

FRIEDBERG  
MULTI-SECTOR  
FUNDS

Friedberg Total Return Fixed  
Income Fund Ltd.

Friedberg Global-Macro  
Hedge Fund Ltd.

(Known as the "Friedberg Multi-Sector Funds")

Financial Statements and  
Independent Auditors' Report  
December 31, 2008 and 2007

# **FRIEDBERG MULTI-SECTOR FUNDS CONTENTS**

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## Rothstein Kass

### Independent Auditors' Report

To the Shareholders and Board of Directors of  
Friedberg Total Return Fixed Income Fund Ltd. and  
Friedberg Global-Macro Hedge Fund Ltd.  
(the "Friedberg Multi-Sector Funds" or "Funds")

We have audited the accompanying statements of assets and liabilities of the Friedberg Multi-Sector Funds, (the "Funds") including the condensed schedules of portfolio investments, as of December 31, 2008 and 2007, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Funds. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friedberg Multi-Sector Funds as of December 31, 2008 and 2007, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company (Cayman)*

Grand Cayman, Cayman Islands  
June 11, 2009

Member  Affiliated Offices Worldwide

# FRIEDBERG MULTI-SECTOR FUNDS

(Expressed in United States Dollars)

December 31,

	Friedberg Total Return Fixed Income Fund Ltd.		Friedberg Global-Macro Hedge Fund Ltd.	
	2008	2007	2008	2007
<b>Statements of Assets and Liabilities</b>				
<b>Assets</b>				
Investments in securities, at fair value	\$90,481,772	\$94,224,554	\$ 653,748,988	\$172,295,587
Investments in private investment companies, at fair value	—	—	90,930,384	121,949,704
Cash	42,642	120,614	205	983
Due from brokers and contracts awaiting settlement	1,150,276	4,879,150	162,405,439	177,734,711
Subscriptions receivable	—	—	20,000,000	8,542,714
Net equity in derivative contracts, at fair value	3,753,679	—	77,851,871	27,922,664
Interest and dividends receivable	23,109	305,101	3,333,159	416,304
Other assets	2,624	1,640	28,899	28,899
Total assets	<u>95,454,102</u>	<u>99,531,059</u>	<u>1,008,298,945</u>	<u>508,891,566</u>
<b>Liabilities</b>				
Securities sold short, at fair value	—	—	81,575,938	133,455,037
Due to brokers and contracts awaiting settlement	—	—	347,036,635	—
Net equity in derivative contracts, at fair value	—	214,380	—	—
Accounts payable and accrued expenses	95,779	102,309	2,065,923	1,758,668
Incentive fee payable	—	—	15,946,766	12,355,965
Redemptions payable	—	—	3,352,651	—
Total liabilities	<u>95,779</u>	<u>316,689</u>	<u>449,977,913</u>	<u>147,569,670</u>
<b>Net Assets and Shareholders' Equity</b>	<u>\$95,358,323</u>	<u>\$99,214,370</u>	<u>\$ 558,321,032</u>	<u>\$361,321,896</u>
<b>Number of shares outstanding</b>				
Class A	44,157.18	44,412.46	164,740.65	150,878.18
<b>Net asset value per share</b>				
Class A	\$ 2,159.52	\$ 2,233.93	\$ 3,389.09	\$ 2,394.79

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

Years Ended December 31,

	Friedberg Total Return Fixed Income Fund Ltd.		Friedberg Global-Macro Hedge Fund Ltd.	
	2008	2007	2008	2007
<b>Statements of Operations</b>				
<b>Investment income</b>				
Interest	\$ 436,275	\$ 2,694,324	\$ 6,737,462	\$ 4,131,440
Dividends	4,774,943	—	4,130,060	1,749,224
U.S. and foreign withholding taxes paid	(1,432,483)	—	(1,000,430)	(452,466)
Total investment income	<u>3,778,735</u>	<u>2,694,324</u>	<u>9,867,092</u>	<u>5,428,198</u>
<b>Expenses</b>				
Interest and dividends	—	—	9,559,735	2,773,484
Incentive fees	—	—	35,969,545	15,309,433
Management fees	897,766	953,017	9,057,337	5,645,126
Professional fees and other	101,019	112,502	236,863	188,989
Total expenses	<u>998,785</u>	<u>1,065,519</u>	<u>54,823,480</u>	<u>23,917,032</u>
Management fee refund			(1,861,010)	(4,466,193)
Net expenses			<u>52,962,470</u>	<u>19,450,839</u>
<b>Net investment income (loss)</b>	<u>2,779,950</u>	<u>1,628,805</u>	<u>(43,095,378)</u>	<u>(14,022,641)</u>
<b>Realized and unrealized gain (loss) on investments</b>				
Net realized gain (loss) on derivative contracts	539,370	1,575,724	137,508,719	625,610
Net change in unrealized appreciation or depreciation on derivative contracts	3,968,059	(214,380)	49,929,207	25,128,820
Net realized gain (loss) on securities	1,518,394	14,965,121	74,063,395	(8,649,205)
Net change in unrealized appreciation or depreciation on securities	(12,105,140)	(7,846,126)	(65,235,044)	62,153,941
Net realized gain (loss) on investments in private investment companies	—	—	8,918,970	23,225,149
Net change in unrealized appreciation or depreciation on investments in private investment companies	—	—	(6,791,044)	(14,769,618)
<b>Net gain (loss) on investments</b>	<u>(6,079,317)</u>	<u>8,480,339</u>	<u>198,394,203</u>	<u>87,714,697</u>
<b>Net change in net assets resulting from operations</b>	<u>\$ (3,299,367)</u>	<u>\$10,109,144</u>	<u>\$155,298,825</u>	<u>\$ 73,692,056</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

