



**THIRD QUARTER
REPORT
2000**



THIRD QUARTER REPORT 2000

Dear Investor,

I am pleased to report to you our third-quarter results. You will note substantial changes in the presentation. Gone are the individual comments on each fund. Instead, you will find one discussion of the manager's overall investment philosophy tying together many of the themes and threads running through the various funds. In addition, you will find tables and charts that will depict, clearly we hope, the quarterly activity, closing positions and performance as well as other features that should help you gauge what we have been doing with your funds. To paraphrase the Chinese proverb, a chart or table is worth more than a thousand words; so why burden you with too many words? We have striven for a maximum of disclosure and transparency within a crisp and informative format. Since, of course, the presentation can always be improved, we look forward to your constructive comments.

The "big picture" as we see it is the US slide into stagflation – accelerating inflation and decelerating growth. This scenario, as it plays itself out, has important implications. For one thing, it means that stocks lose their allure. Instead of acting as a magnet for global capital, as they have in the past, they turn into a drag. No longer will the US economy be able to rely on such an easy funding source for its profligate ways. Negative domestic household savings, which have translated into a huge and growing current account deficit, have made the US vulnerable to a hard landing. It is no longer a question of "if" but "when": the US dollar will fall; interest rates will rise; a gnawing rise in service inflation will be accentuated by rising import prices; and default rates, already high, will skyrocket, with consumer credit leading the parade. In anticipation, we have continued to build up our euro exposure in the fixed-income and currency funds. While the downtrend has cost us some money during the past quarter, we believe that the hemorrhage is nearly over. A well effected intervention has taken the wind from the sails of trend players and has stabilized the currency around 88 cents, giving time for the favorable fundamentals to assert

themselves. These fundamentals, of course, have more to do with the vulnerability of the US dollar than the attractiveness of the euro. Nevertheless, it behooves us to note that Euroland has a sounder monetary policy than the US and that its current account is in surplus. In addition, unemployment rates are falling a great deal faster than anyone thought, thanks to new flexibility in labor laws and the growth of part-time employment. Finally, Euroland is far less vulnerable to a deep and lengthy bear market in equities than is the US. At some point in the next six to 12 months, differential growth rates are practically guaranteed to move in Euroland's favor. For similar reasons, we have continued to emphasize inflation-indexed US and Canada government bonds in our fixed-income funds. In the coming stagflation, real interest rates will fall and inflationary expectations will rise, giving us an opportunity to reap important capital gains. (And of course actual inflation will compensate holders of these securities directly as it has over the past 12 months, providing a 3.5% year-on-year "bonus.") This is also the reason we have built up leveraged positions in these securities in some of our more speculative funds. The coming stagflation and margin compression (for a more detailed discussion, see our September issue of Friedberg's Commodities and Currencies Comments, available on request) will profoundly disappoint growth investors and force a wrenching readjustment in equity multiples, particularly in the tech sector. This view is very clearly reflected in our equity hedge funds. On the other hand, markets that are sealed off from global investors and their recurrent need for liquidity should continue to benefit from productivity gains and trade globalization, especially if they can be acquired at reasonable prices. China "B" shares meet this criteria. They are selling at 12 times earning and at a 75% discount to the exact same domestic shares. China has become a member of the World Trade Organization (WTO) and the government is extremely interested in developing a strong and vibrant capital market to fund its enormous capital needs. Global funds have not had an opportunity to build up significant positions in this market. For these reasons, Nasdaq-induced massive liquidation is highly unlikely. China "B" shares have become the International Fund's latest and most significant acquisition.

The Japanese deflation theme is old. Nevertheless, it is getting more severe and will become a huge drag on Japan's economy in coming months. The slow and agonizing collapse in asset prices will certainly wipe out a good part of the secondary banking sector. We remain patiently short.

