

FRIEDBERG  
MULTI-SECTOR  
FUNDS

Friedberg Currency Fund II Ltd.  
Friedberg Equity Hedge Fund Ltd.  
(In Liquidation)

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, 2006 and 2005

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Certified  
Public  
Accountants

Rothstein, Kass & Company (Cayman)  
27 Hospital Road, P.O. Box 1748 GT  
George Town, Grand Cayman  
Cayman Islands, B.W.I.  
tel 345.949.6333  
fax 345.946.9444  
www.rkco.com

Beverly Hills  
Dallas  
Denver  
Grand Cayman  
New York  
Roseland  
San Francisco  
Walnut Creek

## Rothstein Kass

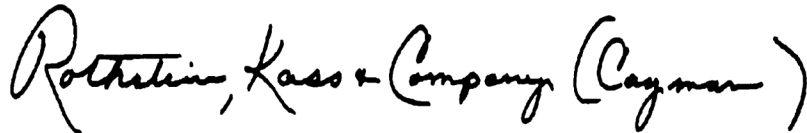
### Independent Auditors' Report

To the Shareholders of  
Friedberg Currency Fund II Ltd.,  
Friedberg Equity Hedge Fund Ltd. (In Liquidation),  
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, 2006 and 2005, 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 Funds as of December 31, 2006 and 2005, 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.



Grand Cayman, Cayman Islands  
July 24, 2007

Member  Affiliated Offices Worldwide

# **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31,

	<b>Friedberg Currency Fund II Ltd.</b>	
	<b>2006</b>	<b>2005</b>
<b><u>Statements of Assets and Liabilities</u></b>		
<b>Assets</b>		
Investments in securities, at market	\$ —	\$ —
Investments in private investment companies, at fair value	—	—
Cash	765	930
Due from brokers and contracts awaiting settlement	30,051,950	26,688,928
Net equity in open derivative contracts	1,856,584	1,005,013
Other assets	—	—
Total assets	<u>31,909,299</u>	<u>27,694,871</u>
<b>Liabilities</b>		
Securities sold short, at market	—	—
Due to brokers and contracts awaiting settlement	255,750	1,169,527
Accounts payable and accrued expenses	14,100	8,027
Incentive fee payable	—	—
Redemption payable	—	—
Net equity in derivative contracts, at fair value	—	—
Total liabilities	<u>269,850</u>	<u>1,177,554</u>
<b>Net Assets and Shareholders' Equity</b>	<u><b>\$31,639,449</b></u>	<u><b>\$26,517,317</b></u>
<b>Number of shares outstanding</b>		
Class A	1,302.24	1,491.00
Class B	<u>32,733.15</u>	<u>29,686.15</u>
<b>Net asset value per share</b>		
Class A	\$ 929.60	\$ 850.54
Class B	<u>\$ 929.60</u>	<u>\$ 850.54</u>

See accompanying notes to financial statements.

Friedberg Equity Hedge Fund Ltd. (In Liquidation)		Friedberg Total Return Fixed Income Fund Ltd.		Friedberg Global Macro-Hedge Fund Ltd.	
2006	2005	2006	2005	2006	2005
\$36,263,360	\$19,421,617	\$107,295,592	\$110,776,467	\$ 37,092,086	\$ 2,611,971
—	—	—	—	158,749,236	158,802,365
47,199	50,094	17,129	222,343	983	476,980
7,652,681	32,271,319	2,275,645	5,502,504	46,515,829	7,033,946
—	—	—	268,545	2,793,846	3,523,180
—	—	723,174	730,164	597,904	1,551,644
<u>43,963,240</u>	<u>51,743,030</u>	<u>110,311,540</u>	<u>117,500,023</u>	<u>245,749,884</u>	<u>174,000,086</u>
15,106,902	24,292,603	—	—	16,102,362	515,109
—	—	—	—	—	11,889
165,830	142,246	104,917	111,493	147,278	40,524
1,126	21,518	—	—	2,665,445	1,036,214
—	—	—	—	—	45,065
24,719	54,592	—	—	—	5,722
<u>15,298,577</u>	<u>24,510,959</u>	<u>104,917</u>	<u>111,493</u>	<u>18,915,085</u>	<u>1,654,523</u>
<u>\$28,664,663</u>	<u>\$27,232,071</u>	<u>\$110,206,623</u>	<u>\$117,388,530</u>	<u>\$226,834,799</u>	<u>\$172,345,563</u>
1,150.06	1,150.06	54,801.95	58,923.00	119,600.06	101,444.08
<u>9,575.83</u>	<u>9,522.92</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
\$ 2,672.47	\$ 2,551.50	\$ 2,010.99	\$ 1,992.23	\$ 1,896.61	\$ 1,698.92
<u>\$ 2,672.47</u>	<u>\$ 2,551.50</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying notes to financial statements.