Years Ended December 31,

	<b>Friedberg Total Return Fixed Income Fund Ltd.</b>		<b>Friedberg Global-Macro Hedge Fund Ltd.</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b><u>Statements of Changes in Net Assets</u></b>				
<b>Operations</b>				
Net investment income (loss)	\$ 2,779,950	\$ 1,628,805	\$ (43,095,378)	\$ (14,022,641)
Net realized gain (loss) on derivative contracts	539,370	1,575,724	137,508,719	625,610
Net change in unrealized appreciation or depreciation on derivative contracts	3,968,059	(214,380)	49,929,207	25,128,820
Net realized gain (loss) on securities	1,518,394	14,965,121	74,063,395	(8,649,205)
Net change in unrealized appreciation or depreciation on securities	(12,105,140)	(7,846,126)	(65,235,044)	62,153,941
Net realized gain (loss) on investments in private investment companies	—	—	8,918,970	23,225,149
Net change in unrealized appreciation or depreciation on investments in private investment companies	—	—	(6,791,044)	(14,769,618)
<b>Net change in net assets resulting from operations</b>	<b>(3,299,367)</b>	<b>10,109,144</b>	<b>155,298,825</b>	<b>73,692,056</b>
<b>Capital share transactions</b>				
Issuance of shares	1,229,109	37,701,401	73,011,955	72,594,270
Redemption of shares	(1,785,789)	(58,802,798)	(31,311,644)	(11,799,229)
<b>Net change in net assets resulting from capital share transactions</b>	<b>(556,680)</b>	<b>(21,101,397)</b>	<b>41,700,311</b>	<b>60,795,041</b>
<b>Net change in net assets</b>	<b>(3,856,047)</b>	<b>(10,992,253)</b>	<b>196,999,136</b>	<b>134,487,097</b>
<b>Net assets, beginning of year</b>	<b>99,214,370</b>	<b>110,206,623</b>	<b>361,321,896</b>	<b>226,834,799</b>
<b>Net assets, end of year</b>	<b>\$ 95,358,323</b>	<b>\$ 99,214,370</b>	<b>\$558,321,032</b>	<b>\$361,321,896</b>

See accompanying notes to financial statements.

# FRIEDBERG MULTI-SECTOR FUNDS

(Expressed in United States Dollars)

Years Ended December 31,

## Statements of Cash Flows

### Friedberg Global-Macro Hedge Fund Ltd.

	2008	2007
<b>Cash flows from operating activities</b>		
Net change in net assets resulting from operations	\$ 155,298,825	\$ 73,692,056
Adjustments to reconcile net change in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized appreciation or depreciation on securities	65,235,044	(62,790,964)
Net change in unrealized appreciation or depreciation on investments in private investment companies	6,791,044	14,769,618
Changes in operating assets and liabilities:		
Cost of investments in securities, at fair value	(549,243,529)	(117,494,566)
Cost of investments in private investment companies, at fair value	24,228,276	22,029,914
Due from brokers and contracts awaiting settlement	15,329,272	(131,218,882)
Net equity in derivative contracts, at fair value	(49,929,207)	(25,128,820)
Interest and dividends receivable	(2,916,855)	147,114
Other assets	—	(28,899)
Proceeds from securities sold short, at fair value	(49,324,015)	162,434,704
Due to brokers and contracts awaiting settlement	347,036,635	—
Accounts payable and accrued expenses	307,255	1,611,390
Incentive fee payable	3,590,801	9,690,520
<b>Net cash used in operating activities</b>	<u>(33,596,454)</u>	<u>(52,286,815)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares, net of change in subscriptions receivable	61,554,669	64,086,044
Payments for redemption of shares, net of change in redemptions payable	(27,958,993)	(11,799,229)
<b>Net cash provided by financing activities</b>	<u>33,595,676</u>	<u>52,286,815</u>
<b>Net change in cash</b>	(778)	—
<b>Cash, beginning of year</b>	983	983
<b>Cash, end of year</b>	<u>\$ 205</u>	<u>\$ 983</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 4,812,749</u>	<u>\$ 1,241,452</u>

See accompanying notes to financial statements.

# **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

December 31, 2008

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## **Schedules of Portfolio Investments**

### **Friedberg Total Return Fixed Income Fund Ltd.**

	<u>Principal Amount or Number of Shares</u>	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Investments in securities</b> , at fair value			
<b>Debt securities</b>			
<b>United States</b>			
Government			
U.S. Treasury Inflation-Protected Securities			
3.625% due April 15, 2028			
(cost \$3,476,131)	\$2,250,000	3.8%	\$ 3,587,346
<b>Common stocks</b>			
<b>Canada</b>			
Gold Mining			
Seabridge Gold Inc. (cost \$421,293)	212,232	2.8	2,748,830
<b>United States</b>			
iShares Trust Barclays TIPS Bond Fund (cost \$91,660,396)	847,900	88.3	84,145,596
<b>Total investments in securities</b> , at fair value (cost \$95,557,820)		<u>94.9</u>	<u>90,481,772</u>
<b>Net equity in derivative contracts</b> , at fair value			
<b>Currency contracts</b>			
Other		<u>3.9%</u>	<u>\$ 3,753,679</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

December 31, 2007

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### **Schedules of Portfolio Investments (continued)**

#### ***Friedberg Total Return Fixed Income Fund Ltd. (continued)***

	<u>Principal Amount or Number of Shares</u>	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Investments in securities</b> , at fair value			
<b>Debt securities</b>			
<b>United States</b>			
Government			
U.S. Treasury Bond			
2.625% due May 15, 2008			
(cost \$86,774,169)	\$88,200,000	88.7%	\$87,965,719
<b>Common stocks</b>			
<b>Canada</b>			
Gold Mining			
Seabridge Gold Inc. (cost \$421,293)	212,232	6.3	6,258,835
<b>Total investments in securities</b> , at fair value (cost \$87,195,462)		<u>95.0%</u>	<u>\$94,224,554</u>
<b>Net equity in derivative contracts</b> , at fair value			
<b>Futures contracts</b>			
<b>United States</b>			
Other		<u>0.2%</u>	<u>\$ 214,380</u>

See accompanying notes to financial statements.

# FRIEDBERG MULTI-SECTOR FUNDS

(Expressed in United States Dollars)

December 31, 2008

## Condensed Schedules of Portfolio Investments

### **Friedberg Global-Macro Hedge Fund Ltd.**

	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Investments in private investment companies, at fair value</b>		
<b>Cayman Islands</b>		
<b>Fixed income</b>		
Friedberg Total Return Fixed Income Fund Ltd.* (cost \$68,670,136)	16.3%	\$ 90,930,384

\* The schedule of portfolio investments for Friedberg Total Return Fixed Income Fund Ltd. can be found on page 6.