We hope that we have given you a unified and coherent view that strings together the various strategies employed in our various funds. Slowly but inexorably our scenario is coming into focus. Needless to say, extraordinary profits await those who can anticipate this important inflection in global economic activity. We continue to expect sharply improved financial results in all areas.



Albert D. Friedberg



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FRIEDBERG ALLOCATION MODEL

NEIL RACKOFF COMMENTS:

The Friedberg Allocation Model returned –2.17% for the quarter and 4.69% for the year to date.

We have advised clients for the past two years that allocating money to our programs in the same manner as the manager allocates money to his own program will produce a smoother ride on our ship through choppy waters. This continues to be true. While other global-macro players, commodity trading advisors, and investment managers continue to post dismal and almost fatal returns, we have proudly reduced our overall volatility (on an allocation basis) and have started to significantly outperform even the NASDAQ!

Those who have lost money in our individual programs unfortunately did not heed our advice and diversify like the manager.

The fog is clearing for us. We (you and us) know that, as Mr. Friedberg puts it in the September 25, 2000, edition of Friedberg's Commodity and Currency Comments, "the party is over, but the guests don't know it...yet."

We have been in the game. We remain in the game. Now, more than ever, the environment requires vigilance and an experienced hand. In addition, we have been developing some new and exciting programs that we hope to be able to share with you in the very near future.

The recommended allocation going forward is:

Fixed Income	–	65%
Equity Hedge	–	15%
Currency	–	10%
Global Opp.	–	10%

FOREIGN BONDS

FRIEDBERG FOREIGN BOND FUND
 FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.
 FRIEDBERG TOTAL RETURN FIXED INCOME LP

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 bond denominated in a variety of currencies.
 LOW RISK. Objective: LIBOR +4% per annum

PERFORMANCE as of September 30, 2000

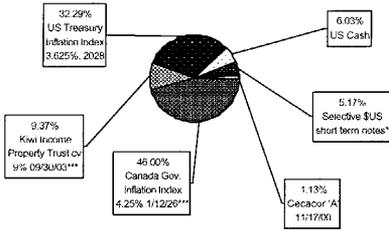
	NAV	Quarterly	Year over Year	3 Years
Friedberg Foreign Bond Fund ¹	9.29	0.65%	-4.18%	2.32%
Friedberg Total Return Fixed Income Fund Ltd.	991.05	-1.47%	-2.29%	-0.92%
Friedberg Total Return Fixed Income Fund L.P.	99.06	-2.38%	-2.99%	-0.55%

¹Priced in Canadian Dollars

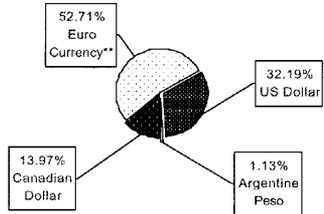
²Compounded Annual Rate of Return

FRIEDBERG FOREIGN BOND FUND

FRIEDBERG FOREIGN BOND FUND
 Portfolio Allocation



FRIEDBERG FOREIGN BOND FUND
 Currency Exposure



Weighted average yield to maturity 8.08%
 Weighted average current yield 4.93%

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

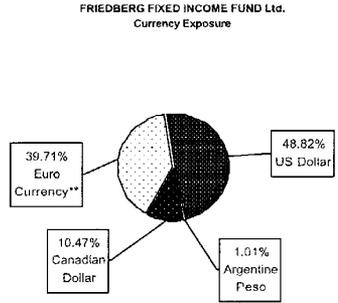
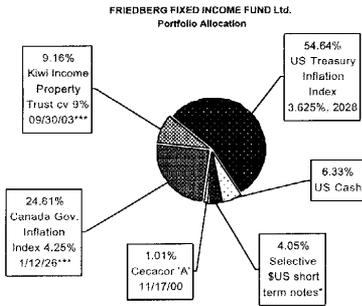
**Synthetic Position

***Currency Partially or Totally Hedged

1/4 beta adjusted average modified duration
 Approximate overall credit rating

3.51 years
 AA

FRIEDBERG FIXED INCOME FUND LTD.