# **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

Years Ended December 31,

	<b>Friedberg Currency Fund II Ltd.</b>	
	<b>2006</b>	<b>2005</b>
<b><u>Statements of Operations</u></b>		
<b>Investment income</b>		
Interest	\$ —	\$ —
Dividends	—	—
Total investment income	—	—
<b>Expenses</b>		
Interest and dividends	—	—
Incentive fees	—	—
Management fees	—	—
Foreign withholding taxes paid	—	—
Professional fees and other	36,414	38,271
Total expenses	36,414	38,271
Management fee refund		
Net expenses		
<b>Net investment income (loss)</b>	(36,414)	(38,271)
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized gain (loss) on derivative contracts	1,736,419	4,470,026
Net change in unrealized appreciation or depreciation on derivative contracts	851,571	(853,682)
Net realized gain (loss) on investments	—	—
Net change in unrealized appreciation or depreciation on investments	—	—
Net change in realized appreciation or depreciation on investments in private investment companies	—	—
Net change in unrealized appreciation or depreciation on investments in private investment companies	—	—
<b>Net gain (loss) on investments</b>	2,587,990	3,616,344
<b>Net change in net assets resulting from operations</b>	<u>\$2,551,576</u>	<u>\$3,578,073</u>

See accompanying notes to financial statements.

Friedberg Equity Hedge Fund Ltd. (In Liquidation)		Friedberg Total Return Fixed Income Fund Ltd.		Friedberg Global Macro-Hedge Fund Ltd.	
2006	2005	2006	2005	2006	2005
\$1,258,852	\$ 417,287	\$ 2,971,726	\$ 2,317,750	\$ 153,146	\$ 40,131
399,462	282,296	—	—	786,502	66,270
<u>1,658,314</u>	<u>699,583</u>	<u>2,971,726</u>	<u>2,317,750</u>	<u>939,648</u>	<u>106,401</u>
759,395	232,624	—	—	127,387	34,957
317,213	179,156	—	—	3,452,974	3,079,296
434,324	379,628	999,699	910,478	3,956,104	2,487,999
53,196	39,775	—	—	221,063	21,587
46,249	43,162	94,210	105,754	521,429	52,531
<u>1,610,377</u>	<u>874,345</u>	<u>1,093,909</u>	<u>1,016,232</u>	<u>8,278,957</u>	<u>5,676,370</u>
				(4,181,083)	(1,847,838)
				<u>4,097,874</u>	<u>3,828,532</u>
<u>47,937</u>	<u>(174,762)</u>	<u>1,877,817</u>	<u>1,301,518</u>	<u>(3,158,226)</u>	<u>(3,722,131)</u>
(899,421)	639,389	655,987	2,719,809	20,465,439	8,264,418
62,080	42,925	(268,545)	(792,704)	(1,437,691)	3,660,601
(1,289,356)	255,735	3,394,136	3,653,726	124,091	(160,434)
3,347,440	(45,822)	(5,039,445)	3,722,288	2,775,796	165,456
—	—	—	—	4,196,017	(2,871,032)
—	—	—	—	(986,382)	14,111,081
<u>1,220,743</u>	<u>892,227</u>	<u>(1,257,867)</u>	<u>9,303,119</u>	<u>25,137,270</u>	<u>23,170,090</u>
<u>\$1,268,680</u>	<u>\$ 717,465</u>	<u>\$ 619,950</u>	<u>\$10,604,637</u>	<u>\$21,979,044</u>	<u>\$19,447,959</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

Years Ended December 31,

	<b>Friedberg Currency Fund II Ltd.</b>	
	<b>2006</b>	<b>2005</b>
<b><u>Statements of Changes in Net Assets</u></b>		
<b>Operations</b>		
Net investment income (loss)	\$ (36,414)	\$ (38,271)
Net realized gain (loss) on derivative contracts	1,736,419	4,470,026
Net change in unrealized appreciation or depreciation on derivative contracts	851,571	(853,682)
Net realized gain (loss) on investments	—	—
Net change in unrealized appreciation or depreciation on investments	—	—
Net change in realized appreciation or depreciation on investments in private investment companies	—	—
Net change in unrealized appreciation or depreciation on investments in private investment companies	—	—
<b>Net change in net assets resulting from operations</b>	<b>2,551,576</b>	<b>3,578,073</b>
<b>Capital share transactions</b>		
Issuance of shares	2,750,000	6,049,936
Redemption of shares	(179,444)	(519,216)
<b>Net change in net assets resulting from capital share transactions</b>	<b>2,570,556</b>	<b>5,530,720</b>
<b>Net change in net assets</b>	<b>5,122,132</b>	<b>9,108,793</b>
<b>Net assets, beginning of year</b>	<b>26,517,317</b>	<b>17,408,524</b>
<b>Net assets, end of year</b>	<b>\$31,639,449</b>	<b>\$26,517,317</b>

See accompanying notes to financial statements.