### **Investments in securities, at fair value**

#### **Common stocks**

##### **United States**

Aerospace & Defense	1.3%	\$ 7,472,545
Airlines	0.6	3,410,496
Banking Specialized Finance	5.4	30,413,451
Biotechnology	4.2	23,266,120
Chemicals	0.1	513,000
Movies & Entertainment	0.5	2,896,650
Computer & Electronics Retail	0.0	131,222
Education Services	0.6	3,447,900
Electrical Components & Equipment	0.4	2,064,699
Environmental & Facilities Services	1.3	7,024,247
Gold	2.8	15,824,160
Government Bonds	0.6	3,572,640
Homebuilding	4.3	24,196,300
Household Products Food Supermarkets	2.5	13,762,913
Insurance	0.8	3,879,205
Largest Stock Companies in China	4.2	23,272,000
Oil & Gas Refining & Marketing	3.7	20,855,437
<b>Total United States</b> (cost \$209,107,272)	<u>33.3</u>	<u>186,002,985</u>

##### **Canada**

Entertainment	0.1	669,000
Gold Mines	6.7	37,281,974
Health Care Facilities	0.1	450,247
<b>Total Canada</b> (cost \$27,423,482)	<u>6.9</u>	<u>38,401,221</u>

See accompanying notes to financial statements.

## FRIEDBERG MULTI-SECTOR FUNDS

(Expressed in United States Dollars)

December 31, 2008

### Condensed Schedules of Portfolio Investments (continued)

#### Friedberg Global-Macro Hedge Fund Ltd. (continued)

	Principal Amount	Percentage of Net Assets	Fair Value
<b>Investments in securities, at fair value (continued)</b>			
<b>Common stocks</b>			
<b>China</b>			
Power Producers & Energy Traders		0.8%	\$ 4,377,208
Airlines		0.7	3,982,095
Chemicals		0.7	4,143,570
Communications Equipment		0.2	909,777
Electrical Components & Equipment		0.1	729,724
Environmental & Facilities Services		0.2	875,367
Highways & Rail Tracks		0.3	1,789,008
Integrated Oil & Gas		0.4	2,304,879
Metals Aluminum		0.8	4,531,826
Pharmaceuticals		0.2	928,268
Real Estate Development		0.2	959,727
<b>Total China</b> (cost \$51,956,451)		4.6	25,531,449
<b>Bermuda</b>			
Investment Banking & Brokerage		0.3	1,922,496
Transportation		0.4	1,963,035
<b>Total Bermuda</b> (cost \$5,237,186)		0.7	3,885,531
<b>Total common stocks</b> (cost \$293,724,391)		45.5	253,821,186
<b>Debt securities</b>			
<b>United States</b>			
<b>Government</b>			
U.S. Treasury Inflation-Protected Securities 3.625% due April 15, 2028	\$199,605,000	57.0	318,245,418
U.S. Treasury Inflation-Protected Securities 1.75% due January 15, 2028	\$ 60,000,000	10.2	57,151,288
Corporate			
Other		3.9	21,497,281
<b>Total debt securities</b> (cost \$405,586,579)		71.1	396,893,987
<b>Options purchased</b>			
<b>United States</b>			
<b>Other</b> (cost \$1,312,769)		0.5	3,033,815
<b>Total investments in securities, at fair value</b> (cost \$700,623,739)		117.1%	\$653,748,988

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

December 31, 2008

### **Condensed Schedules of Portfolio Investments (continued)**

#### **Friedberg Global-Macro Hedge Fund Ltd. (continued)**

	<u>Expiration Dates</u>	<u>Number of Contracts</u>	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Net equity in derivative contracts, at fair value</b>				
<b>Futures contracts</b>				
Metals				
CMX Gold	Apr - Dec 2009	3,264	6.7%	\$37,673,900
Other			0.0	2,625
Agriculture			0.7	3,989,784
Index			0.3	1,657,795
Interest Rate			0.3	1,402,217
Petroleum			0.0	(212,925)
Other			0.0	(17,050)
<b>Total futures contracts</b>			<u>8.0</u>	<u>44,496,346</u>
<b>Swaps purchased</b>				
<b>Credit default swaps</b>				
<b>Venezuela</b>				
Government			3.1	17,396,529
<b>Iceland</b>				
Government			0.3	1,642,944
<b>Interest rate swaps</b>				
<b>United States</b>				
Financial			0.2	1,463,388
<b>Swaps written</b>				
<b>Interest rate swaps</b>				
<b>United States</b>				
Financial			(0.1)	(792,156)
<b>Total swap contracts</b>			<u>3.5</u>	<u>19,710,705</u>
<b>Forward contracts</b>				
<b>Currency contracts</b>				
Other currencies			1.7	9,741,866
<b>Currency options</b>				
<b>Currency</b>				
Other currencies			0.7	3,902,954
<b>Total net equity in derivative contracts, at fair value</b>			<u>13.9%</u>	<u>\$77,851,871</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

December 31, 2008

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### **Condensed Schedules of Portfolio Investments (continued)**

#### **Friedberg Global-Macro Hedge Fund Ltd. (continued)**

	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Securities sold short, at fair value</b>		
<b>Common stocks</b>		
<b>United States</b>		
Automotive	0.2%	\$ 950,880
Banks and Finance	2.6	14,685,630
Computer Hardware	1.0	5,308,770
Department Stores	0.4	2,674,256
Drug & Pharmaceuticals	2.5	13,798,856
Financial Indexes	3.1	17,283,397
Food and Packaged Household	0.5	3,299,769
REITS Office and Residential	2.8	15,688,366
Railroads	0.6	3,230,880
Restaurants	0.8	4,300,516
<b>Total common stock, at fair value (proceeds \$127,056,965)</b>	<u>14.5</u>	<u>81,221,320</u>
<b>Options written</b>		
<b>United States</b>		
Financial (proceeds \$1,339,971)	0.1	354,618
<b>Total securities sold short, at fair value (proceeds \$128,396,936)</b>	<u>14.6%</u>	<u>\$81,575,938</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

*(Expressed in United States Dollars)*

*December 31, 2007*

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### **Condensed Schedules of Portfolio Investments (continued)**

#### ***Friedberg Global-Macro Hedge Fund Ltd. (continued)***

	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Investments in private investment companies, at fair value</b>		
<b>Cayman Islands</b>		
<b>Currency contracts</b>		
Friedberg Currency Fund II Ltd.	8.0%	\$ 28,820,638
<b>Fixed income</b>		
Friedberg Total Return Fixed Income Fund Ltd.*	<u>25.8</u>	<u>93,129,066</u>
<b>Total investments in private investment companies, at fair value</b> (cost \$92,898,412)	<u>33.8%</u>	<u>\$121,949,704</u>

\* The schedule of portfolio investments for Friedberg Total Return Fixed Income Fund Ltd. can be found on page 7.

