, remain slightly overweight hedged equity strategies and CTAs, add an emerging markets component, and perhaps add real estate.

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