Friedberg Equity Hedge Fund Ltd. (In Liquidation)		Friedberg Total Return Fixed Income Fund Ltd.		Friedberg Global Macro-Hedge Fund Ltd.	
2006	2005	2006	2005	2006	2005
\$ 47,937	\$ (174,762)	\$ 1,877,817	\$ 1,301,518	\$ (3,158,226)	\$ (3,722,131)
(899,421)	639,389	655,987	2,719,809	20,465,439	8,264,418
62,080	42,925	(268,545)	(792,704)	(1,437,691)	3,660,601
(1,289,356)	255,735	3,394,136	3,653,726	124,091	(160,434)
3,347,440	(45,822)	(5,039,445)	3,722,288	2,775,796	165,456
—	—	—	—	4,196,017	(2,871,032)
—	—	—	—	(986,382)	14,111,081
<u>1,268,680</u>	<u>717,465</u>	<u>619,950</u>	<u>10,604,637</u>	<u>21,979,044</u>	<u>19,447,959</u>
887,661	5,149,968	9,352,153	30,179,930	34,958,640	34,887,937
(723,749)	(177,468)	(17,154,010)	(774,552)	(2,448,448)	(2,407,560)
<u>163,912</u>	<u>4,972,500</u>	<u>(7,801,857)</u>	<u>29,405,378</u>	<u>32,510,192</u>	<u>32,480,377</u>
1,432,592	5,689,965	(7,181,907)	40,010,015	54,489,236	51,928,336
<u>27,232,071</u>	<u>21,542,106</u>	<u>117,388,530</u>	<u>77,378,515</u>	<u>172,345,563</u>	<u>120,417,227</u>
<u>\$28,664,663</u>	<u>\$27,232,071</u>	<u>\$110,206,623</u>	<u>\$117,388,530</u>	<u>\$226,834,799</u>	<u>\$172,345,563</u>

See accompanying notes to financial statements.

# FRIEDBERG MULTI-SECTOR FUNDS

(expressed in United States dollars)

Year Ended December 31,

## Statements of Cash Flows

### Friedberg Global Macro-Hedge Fund Ltd.

	2006	2005
<b>Cash flows from operating activities</b>		
Net change in net assets resulting from operations	\$ 21,979,044	\$ 19,447,959
Adjustments to reconcile net change in net assets resulting from operations to net cash used in operating activities:		
Net realized (gain) or loss on private investment companies	986,382	1,255,997
Net change in unrealized appreciation or depreciation on investments	(1,338,105)	(16,178,959)
Changes in operating assets and liabilities:		
Cost of investments in securities, at market	(31,514,258)	(2,252,381)
Cost of investments in private investment companies, at fair value	(933,252)	(27,502,753)
Due from broker and contrats awaiting settlement	(39,481,883)	(6,870,408)
Other assets	953,740	(1,551,547)
Proceeds from securities sold short, at market	14,683,112	603,135
Due to broker and contracts awaiting settlement	(11,889)	11,889
Accounts payable and accrued expenses	106,754	(46,226)
Incentive fee payable	1,629,231	1,036,214
<b>Net cash used in operating activities</b>	<u>(32,941,124)</u>	<u>(32,047,080)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	34,958,640	34,887,937
Payments for redemption of shares, net of change in redemptions payable	(2,493,513)	(2,364,495)
<b>Net cash provided by financing activities</b>	<u>32,465,127</u>	<u>32,523,442</u>
<b>Net change in cash</b>	(475,997)	476,362
<b>Cash, beginning of period</b>	476,980	618
<b>Cash, end of period</b>	<u>\$ 983</u>	<u>\$ 476,980</u>

See accompanying notes to financial statements.

# **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31,

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## **Condensed Schedules of Portfolio Investments**

### ***Friedberg Currency Fund II Ltd.***

	<u>2006</u>	
	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Derivative contracts</b> , at fair value		
Currency Contracts		
Other	5.2%	\$1,656,890
<b>Options</b>		
Currency	0.6	199,694
<b>Total derivative contracts</b> , at fair value	<u>5.8%</u>	<u>\$1,856,584</u>

### ***Friedberg Currency Fund II Ltd.***

	<u>2005</u>	
	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Derivative contracts</b> , at fair value		
Currency Contracts		
Other	3.8%	\$1,005,013