*See accompanying notes to financial statements.*

## **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

December 31, 2007

### **Condensed Schedules of Portfolio Investments (continued)**

#### **Friedberg Global-Macro Hedge Fund Ltd. (continued)**

	<b>Percentage of Net Assets</b>	<b>Fair Value</b>
<b>Investments in securities, at fair value</b>		
<b>Common stocks</b>		
<b>United States</b>		
Utilities	7.7%	\$ 27,753,819
Aerospace & Defense	4.7	17,116,651
Environmental & Facilities Services	2.5	8,866,200
Specialized Finance	2.3	8,369,200
Health Care Facilities	2.3	8,252,970
Chemicals	2.1	7,869,708
Semiconductor Equipment	2.0	7,063,152
Other	5.9	21,377,373
<b>Total United States</b> (cost \$106,011,392)	<b>29.5</b>	<b>106,669,073</b>
<b>China</b>		
Independent Power Producers	0.9	3,098,568
Insurance	0.8	3,016,513
Airlines	0.7	2,394,112
Chemicals	0.5	1,722,277
Diversified Metals & Mining	0.4	1,589,868
Other	2.3	8,388,261
<b>Total China</b> (cost \$23,743,975)	<b>5.6</b>	<b>20,209,599</b>
<b>Switzerland</b>		
Chemicals (cost \$7,110,771)	2.3	8,485,550
<b>Chile</b>		
Utilities (cost \$474,858)	0.3	663,642
<b>Israel</b>		
Communications (cost \$6,869,442)	1.7	6,273,696
<b>Canada</b>		
Telecommunication Services	0.3	887,336
Diversified Metals & Mining	0.0	94,690
<b>Total Canada</b> (cost \$665,443)	<b>0.3</b>	<b>982,026</b>
<b>Total investments in common stocks</b> (cost \$144,875,881)	<b>39.7</b>	<b>143,283,586</b>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

December 31, 2007

### **Condensed Schedules of Portfolio Investments (continued)**

#### **Friedberg Global-Macro Hedge Fund Ltd. (continued)**

	<b>Percentage of Net Assets</b>	<b>Fair Value</b>
<b>Investments in securities, at fair value (continued)</b>		
<b>Options purchased</b>		
<b>United States</b>		
Financial	7.6%	\$ 27,601,970
Airlines	0.3	1,088,480
Retail	0.1	268,651
<b>Total United States</b>	<u>8.0</u>	<u>28,959,101</u>
<b>Other</b>		
Other	0.0	52,900
<b>Total options purchased (cost \$6,504,329)</b>	<u>8.0</u>	<u>29,012,001</u>
<b>Total investments in securities, at fair value (cost \$151,380,210)</b>	<u>47.7%</u>	<u>\$172,295,587</u>
<b>Net equity in derivative contracts, at fair value</b>		
<b>Swaps purchased</b>		
<b>United States</b>		
Financial	3.1%	\$ 11,240,645
Homebuilding	0.3	1,002,075
<b>Total United States</b>	<u>3.4</u>	<u>12,242,720</u>
<b>Argentina / Venezuela</b>		
Other	2.3	8,346,692
<b>Romania</b>		
Other	0.2	877,760
<b>Total swaps purchased</b>	<u>5.9</u>	<u>21,467,172</u>
<b>Futures contracts</b>		
<b>United States</b>		
Other	1.8	6,455,492
<b>Total net equity in derivative contracts, at fair value</b>	<u>7.7%</u>	<u>\$ 27,922,664</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(Expressed in United States Dollars)

December 31, 2007

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### **Condensed Schedules of Portfolio Investments (continued)**

#### **Friedberg Global-Macro Hedge Fund Ltd. (continued)**

	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Securities sold short, at fair value</b>		
<b>Common stocks</b>		
<b>United States</b>		
Office REITs	4.2%	\$ 14,999,072
Thriffs and Mortgage Finance	3.9	13,976,062
Homebuilder Index	3.2	11,430,045
Residential REITs	2.6	9,233,064
Semiconductors	2.3	8,324,569
Drug Retail	2.1	7,421,792
Specialized Finance	1.9	6,729,450
Department Stores	1.8	6,633,250
Food Retail	1.5	5,899,439
Health Care Equipment	1.4	5,242,061
Other	7.4	26,978,427
<b>Total United States</b> (proceeds \$156,856,915)	<u>32.3</u>	<u>116,867,231</u>
<b>Canada</b>		
Coal & Consumable Fuels (proceeds \$7,358,634)	2.1	7,683,330
<b>Spain</b>		
Diversified Banks	0.6	2,036,619
Construction	0.5	1,819,265
<b>Total Spain</b> (proceeds \$4,287,936)	<u>1.1</u>	<u>3,855,884</u>
<b>Argentina</b>		
Diversified Banks (proceeds \$2,363,734)	0.5	1,743,040
<b>Ireland</b>		
Diversified Banks (proceeds \$981,166)	0.2	785,720
<b>Total common stocks</b> (proceeds \$171,848,385)	<u>36.2</u>	<u>130,935,205</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

*(Expressed in United States Dollars)*

*December 31, 2007*

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### **Condensed Schedules of Portfolio Investments (continued)**