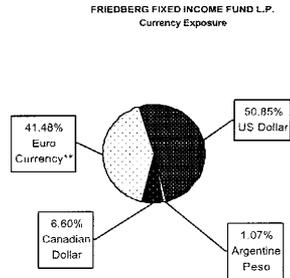
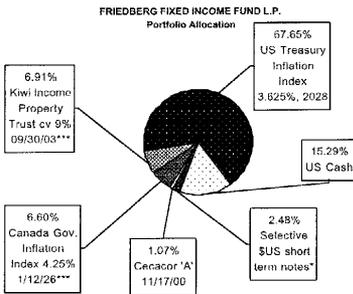


Weighted average yield to maturity 8.02%
Weighted average current yield 4.70%

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

1/4 beta adjusted average modified duration 3.32 years
Approximate overall credit rating AA

FRIEDBERG FIXED INCOME FUND L.P.



Weighted average yield to maturity 7.85%
Weighted average current yield 4.31%

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

1/4 beta adjusted average modified duration 3.17 years
Approximate overall credit rating AA+

EQUITY HEDGE PROGRAM

FRIEDBERG EQUITY HEDGE FUND LTD.
FRIEDBERG EQUITY HEDGE FUND

The fund invests in equity securities, engaging in long buys and short sales of securities and speculating in stock index futures contracts and related options, while making use of leverage. The fund will attempt to balance long and short positions in such a way as to minimize systematic or market risks.

MEDIUM RISK. Objective: 20-25% per annum

PERFORMANCE¹ as of September 30, 2000

	N.A.V.	Quarterly	Year over Year	3 Years ²
Friedberg Equity-Hedge Fund Ltd.	1565.23	2.20%	79.23%	15.15%
Friedberg Equity-Hedge Fund	14.25	1.79%	68.64%	14.69% ³

¹ Net of fees

² Compounded annual rate of return

³ Since inception Feb/1998 at \$10.00

INVESTMENT ALLOCATION⁴

	Jun-00	Jul-00	Aug-00	Sep-00
LONGS	58.28%	56.23%	57.41%	56.04%
SHORTS	41.72%	43.77%	42.59%	43.96%
TOTAL GROSS LEVERAGE	2.12	2.14	2.55	2.07

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

LARGEST SECTORS (LONGS)⁴

Misc. Industrials (Dow Jones futures) ⁵	12.80%
Medical-Biotechnology/Drugs/Genes	10.24%
Electric Utilities	8.35%

LARGEST SECTORS (SHORTS)⁴

Internet	10.28%
Telecom	8.06%
Regional Banks	7.66%

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

⁵ Market value of futures contracts

LARGEST LONG POSITIONS

DJ Ind. Average Index Futures
Peco Energy Co.
Unicom Corporation
Entergy Corporation
COR Therapeutics Inc.
DUSA Pharmaceuticals Inc.
Automatic Data Processing
Catellus Development Corporation
Pfizer Inc.
Qualcomm Inc.

LARGEST PAIR

Juniper Networks (Long)
Cisco Systems Inc. (Short)

LARGEST SHORT POSITIONS

Amazon.Com Inc.
National City Corporation
Adelphia Communications
Pitney Bowes Inc.
First Union Corporation
Vodafone Group PLC
Verticalnet
RCN Corporation
Alltel Corporation
BMC Software Inc.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
XOMA Ltd.	100.39%	Prodigy Communications	51.19%
COR Therapeutics	46.08%	United Global Communications	49.26%
Peco Energy	30.95%	BMC Software Inc.	47.58%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Eastman Kodak	-35.44%	Queens County Bancorp	-54.24%
Colgate-Palmolive	-27.56%	Banc One Corporation	-45.41%
Cephalon Inc.	-19.00%	First Union Corporation	-29.72%