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31, 2006

### ***Condensed Schedules of Investments***

#### ***Friedberg Equity Hedge Fund Ltd. (In Liquidation)***

	<u>Number of Shares</u>	<u>Percentage of Net Assets</u>	<u>Market Value</u>
<b>Investments in securities, at market</b>			
<b>Common Stocks</b>			
<b>United States</b>			
Electric Utilities		19.8%	\$ 5,663,451
Oil & Gas Equipment & Services			
Oceaneering International, Inc.	39,700	5.5	1,576,090
Other		9.5	2,713,519
Retail			
Jo-Ann Stores, Inc.	67,100	5.8	1,650,660
Other		4.5	1,290,575
Aerospace & Defense			
Raytheon Co.	32,000	5.9	1,689,600
Other		3.8	1,078,945
Diversified Financial Services		8.2	2,355,240
Environmental & Facilities Services		6.5	1,865,549
Trading Companies & Distributors			
GATX Corporation	40,100	6.1	1,737,533
Paper Products			
International Paper Co.	44,800	5.3	1,527,680
Water Utilities		5.0	1,427,326
Chemicals		4.6	1,332,540
Transportation		4.5	1,280,796
Specialized Consumer Services		4.4	1,271,000
Media		4.4	1,266,399
Semiconductors		3.9	1,118,040
Home Builders		3.7	1,049,200
Data Processing & Outsourced Services		2.3	662,640
Property & Casualty Insurance		1.0	292,179
Biotechnology		1.0	289,432
Application Software		0.9	259,896
Telecommunications		0.7	203,114
<b>Total United States</b> (cost \$26,897,383)		<u>117.3%</u>	<u>\$33,601,404</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

*(expressed in United States dollars)*

*December 31, 2006*

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

#### ***Friedberg Equity Hedge Fund Ltd. (In Liquidation) (continued)***

	<u>Percentage of Net Assets</u>	<u>Market Value</u>
<b>Investments in securities, at market (continued)</b>		
<b>Common Stocks (continued)</b>		
<b>Israel</b>		
Telecommunications (cost \$1,100,345)	4.5%	\$ 1,298,918
<b>Switzerland</b>		
Chemicals (cost \$784,257)	4.7	1,363,038
<b>Total investments in securities, at market (cost \$28,781,985)</b>	<u>126.5%</u>	<u>\$36,263,360</u>

*See accompanying notes to financial statements.*

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31, 2006

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

#### ***Friedberg Equity Hedge Fund Ltd. (In Liquidation) (continued)***

	<u>Number of Shares</u>	<u>Percentage of Net Assets</u>	<u>Market Value</u>
<b>Securities sold short, at market</b>			
<b>Common Stocks</b>			
<b>United States</b>			
Internet			
Yahoo Inc.	57,800	5.1%	\$ 1,476,212
Other		9.3	2,662,831
Health Care Equipment			
Boston Scientific Co.	88,200	5.3	1,515,276
Other		4.0	1,136,960
Retail			
Walgreen Co.	35,000	5.6	1,606,150
Regional Banks			
Unionbanca Cp.	24,000	5.1	1,470,000
Other		2.9	837,687
Broadcasting & Cable TV			
Thriffs and Mortgage Finance		4.4	1,267,310
Pharmaceutical			
REIT		3.4	967,012
		<u>3.2</u>	<u>912,000</u>
<b>Total securities sold short, at market (proceeds</b>			
<b>    \$15,938,723)</b>		<u>52.7%</u>	<u>\$15,106,902</u>
		<b><u>Percentage of Net Assets</u></b>	<b><u>Fair Value</u></b>
<b>Derivative Contracts, at fair value</b>			
Futures contracts		<u>0.1%</u>	<u>\$ 24,719</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31, 2005

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

#### **Friedberg Equity Hedge Fund Ltd.**

	<u>Number of Shares</u>	<u>Percentage of Net Assets</u>	<u>Market Value</u>
<b>Investments in securities, at market</b>			
<b>Common Stocks</b>			
<b>United States</b>			
Electric Utilities		14.7%	\$ 4,012,945
Semiconductors			
Advanced Micro Devices	58,500	6.6	1,790,100
Data Processing and Outsourced Services		5.3	1,430,862
Wireless Telecommunication Services		4.5	1,237,848
Aerospace and Defense		4.4	1,191,410
Environmental and Facilities Services		3.3	903,702
Trading Companies and Distributors		3.2	880,352
Water Utilities		3.1	853,316
Home Improvement Retail		2.9	797,456
Multi-Utilities		2.7	746,585
Systems Software		2.3	633,111
Industrial Machinery		2.2	592,515
Paper Products		1.8	477,262
Specialized Consumer Services		1.5	417,998
Publishing		1.5	404,852
Air Freight and Logistics		1.3	344,615
Automotive Retail		1.2	297,701
Oil and Gas Equipment and Services		1.1	288,724
Application Software		1.0	279,864
Property and Casualty Insurance		1.0	270,810
<b>Total United States</b> (cost \$14,136,362)		<u>65.6%</u>	<u>\$17,852,028</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31, 2005

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

#### **Friedberg Equity Hedge Fund Ltd. (continued)**

	<u>Percentage of Net Assets</u>	<u>Market Value</u>
<b>Investments in securities</b> , at market (continued)		
<b>Common Stocks</b> (continued)		
<b>Switzerland</b>		
Fertilizers & Agricultural Chemicals (cost \$784,259)	3.4%	\$ 914,197
<b>Côte d'Ivoire</b>		
Agricultural Products (cost \$430,388)	1.2	336,996
<b>Israel</b>		
Communications Equipment (cost \$115,439)	1.0	283,122
<b>Total common stocks</b> (cost \$15,466,448)	<u>71.2</u>	<u>19,386,343</u>
<b>Options</b>		
<b>United States</b>		
Oil & Gas Exploration (cost \$63,849)	0.1	35,274
<b>Total investments in securities</b> , at market (cost \$15,530,297)	<u>71.3%</u>	<u>\$19,421,617</u>

See accompanying notes to financial statements.