#### ***Friedberg Global-Macro Hedge Fund Ltd. (continued)***

	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Securities sold short</b> , at fair value (continued)		
<b>Options written</b>		
<b>United States</b>		
Financial	0.5%	\$ 1,710,232
Retail	0.2	765,850
Other	0.0	750
<b>Total United States</b> (proceeds \$5,751,388)	<u>0.7</u>	<u>2,476,832</u>
<b>Luxembourg</b>		
Metals (proceeds \$110,878)	<u>0.0</u>	<u>42,000</u>
<b>Switzerland</b>		
Finance (proceeds \$10,300)	<u>0.0</u>	<u>1,000</u>
<b>Total options written</b> (proceeds \$5,872,566)	<u>0.7</u>	<u>2,519,832</u>
<b>Total securities sold short</b> , at fair value (proceeds \$177,720,951)	<u>36.9%</u>	<u>\$133,455,037</u>

*See accompanying notes to financial statements.*

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Establishment of the Corporations*

Friedberg Total Return Fixed Income Fund Ltd. and Friedberg Global-Macro Hedge Fund Ltd. (the "Funds" or the "Multi-Sector Funds") are open-ended private investment corporations governed by the

Companies Laws (2004 Revision) of the Cayman Islands which were incorporated as exempted companies on the following dates:

Friedberg Total Return Fixed Income Fund Ltd. ....	October 2, 1996
Friedberg Global-Macro Hedge Fund Ltd. ....	November 21, 2001

Pursuant to investment advisory agreements, Friedberg Mercantile Group Ltd. ("FMG") is the Investment Advisor (the "Investment Advisor") of the Funds. FCMI Financial Services (Cayman) Ltd. ("FCMI") is the Manager (the "Manager") of the Funds. Friedberg Mercantile Group Ltd. and J.P. Morgan serve as the brokers for the Funds. Refer to the Funds' investment advisory agreements for more information.

investments: (i) long positions in fixed income securities; (ii) long and short positions in equity securities; (iii) currency forwards and futures contracts and options thereon; and (iv) commodity forwards and futures contracts and options thereon, and other over-the-counter traded derivatives instruments. This fund invests directly through managed accounts and indirectly through private investment funds managed by FMG including, without limitation, the Friedberg Total Return Fixed Income Fund Ltd. (each such fund a "Portfolio Fund" and, collectively with direct investments through FMG-managed accounts, the "Portfolio Strategies"). Other managed accounts, investment vehicles, strategies and products may be added to the universe of Portfolio Strategies among which fund assets may be allocated from time to time. As described more fully below, this fund, either directly or through the Portfolio Funds, may from time to time invest in a wide range of instruments and markets, including, but not limited to, equities, equity-related instruments, currencies, commodities, fixed-income and other debt-related instruments and derivative instruments.

#### *Objectives*

#### (a) **Friedberg Total Return Fixed Income Fund Ltd.**

This fund seeks 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 corporate bonds denominated in a variety of currencies. This fund has adopted certain investment restrictions that are detailed in its Information Memorandum dated December 4, 2007.

#### (b) **Friedberg Global-Macro Hedge Fund Ltd.**

This fund is a multi-strategy fund whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, currency gains and capital appreciation by investing in the following four discrete groups of

#### *Basis of Presentation*

The financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America.

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Valuation of Investments in Securities and Securities Sold Short at Fair Value - Definition and Hierarchy*

The Funds have adopted the provisions of SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), effective January 1, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Funds use various valuation approaches. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Funds. Unobservable inputs reflect the Funds' assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Funds have the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Funds in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Funds' own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Funds use prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Valuation Techniques*

The Funds value investments in securities and securities sold short that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Many cash and over-the-counter (“OTC”) contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. For securities whose inputs are based on bid-ask prices, the Funds’ valuation policies do not require that fair value always be a predetermined point in the bid-ask range. The Funds’ policy for securities traded in the OTC markets and listed securities for which no sale was reported on that date are valued at their last reported “bid” price if held long, and last reported “asked” price if sold short.

Fair value for many cash and OTC contracts is derived using pricing models. Pricing models take into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, time value, implied volatility, equity prices, interest rate yield curves, prepayment speeds, interest rates, loss severities, credit risks, credit curves, default rates and currency rates.

OTC derivative contracts include forward, swap and option contracts related to interest rates, foreign currencies, credit standing of reference entities, equity prices or commodity prices.

Depending on the underlying security and the terms of the transaction, the fair value of certain OTC derivatives may be able to be modeled using a series of techniques, including closed-form analytic

formulae, such as the Black-Scholes option-pricing model, simulation models or a combination thereof. Certain pricing models do not entail material subjectivity as the methodologies employed include pricing inputs that are observed from actively quoted markets (as is the case for generic interest rate swap and option contracts). In the case of more established derivative contracts, the pricing models used by the Funds are widely accepted by marketplace participants. OTC derivatives contracts are generally categorized in Levels 2 or 3 of the fair value hierarchy.

The fair value of sovereign government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest rate yield curves, cross-currency basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority. Sovereign government bonds are generally categorized in Levels 1 or 2 of the fair value hierarchy.

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used are for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default swap spreads and recovery rates based on collateral values as key inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy. In instances where significant inputs are unobservable, they are categorized in Level 3 of the hierarchy.

Investments in private investment companies are typically valued utilizing the net asset valuations provided by the underlying private investment companies and/or their administrators. The Funds’ management considers subscription and redemption rights, including any restrictions on the

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

disposition of the interest in its determination of fair value. Investments in private investment companies are included in Level 3 of the fair value hierarchy.

#### *Derivative Financial Instruments*

In the normal course of business, the Funds utilize derivative financial instruments in connection with their proprietary trading activities. The Funds record their derivative activities at fair value. Gains and losses from derivative financial instruments are included in net gain (loss) on investments in the statements of operations.

#### *Translation of Foreign Currency*

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the year end exchange rates. Purchases and sales of investments, and income and expenses, which are denominated in foreign currencies, are translated into United States dollar amounts on the transaction date. Adjustments

#### *Income Taxes*

The Funds have received an undertaking from the Cayman Islands Government exempting them from all local income, profits and capital gains taxes until the following dates:

Friedberg Total Return Fixed Income Fund Ltd. ....	October 15, 2016
Friedberg Global-Macro Hedge Fund Ltd. ....	December 4, 2021

Accordingly, no provision for income taxes has been made in the accompanying financial statements. Dividends and income received by the Funds with respect to investments may be subject to non-resident withholding and other taxes imposed by certain countries.