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 September 30, 2000

	N.A.V.	Quarterly	Year over Year	3 Years ²
Friedberg Currency Fund ¹	13.80	-10.74%	-28.79%	0.19%
Friedberg Currency Fund Ltd.	799.32	-9.97%	-24.71%	4.17%
Friedberg Forex LP	12.17	-12.26%	-30.54%	-0.94%

¹ Priced in Canadian Dollars

² Compounded Annual Rate of Return

OPEN POSITIONS - September 30, 2000

	Trade Price	Market Price	Open trade equity as percentage of closing equity	Leverage
Inflation Linked Notes	1.0322557	1.028790	-0.33	0.98 x
Euro	0.878685	0.884013	0.31	0.51 x
Euro	0.884110	0.884013	-0.01	0.51 x

Gross leverage at September 30, 2000 2.00 x

Maximum gross leverage during quarter 4.94 x

ACTIVITY REPORT - Third Quarter 2000

PROFITABLE TRANSACTIONS	Profit as percentage of beginning equity	Percentage of total profits
Long Euro Currency-Short British Pound	1.23	47.53
Long Euro Currency	1.36	52.47
LOSING TRANSACTIONS	Loss as percentage of beginning of equity	Percentage of total losses
Long Euro Currency-Short British Pound	-6.84	44.39
Long Euro Currency-Short Japanese Yen	-0.97	6.33
Long Euro Currency	-5.60	36.36
Long Japanese Yen	-1.63	10.57
Inflation Indexed Securities	-0.36	2.36

DIVERSIFIED TRADING PROGRAM

FRIEDBERG DIVERSIFIED FUND
 FRIEDBERG DIVERSIFIED POOL

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 September 30, 2000

	N.A.V.	Quarterly	Year over Year	3 Years ¹
Friedberg Diversified Fund	4.62	-18.95%	-52.37%	-24.91%

¹Compounded Annual Rate of Return

OPEN POSITIONS - September 30, 2000

	Trade Price	Market Price	Open trade equity as percentage of closing equity	Leverage
Inflation Linked Notes	1.0619024	1.05796	-1.32	3.55
Crude Oil	27.685	30.71	9.67	0.98

Gross leverage at September 30, 2000 4.53 x
 Maximum gross leverage during quarter 29.33 x

ACTIVITY REPORT - Third Quarter 2000

PROFITABLE TRANSACTIONS	Profit as percentage of beginning equity	Percentage of total profits
Long Cotton	1.74	22.54
(Net) Long Crude Oil	3.17	41.13
Long Sugar	2.80	36.33

LOSING TRANSACTIONS	Loss as percentage of beginning of equity	Percentage of total losses
Long Cocoa	-3.62	12.77
Short Copper	-1.82	6.42
Short Eurodollar (Interest Rate)	-5.67	20.02
Long Gold	-4.49	15.84
Long Natural Gas	-3.07	10.83
Long Russell Stock Index	-6.12	21.58
Inflation Indexed Securities	-2.33	8.23
Long Zinc	-1.22	4.31

FRIEDBERG FUTURES FUND

The Futures Fund combines the Currency and Diversified programs in approximately equal weights. Please refer to our earlier graphs and table 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 September 30, 2000

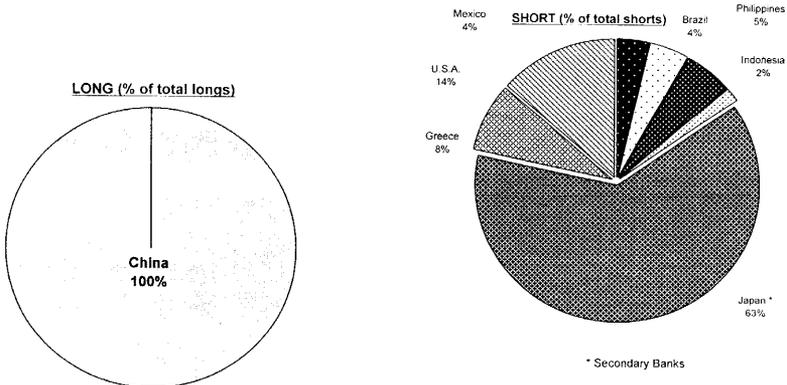
N.A.V.	Quarterly	Year over Year 3	Years ²
7.02	-3.70%	-4.23%	-13.20% ³