# FRIEDBERG MULTI-SECTOR FUNDS

(expressed in United States dollars)

December 31, 2005

## Condensed Schedules of Portfolio Investments (continued)

### Friedberg Equity Hedge Fund Ltd. (continued)

	Number of Shares	Percentage of Net Assets	Market Value
<b>Securities sold short, at market</b>			
<b>Common Stocks</b>			
<b>United States</b>			
Thrifts & Mortgage Finance		14.8%	\$ 4,028,134
Publishing		11.3	3,065,937
Pharmaceuticals		9.2	2,516,688
Home Builders		5.6	1,523,888
Regional Banks		5.2	1,417,721
Semiconductors			
Intel Corporation	55,100	5.1	1,375,296
Biotechnology		3.5	945,024
Household Products		3.4	915,995
Packaged Foods and Meats		3.0	812,700
Paper Products		2.9	801,792
Asset Management and Custody Bank		2.9	796,860
Broadcasting and Cable TV		2.9	796,469
Personal Products		2.9	793,476
Air Freight and Logistics		2.9	783,482
Movies and Entertainment		2.5	689,640
Broadcasting & Radio		2.4	658,560
Health Care Equipment		2.4	651,434
Department Stores		2.4	646,968
Integrated Telecommunication Services		1.5	403,608
Application Software		0.8	239,685
<b>Total United States</b> (proceeds \$24,789,465)		<u>87.6</u>	<u>23,863,357</u>
<b>Canada</b>			
Soft Drinks (proceeds \$518,169)		1.5	411,600
<b>Total common stocks</b> (proceeds \$25,307,634)		<u>89.1</u>	<u>24,274,957</u>
<b>Options</b>			
<b>United States</b>			
Oil & Gas Exploration (proceeds \$14,013)		0.1	17,646
<b>Total securities sold short, at market</b> (proceeds \$25,321,647)		<u>89.2%</u>	<u>\$24,292,603</u>
		Percentage of Net Assets	Fair Value
<b>Derivative Contracts, at fair value</b>			
Futures contracts		<u>0.2%</u>	<u>\$ 54,592</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31, 2006

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

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

	<u>Principal Amount or Number of Shares</u>	<u>Percentage of Net Assets</u>	<u>Market Value</u>
<b>Investments in securities, at market</b>			
<b>Debt securities</b>			
<b>United States</b>			
Government			
U.S. Treasury Inflation-Protected Securities 3.625% due April 15, 2028	52,130,000	71.4%	\$ 78,640,470
U.S. Treasury Bond 3.25% due August 15, 2007	13,500,000	12.1	13,352,344
U.S. Treasury Inflation-Protected Securities 3.875% due April 15, 2029	3,078,000	4.3	4,762,778
U.S. Treasury Inflation-Protected Securities 2% due January 15, 2014	4,400,000	4.2	4,669,617
<b>Total debt securities</b> (cost \$91,598,957)		<u>92.0</u>	<u>101,425,209</u>
<b>Common stocks</b>			
<b>Canada</b>			
Gold Mining			
Seabridge Gold Inc. (cost \$821,418)	413,800	5.3	5,870,383
<b>Total investments in securities, at market</b> (cost \$92,420,375)		<u>97.3%</u>	<u>\$107,295,592</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31, 2005

### ***Condensed 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>Market or Fair Value</u>
<b>Investments in securities, at market</b>			
<b>Debt securities</b>			
<b>United States</b>			
Government			
U.S. Treasury Inflation-Protected Securities 3.625% due April 15, 2028	37,029,000	50.2%	\$ 58,965,944
U.S. Treasury Bond 1.875% due January 31, 2006	30,600,000	26.0	30,537,844
U.S. Treasury Inflation-Protected Securities 2% due January 15, 2014	5,900,000	5.4	6,326,411
U.S. Treasury Inflation-Protected Securities 3.875% due April 15, 2029	3,078,000	4.3	5,042,345
U.S. Treasury Bond 3.25% due August 15, 2007	3,000,000	<u>2.5</u>	<u>2,945,156</u>
<b>Total debt securities</b> (cost \$89,402,785)		<u>88.4</u>	<u>103,817,700</u>
<b>Common stocks</b>			
<b>Canada</b>			
Mining			
Seabridge Gold Inc.(cost \$1,459,019)	735,500	<u>5.9</u>	<u>6,958,767</u>
<b>Total investments in securities, at market</b> (cost \$90,861,804)		<u>94.3%</u>	<u>\$110,776,467</u>
		<u>Percentage of Net Assets</u>	<u>Market or Fair Value</u>
<b>Derivative Contracts, at fair value</b>			
Currency Forward		<u>0.2%</u>	<u>\$ 268,545</u>