The Funds have adopted FASB Staff Position No. FIN 48-3, which allows certain non-public entities to

arising from foreign currency transactions are reflected in the statements of operations.

The Funds do not isolate the portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations from changes in market prices of investments held. Such fluctuations are included in net gain (loss) on investments in the statements of operations.

#### *Investment Transactions and Related Investment Income*

Investment transactions are accounted for on a trade date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

defer the effective date of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), until the annual financial statements for fiscal years beginning December 15, 2008. The Funds have elected to apply the deferral and will adopt the provisions of FIN 48 effective for the annual financial statements for the year ending December 31, 2009. The Funds' accounting policy

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for evaluating uncertain tax positions during financial statement periods subject to the deferral of FIN 48 is based on the recognition and disclosure criteria for loss contingencies under SFAS No. 5 "Accounting for Contingencies".

#### Valuation of Fund Shares

The shares of the Funds are issued at their net asset value at their date of issue and are redeemable at

the option of the holder at the net asset value on their date of redemption, less a predetermined redemption charge. Fund shares can be purchased and redeemed on the first business day of every week and the last business day of every month, respectively. The net asset value per share is determined by dividing the total net asset value by the total number of shares then outstanding.

#### Reclassification

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

### 2. FAIR VALUE MEASUREMENTS

The Funds' assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with SFAS No. 157. See Note 1 for a discussion of the Funds' policies.

The following table's present information about the Funds' assets and liabilities measured at fair value as of December 31, 2008 (in thousands):

#### Friedberg Total Return Fixed Income Ltd.

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2008
<b>Assets</b>				
Investments in securities, at fair value . . .	\$90,482	\$ —	\$—	\$90,482
Net equity in derivative contracts, at fair value . . . . .	—	3,754	—	3,754
	<u>\$90,482</u>	<u>\$3,754</u>	<u>\$—</u>	<u>\$94,236</u>

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

### 2. FAIR VALUE MEASUREMENTS (continued)

#### Friedberg Global-Macro Hedge Fund Ltd.

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2008
<b>Assets</b>				
Investments in securities, at fair value . . .	\$624,461	\$29,288	\$ —	\$653,749
Net equity in derivative contracts, at fair value . . . . .	39,966	37,885	—	77,851
Investments in private investment companies, at fair value . . . . .	—	—	90,930	90,930
	<u>\$664,427</u>	<u>\$67,173</u>	<u>\$90,930</u>	<u>\$822,530</u>
<b>Liabilities</b>				
Securities sold short, at fair value . . . . .	\$ 81,576	\$ —	\$ —	\$ 81,576

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Funds have classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Changes in Level 3 assets and liabilities measured at fair value for the year ended December 31, 2008 are as follows (in thousands):

#### Friedberg Global-Macro Hedge Fund Ltd.

	LEVEL 3				Change in Unrealized Gains (Losses) for Investments still held at December 31, 2008
	Beginning Balance January 1, 2008	Realized & Unrealized Gains (Losses)	Purchases Sales and Settlements	Ending Balance December 31, 2008	
<b>Assets</b>					
Investments in private investment companies, at fair value . . . . .	\$121,950	\$2,127	\$(33,147)	\$90,930	\$(6,791)

Realized and unrealized gains and losses are included in the statements of operations.

# **FRIEDBERG MULTI-SECTOR FUNDS**

## **NOTES TO FINANCIAL STATEMENTS**

*(Expressed in United States Dollars)*

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### **3. DUE FROM/TO BROKER**

Amounts due from brokers may be restricted to the extent that they serve as deposits for securities sold short.

Amounts due to brokers that represent margin borrowings are collateralized by certain marketable securities.

In the normal course of business, substantially all of the Funds' marketable securities transactions, money balances and marketable security positions are transacted with brokers, J.P. Morgan and Friedberg Mercantile Group Ltd. The Funds are subject to credit risk to the extent any broker with whom they conduct business is unable to fulfill contractual obligations on their behalf. Management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

### **4. DERIVATIVE CONTRACTS**

#### *Forward contracts*

The Funds enter into forward currency contracts. Forward currency transactions are contracts or agreements for delayed delivery of specific currencies in which the seller agrees to make delivery at a specified future date of specified currencies. Risks associated with forward currency contracts are the inability of counterparties to meet the terms of their contracts and movements in fair value and exchange rates. Gains and losses on forward currency transactions are recorded based on changes in fair values and are included with net gain (loss) on investments in the statements of operations.

#### *Futures contracts*

The Funds are exposed to a market risk equal to the value of the futures contracts purchased and unlimited liability on such contracts sold short. Management has established procedures to actively monitor and minimize market and credit risks.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant ("FCM"). The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Funds' pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

#### *Swap contracts*

The Funds enter into various swap contracts, including interest rate swaps and credit default swaps, as part of its investment strategies to hedge against unfavorable changes in the value of securities and to protect against adverse movements in interest rates or credit performance with hedge counterparties. Generally, a swap contract is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified notional amount of the underlying assets. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

During the term of the swap contracts, changes in value are recognized as unrealized gains or losses by marking the contracts to market. Additionally, the Funds record a realized gain (loss) when a swap contract is terminated and when periodic payments are received or made at the end of each measurement period, but prior to termination. Unrealized gains (losses), realized gains (losses) and periodic payments are reflected in net gain (loss) from derivative contracts in the statements of operations.

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

### 4. DERIVATIVE CONTRACTS (continued)

During the term of the swap contracts, changes in value are recognized as unrealized gains or losses by marking the contracts to market. Periodic payments received or made at the end of each measurement period, but prior to termination, are recorded in the statements of operations as realized gains or losses. Additionally, the Funds record a realized gain (loss) when a swap contract is terminated.

Interest rate swaps are contracts whereby counterparties exchange different rates of interest on a specified notional amount for a specified period of time. The Funds' interest rate swap contracts are scheduled to terminate in 2009 through 2028.