¹ Net of Fees

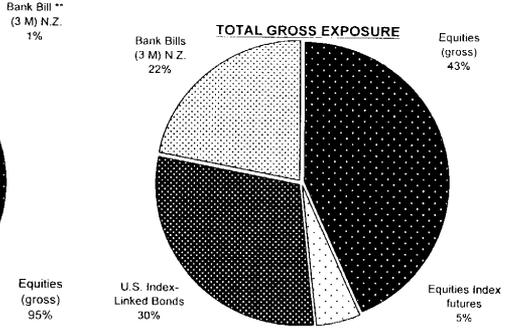
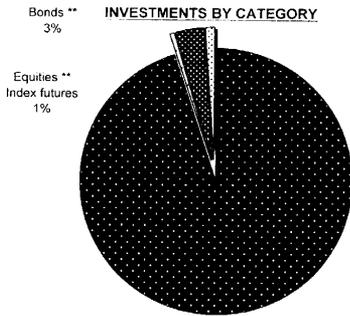
² Compounded annual rate of return

³ Since inception April 1998 at \$10.00

EQUITIES EXPOSURE BY COUNTRY



BREAKDOWN OF INVESTMENTS AND TOTAL GROSS EXPOSURE



** Value of margin deposits

TOTAL GROSS LEVERAGE 3.18

POSITIONS ESTABLISHED DURING THE QTR.

- 1) Bought long China "B" shares
- 2) Bought long Japanese Yen futures (Hedge to short J Yen equities)
- 3) Sold short U.S. Nasdaq index futures

POSITIONS LIQUIDATED DURING THE QTR.

- 1) Partially covered short Mexican stocks
- 4) Covered short Nippon Bank and Trust (Japan)
- 5) Covered short PT Telekomik (Indonesia)

FRIEDBERG GLOBAL OPPORTUNITIES 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.

PERFORMANCE¹ as of September 30, 2000

N.A.V.	Quarterly	Year over Year	3 Years ²
336.19	-20.35%	-51.32%	-34.86

¹ Net of Fees

² Compounded annual rate of return

FRIEDBERG SKILL/BASED MANAGERS FUND

David Rothberg Comments:

The Fund outperformed the S&P, its benchmark by 1.25%. At the same time it continued to perform without correlation to the S&P, or for that matter to any of the major traditional investments, that is to say G7 equities or fixed income securities. Furthermore the fund performed with markedly low volatility. However, inasmuch as the absolute returns of 0.75% are less than we aspire to, we take only modest pleasure in our achievements.

All the external strategies to which we have allocated funds performed well during the period. Takeover/spin-off/consolidation has become a great and global game. CEOs have never had more fun, and neither have managers specializing in risk arbitrage. Ours has outperformed his peers. So too has the long/short value manager to whom we have made an allocation. If you consider how difficult it has been in this CNBC-driven investment environment for value people to perform well, you will appreciate how pleased we are. Finally, our convertible arbitrage specialist has churned out consistent, if lagging, positive results. His underperformance is the result of a conservative streak, which, at the present time, we forgive and, indeed, share.

This brings us to our internally managed strategies, that is to say FMG's own currency and diversified programs. Both have performed poorly. Both are discussed thoughtfully and candidly by my esteemed colleague elsewhere in this report. I will add only that as an investor in and as a portfolio manager of the Skill Based Managers Fund, I am disappointed in their performance but not discouraged.

NOTES

NOTES



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