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31,

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

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

	2006		2005	
	<u>Percentage of Net Assets</u>	<u>Fair Value</u>	<u>Percentage of Net Assets</u>	<u>Fair Value</u>
<b>Investments in private investment companies, at fair value</b>				
<b>Cayman Islands</b>				
Friedberg Currency Fund II Ltd.*	13.1%	\$ 29,779,740	14.3%	\$ 24,655,449
Friedberg Equity Hedge Fund Ltd.*	11.2	25,470,660	13.9	23,965,973
Friedberg Total Return Fixed Income Fund Ltd.*	45.7	103,498,836	64.0	110,180,943
<b>Total investments in private investment companies</b> (cost \$113,862,377 and \$112,929,125 in 2006 and 2005, respectively)	<u>70.0%</u>	<u>\$158,749,236</u>	<u>92.2%</u>	<u>\$158,802,365</u>

\* The condensed schedule of investments for the funds which represent greater than 5% of the Friedberg Global Macro-Hedge Fund Ltd. investments can be found on pages 9-17.

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31,

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

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

	2006		2005	
	Percentage of Net Assets	Market Value	Percentage of Net Assets	Market Value
<b>Investments in securities, at market</b>				
<b>Debt securities</b>				
<b>United States</b>				
U.S. Treasury Bond				
2.75% due 6/30/2006 (cost \$284,755)			0.1%	\$ 280,789
<b>Common Stocks</b>				
<b>United States</b>				
Utilities	13.5%	\$31,161,549	0.3%	\$ 454,986
Chemicals	0.5	1,020,780		
Biotechnology	0.3	633,930		
Data Processing	0.3	578,304		
Retail	0.2	436,590		
Office Electronics	0.2	419,500		
Telecommunications	0.2	358,910		
Oil & Gas	0.2	356,940		
Photography	0.1	307,080		
Semiconductors	0.1	224,910		
Financial			0.6	1,086,050
Basic Materials			0.3	521,829
Diversified			0.1	132,876
<b>Total United States</b>				
(cost \$32,319,992 and \$1,966,655 in 2006 and 2005 respectively)	15.6%	\$35,498,493	1.3%	\$2,195,741

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31,

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

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

	2006		2005	
	Percentage of Net Assets	Market Value	Percentage of Net Assets	Market Value
<b>Investments in securities, at market (continued)</b>				
<b>Chile</b>				
Utilities (cost \$474,858)	0.4%	\$ 662,400		
<b>Israel</b>				
Pharmaceuticals (cost \$345,401)	0.1	339,250		
<b>Canada</b>				
Other	0.1	242,044		
<b>Total investments in common stocks</b> (cost \$33,450,345 and \$1,966,655 in 2006 and 2005 respectively)	16.2	36,742,187	1.3%	\$2,195,741
<b>Options purchased</b>				
<b>United States</b>				
Financial	0.1	267,580		
Internet software	0.1	82,319	0.0	1,839
Steel			0.1	96,191
Retail			0.0	21,727
Lumber			0.0	14,789
Chemicals			0.0	895
<b>Total options purchased</b> (cost \$435,299 and \$119,976 in 2006 and 2005 respectively)	0.2	349,899	0.1	135,441
<b>Total investments in securities, at market</b> (cost \$33,885,644 and \$2,371,386 in 2006 and 2005 respectively)	16.4%	\$37,092,086	1.4%	\$2,611,971

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31,

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

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

	2006			2005	
	Number of Shares	Percentage of Net Assets	Market Value	Percentage of Net Assets	Market Value
<b>Securities sold short, at market</b>					
<b>Common Stocks</b>					
<b>Japan</b>					
Finance					
Mitsubishi UFJ Financial Group	1,200	6.5%	\$14,820,042		
<b>Venezuela</b>					
Television & Radio		0.2	391,800		
<b>United States</b>					
Communications				0.2%	\$286,000
<b>Total common stocks</b> (proceeds \$14,880,545 and \$245,747 in 2006 and 2005 respectively)		6.7	15,211,842	0.2	286,000
<b>Options written</b>					
<b>United States</b>					
Chemicals		0.2	530,000	0.0	11,705
Other		0.2	358,220	0.1	217,404
<b>Total United States</b> (proceeds \$379,713 and \$357,388 in 2006 and 2005 respectively)		0.4%	\$ 888,220	0.1%	\$229,109

See accompanying notes to financial statements.