The fair value of open swaps reported in the statements of assets and liabilities may differ from

The notional amounts of the swap contracts are not recorded in the financial statements. At December 31, 2008 and 2007, the approximate notional value of the Funds' derivative contracts' assets and liabilities was as follows:

#### Friedberg Total Return Fixed Income Ltd.

Derivative Contract	December 31, 2008		December 31, 2007	
	Assets	Liabilities	Assets	Liabilities
Forward contracts	\$77,196,779	\$—	\$—	\$—
Future contracts	—	—	40,820,625	—
<b>Total</b>	<b>\$77,196,779</b>	<b>\$—</b>	<b>\$40,820,625</b>	<b>\$—</b>

#### Friedberg Global-Macro Hedge Fund Ltd.

Derivative Contract	December 31, 2008		December 31, 2007	
	Assets	Liabilities	Assets	Liabilities
Forward contracts	\$206,790,482	\$—	\$ 99,114,573	\$293,836,442
Future contracts	499,825,031	37,347,580	3,516,134,936	358,902,213
Interest rate swaps	21,200,000	6,400,000	156,800,000	4,241,366
Credit default swaps	46,691,900	—	69,501,285	—
<b>Total</b>	<b>\$774,507,413</b>	<b>\$43,747,580</b>	<b>\$3,841,550,794</b>	<b>\$656,980,021</b>

that which would be realized in the event the Funds terminated its position in the contract. Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of a counterparty is generally limited to the aggregate of the unrealized gain on the swap contracts in an unrealized gain position as well as any collateral posted with the counterparty. Therefore, the Funds consider the creditworthiness of each counterparty to a swap contract in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in the fair value of the underlying securities and the lack of market liquidity to unwind the positions at current fair values.

The Funds value swap contracts at their fair value. Management calculates fair value by marking to market the assets and liabilities underlying the swap contracts.

# **FRIEDBERG MULTI-SECTOR FUNDS**

## **NOTES TO FINANCIAL STATEMENTS**

*(Expressed in United States Dollars)*

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### **5. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**

The Funds enter into transactions using financial instruments with off-balance-sheet risk in the normal course of their trading activities. At December 31, 2008, these instruments were foreign currency forward contracts, interest rate swaps, credit default swaps and futures trading. Such instruments generally represent future commitments to purchase or sell currencies at specific terms at specified future dates. These commitments may be traded on an exchange or over-the-counter ("OTC"). OTC contracts are negotiated between contracting parties. Each of these instruments is subject to various risks including market and credit risk. In general, the risks associated with OTC contracts are greater than those associated with exchange traded instruments because of the greater risk of default by the counterparty to an OTC contract.

Market risk is the potential for changes in the value of the financial instruments traded by the Funds due to market changes, including foreign exchange rate movements and fluctuations in commodity prices. Market risk is directly impacted by the volatility and liquidity in the markets in which the related underlying assets are traded.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Funds are exposed to interest rate risk to the extent that interest rates rise and the value of financial instruments in the secondary market decreases.

Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of a contract. The Funds' risk

of loss in the event of counterparty default are typically limited to the amounts recognized in the statements of assets and liabilities and is not represented by the contract or notional amounts of the instruments. The Funds' credit risk at December 31, 2008 is concentrated with FMG, JP Morgan, MF Global and Cayman National Bank, which are the sole counterparties or brokers to all of the Funds' assets and transactions.

### **6. SECURITIES SOLD SHORT**

The Funds are subject to certain inherent risks arising from their investing activities of selling securities short. The ultimate cost to the Funds to acquire these securities may exceed the liability reflected in these financial statements.

### **7. CAPITAL SHARE TRANSACTIONS**

As of December 31, 2008, there are 100 non-participating, voting and non-redeemable shares issued from each of the Funds to FCMI Financial Services (Cayman) Ltd., a Cayman Islands affiliate of the Funds, which are not reflected in the Funds' share capital. These shares were issued at a nominal value and do not participate in the income, distributions, and net asset value on redemption or liquidation of the Funds.

Authorized share capital of the Funds is comprised of an unlimited number of participating, non-voting and redeemable at the option of the shareholder shares, without nominal or par value. On redemption of such shares, a redemption charge of 3/8 of 1% is retained by the Funds.

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

### 7. CAPITAL SHARE TRANSACTIONS (continued)

	Friedberg Total Return Fixed Income Fund Ltd.		Friedberg Global-Macro Hedge Fund Ltd.	
	2008	2007	2008	2007
<b>NUMBER OF SHARES</b>				
Outstanding, beginning of year .....	44,412.46	54,801.95	150,878.18	119,600.06
Issued during the year .....	550.77	18,080.26	25,351.97	36,723.12
Redeemed during the year .....	(806.05)	(28,469.75)	(11,489.50)	(5,445.00)
Outstanding, end of year .....	<u>44,157.18</u>	<u>44,412.46</u>	<u>164,740.65</u>	<u>150,878.18</u>

Redemptions payable represent amounts due to shareholders based on redemption requests effective through December 31, 2008.

### 8. RELATED PARTY TRANSACTIONS

#### *Management and Incentive Fees*

For its services under the investment advisory agreements, the Investment Advisor is entitled to receive management fees from the Funds. The management fee is payable monthly, based on the net asset value of the Funds on the last business day of the month. The Funds calculate and pay the management fees on a monthly basis.

The investment advisory agreement of the Friedberg Global-Macro Hedge Fund Ltd. provides for the

payment of incentive fees. The incentive fees are based on "net new trading profits", defined as the difference, if positive, between the net asset value at the end of the applicable period and the net asset value at the end of the preceding period, adjusted to reflect the amount of any unrecovered loss carried forward from the preceding period or periods. The net new trading profits must also exceed a hurdle rate before any incentive fees are paid on a quarterly basis.

The rates applicable to the determination of the management and incentive fee for the Funds are as follows:

	Annual Management Fee Rate	Quarterly Incentive Fee Rate
Friedberg Total Return Fixed Income Fund Ltd. ....	0.93%	—
Friedberg Global-Macro Hedge Fund Ltd. * .....	2.00%	20.00%

\* No additional fees are charged by the funds in which it invests.

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

### 8. RELATED PARTY TRANSACTIONS (continued)

#### *Brokerage Commissions*

Brokerage commissions paid to FMG are netted in the statements of operations against realized gains or losses and are charged at commercially reasonable rates. Brokerage commissions for the years ending December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Friedberg Total Return Fixed Income Fund Ltd. ....	11,880	451,894
Friedberg Global-Macro Hedge Fund Ltd. ....	1,045,552	826,231

#### *Due from Brokers*

The amounts due from brokers include the following amounts due from FMG:

	<u>2008</u>	<u>2007</u>
Friedberg Total Return Fixed Income Fund Ltd. ....	1,150,276	4,879,150
Friedberg Global-Macro Hedge Fund Ltd. ....	162,405,439	78,365,753

#### *Management Fee Refund*

The Manager refunds the fees charged from the investment by the Friedberg Global-Macro Hedge Fund Ltd. in Friedberg Total Return Fixed Income Ltd. The refund consists of the management fee and a portion of the commission charged for the derivative contracts in the underlying investment fund.

#### *Derivative Contracts*

The fair value of derivative contracts held by FMG:

	<u>2008</u>	<u>2007</u>
Friedberg Total Return Fixed Income Fund Ltd. ....	3,753,679	—
Friedberg Global-Macro Hedge Fund Ltd. ....	58,725,870	8,196,404

#### *Investment in Private Investment Companies*

Friedberg Global-Macro Hedge Fund Ltd. had an investment in Friedberg Total Return Fixed Income Fund Ltd. of \$90,930,384 in 2008 and in 2007 had a combined investment of \$121,949,704 in Friedberg Total Return Fixed Income Fund Ltd. and Friedberg Currency Fund II Ltd.

### 9. ADMINISTRATOR AND CUSTODIAN

FMG serves as the Funds' Administrator and performs certain administrative and clerical services on behalf of the Funds.

# **FRIEDBERG MULTI-SECTOR FUNDS**

## **NOTES TO FINANCIAL STATEMENTS**

*(Expressed in United States Dollars)*

### **10. FINANCIAL HIGHLIGHTS**

Financial highlights for the years ended December 31, 2008 and 2007 are as follows:

#### **Friedberg Total Return Fixed Income Ltd.**

	<b>2008</b>	<b>2007</b>
	<b>Class A Shares</b>	<b>Class A Shares</b>
Per share operating performance		
Net asset value, beginning of year . . . . .	<u>\$2,233.93</u>	<u>\$2,010.99</u>
Income (loss) from investment operations:		
Net investment income (loss) . . . . .	62.70	35.92
Net gain (loss) on investments . . . . .	<u>(137.11)</u>	<u>187.02</u>
Total from investment operations . . . . .	<u>(74.41)</u>	<u>222.94</u>
Net asset value, end of year . . . . .	<u>\$2,159.52</u>	<u>\$2,233.93</u>
Total return . . . . .	<u>(3.3)%</u>	<u>11.1%</u>
Ratio to average net assets		
Total expenses . . . . .	<u>1.0%</u>	<u>1.0%</u>
Net investment income (loss) . . . . .	<u>2.9%</u>	<u>1.6%</u>

# FRIEDBERG MULTI-SECTOR FUNDS

## NOTES TO FINANCIAL STATEMENTS

(Expressed in United States Dollars)

### 10. FINANCIAL HIGHLIGHTS (continued)

#### Friedberg Global-Macro Hedge Fund Ltd.

	<u>2008</u> Class A Shares	<u>2007</u> Class A Shares
Per share operating performance		
Net asset value, beginning of year .....	\$2,394.79	\$1,896.61
Income (loss) from investment operations:		
Net investment income (loss) .....	(276.77)	(94.80)
Net gain (loss) on investments .....	1,271.07	592.98
Total from investment operations .....	994.30	498.18
Net asset value, end of year .....	<u>\$3,389.09</u>	<u>\$2,394.79</u>
Total return		
Total return before incentive fee .....	49.3%	30.8%
Incentive fee .....	(7.8)	(4.5)
Total return after incentive fee .....	<u>41.5%</u>	<u>26.3%</u>
Ratio to average net assets		
Operating expenses (including interest and dividends) .....	3.7%	3.3%
Management fee refund .....	(0.4)	(1.6)
Incentive fee .....	7.9	5.6
Total expenses .....	<u>11.2%</u>	<u>7.3%</u>
Net investment income (loss) .....	<u>(9.8)%</u>	<u>(5.1)%</u>

The ratios do not reflect the Funds' proportionate share of income and expenses of underlying private investment companies.

Financial highlights are calculated for each permanent, non-managing class of common shares. An individual shareholder's financial highlights may vary based on the timing of capital share transactions.

# **FRIEDBERG MULTI-SECTOR FUNDS**

## **NOTES TO FINANCIAL STATEMENTS**

*(Expressed in United States Dollars)*

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### **11. SUBSEQUENT EVENTS**

#### **Friedberg Total Return Fixed Income Fund Ltd.**

From January 1, 2009 through June 11, 2009 this Fund accepted additional subscriptions of approximately \$570,000 and had additional redemptions of approximately \$1,056,000.

#### **Friedberg Global-Macro Hedge Fund Ltd.**

From January 1, 2009 through June 11, 2009 this Fund accepted additional subscriptions of approximately \$29,348,000 and had additional redemptions of approximately \$22,292,000.

## INVESTOR INFORMATION

### REGISTERED OFFICE OF THE FUNDS

Walker House  
Mary Street  
P.O. Box 265GT  
George Town, Grand Cayman  
Cayman Islands

### AUDITORS

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Certified Public Accountants  
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27 Hospital Road  
George Town, Grand Cayman  
Cayman Islands, B.W.I.  
Phone: (345) 949-6333  
Fax: (345) 946-9444  
Website [www.rkco.com](http://www.rkco.com)

### CUSTODIAN

JP Morgan Chase Bank  
Legal Department  
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New York, New York 10017 U.S.A.

### REGISTRAR AND TRANSFER AGENT

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Camana Bay  
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Grand Cayman KY1-1201, Cayman Islands  
Fax: (345) 640-9000

## LEGAL ADVISORS

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Cayman Islands

## INVESTMENT ADVISOR AND SUB-ADMINISTRATOR

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