## **FRIEDBERG MULTI-SECTOR FUNDS**

(expressed in United States dollars)

December 31,

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

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

	2006		2005	
	Percentage of Net Assets	Market Value	Percentage of Net Assets	Market or Fair Value
<b>Securities sold short, at market (continued)</b>				
<b>Israel</b>				
Pharmaceuticals (proceeds \$25,989)	0.0%	\$ 2,300		
<b>Total options written</b> (proceeds \$405,702 and \$357,388 in 2006 and 2005 respectively)	0.4	890,520	0.1%	\$ 229,109
<b>Total securities sold short, at market</b> (proceeds \$15,286,247 and 603,135 in 2006 and 2005 respectively)	7.1%	\$16,102,362	0.3%	\$ 515,109
<b>Derivative Contracts, at fair value</b>				
<b>Net equity in open derivative contracts, at fair value</b>				
Other	1.2%	\$ 2,793,846		
<b>Net equity in futures contracts, at fair value</b>				
Metals			1.5%	\$2,511,980
Crude Oil			0.5	1,011,200
<b>Total net equity in futures contracts, at fair value</b>			2.0%	\$3,523,180
<b>Commodity Futures, at fair value</b>			0.0%	\$ 5,722

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

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

### *Establishment of the Corporations*

Friedberg Currency Fund II Ltd., Friedberg Equity Hedge Fund Ltd., Friedberg Total Return Fixed Income Fund Ltd. and Friedberg Global Macro-Hedge Fund Ltd. (the "Funds") are open-ended

private investment corporations governed by the Companies Laws (2004 Revision) of the Cayman Islands incorporated as exempted companies on the following dates:

Friedberg Currency Fund II Ltd. . . . .	March 6, 1997
Friedberg Equity Hedge Fund Ltd. (In Liquidation) . . . . .	October 16, 1996
Friedberg Total Return Fixed Income Fund Ltd. . . . .	October 2, 1996
Friedberg Global Macro-Hedge Fund Ltd. . . . .	November 21, 2001

Friedberg Commodity Management Inc. ("FCMI") is the Investment Advisor (the "Investment Advisor") to the Funds. FCMI Financial Services (Cayman) Ltd., an affiliate of Friedberg Mercantile Group Ltd. ("FMG") is the manager (the "Manager") of the Funds. FMG, the parent of FCMI, and Friedberg Mercantile Group Inc. ("FMGI"), a wholly owned subsidiary of FMG, serve as brokers to the Funds. Effective April 1, 2005 FMG replaced FCMI as the Investment Advisor of the Funds.

of securities and speculating in stock index futures contracts and related options, while making extensive use of leverage. The fund has not adopted any specific investment limitations or trading restrictions.\* (See Note 9)

### *Objectives*

#### (a) **Friedberg Currency Fund II Ltd.**

This fund seeks substantial long-term capital appreciation through the aggressive trading of currency interests including exchange-listed futures, exchange listed options, interbank forward options and interbank options. This fund has not adopted any specific investment limitations or trading restrictions.\*

#### (c) **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 July 1, 1998.

#### (b) **Friedberg Equity Hedge Fund Ltd. (In Liquidation)**

This fund seeks capital appreciation by investing primarily in equity securities, engaging in short sales

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

This fund is a multi-strategy which allocates its assets among several Cayman Islands open-ended private investment companies sponsored, operated and managed by non-U.S. affiliates of FMG or trade directly through brokerage account advised by the Investment Advisor. The companies, collectively referred to as the "Multi-Sector Funds", currently

\* These funds have suspended accepting new investments, except for additional investments from the Friedberg Global-Macro Hedge Fund Ltd.

## **NOTES TO FINANCIAL STATEMENTS**

(expressed in United States dollars)

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

consist of the following funds: Friedberg Currency Fund II Ltd., Friedberg Total Return Fixed Income Fund Ltd., and Friedberg Equity Hedge Fund Ltd. As a result of the bankruptcy proceeding involving Refco Inc., the assets invested in the Refco SPHINX Managed Futures Index Fund Ltd. ("Refco SPHINX") as of December 31, 2006 amounted to 0.26% of the assets of the Global Macro Hedge Fund Ltd. All other assets are managed by the Investment Advisor. During 2006 the entities related to FMG acquired Refco's interest in FMG.

#### *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.

#### *Valuation of Investments in Securities and Securities Sold Short*

The Funds value investments in securities and securities sold short that 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 period. Other securities traded in the over the counter 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. Foreign securities are valued by translating foreign denominated prices into U.S. dollars, based upon quoted exchange rates as of the last business day of the year.

#### *Valuation of Investments in Private Investment Companies*

Investments in private investment companies are valued by Management at fair value utilizing the

latest audited financial statements of such entities, unless Management determines some other valuation is more appropriate. Substantially all of the underlying investments of the private investment companies are comprised of cash equivalents, readily marketable securities and derivatives.

#### *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 market or 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, that are denominated in foreign currencies, are translated into United States dollar amounts on the transaction date. Adjustments 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*

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.

# NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

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

### *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.

### *Valuation of Fund Shares*

The shares of the Funds are issued at their net asset value at their date of issue and 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. The net asset value per unit is determined by dividing the total net asset value by the total number of shares then outstanding.

### *Fund Liquidation*

In accordance with the offering memorandum and the organizational documents, management has formalized a plan of liquidation to liquidate Friedberg Equity Hedge Fund Ltd. in an orderly manner, and as a result, changed its basis of accounting from the going concern basis to the liquidation basis whereby assets and liabilities are stated at their estimated settlement amounts and all costs of liquidation have been recognized. The adoption of the liquidation basis of accounting did not have a material effect on the carrying values of assets and liabilities as of December 31, 2006.

## 2. DUE FROM/TO BROKER

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

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

## 3. DUE FROM PRIVATE INVESTMENT

Included in other assets for Global Macro-Hedge Fund Ltd. is \$577,985 relating to a receivable from its investment in Refco SPHINX. This investment filed for bankruptcy on October 17, 2005. The receivable has been recorded at management estimate of net realizable value at December 31, 2006. On June 8, 2006, FMG was notified by Refco SPHINX that the estimated realizable value of the receivable was 20% or approximately \$578,000.

## 4. 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, 2006 and 2005, these instruments were foreign currency forward contracts 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.

## **NOTES TO FINANCIAL STATEMENTS**

*(expressed in United States dollars)*

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### **4. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (continued)**

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 is 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 is concentrated with FMGI, FMG, JP Morgan and Goldman Sachs, which are the sole counterparties or brokers to all of the Funds' assets and transactions.

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

### **5. 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 Currency Fund II Ltd. . . . .	March 17, 2017
Friedberg Equity Hedge Fund Ltd. (In Liquidation) . . . . .	October 22, 2016
Friedberg Total Return Fixed Income Fund Ltd. . . . .	October 15, 2016
Friedberg Global Macro-Hedge Fund Ltd. . . . .	December 4, 2021

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.

### **6. SHAREHOLDERS' EQUITY**

There are 100 non-participating, voting and non-redeemable shares issued from each of the Funds to FMG 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 comprises of an unlimited number of Class A and B shares, without nominal or par value, participating, non-voting and redeemable at the option of the shareholder. On redemption of Class A and B shares, a redemption charge of 3/8 of 1% is retained by the Funds.

## NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

### 6. SHAREHOLDERS' EQUITY (continued)

Effective October 1, 1999, all existing shares of the Friedberg Currency Fund II Ltd. and Friedberg Equity Hedge Fund Ltd. (In Liquidation) were re-designated as Class A shares and any new shares issued after the effective date are Class B shares.

Each share participates equally in the income, distributions and net asset value on redemption or liquidation of the Funds.

	Friedberg Currency Fund II Ltd. (Class A)		Friedberg Currency Fund II Ltd. (Class B)	
	2006	2005	2006	2005
<b>NUMBER OF SHARES</b>				
Outstanding, beginning of period	1,491.00	2,151.78	29,686.15	22,116.04
Issued during the period	—	—	3,047.00	7,570.11
Redeemed during the period	(188.76)	(660.78)	—	—
Outstanding, end of period	<u>1,302.24</u>	<u>1,491.00</u>	<u>32,733.15</u>	<u>29,686.15</u>
Weighted average number of shares outstanding for the period	<u>1,417.29</u>	<u>1,641.61</u>	<u>31,372.42</u>	<u>26,504.23</u>
	Friedberg Equity Hedge Fund Ltd. (In Liquidation) (Class A)		Friedberg Equity Hedge Fund Ltd. (In Liquidation) (Class B)	
	2006	2005	2006	2005
<b>NUMBER OF SHARES</b>				
Outstanding, beginning of period	1,150.06	1,150.06	9,522.92	7,546.31
Issued during the period	—	—	333.07	2,046.74
Redeemed during the period	—	—	(280.16)	(70.13)
Outstanding, end of period	<u>1,150.06</u>	<u>1,150.06</u>	<u>9,575.83</u>	<u>9,522.92</u>
Weighted average number of shares outstanding for the period	<u>1,150.06</u>	<u>1,150.06</u>	<u>9,620.75</u>	<u>8,709.11</u>
	Friedberg Total Return Fixed Income Fund Ltd.		Friedberg Global Macro Hedge Fund Ltd.	
	2006	2005	2006	2005
<b>NUMBER OF SHARES</b>				
Outstanding, beginning of period	58,923.10	43,020.25	101,444.08	80,383.27
Issued during the period	4,661.59	16,343.12	19,565.31	22,598.91
Redeemed during the period	(8,782.74)	(440.37)	(1,409.33)	(1,538.10)
Outstanding, end of period	<u>54,801.95</u>	<u>58,923.00</u>	<u>119,600.06</u>	<u>101,444.08</u>
Weighted average number of shares outstanding for the period	<u>54,218.96</u>	<u>51,525.41</u>	<u>109,320.66</u>	<u>95,278.25</u>

## NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

### 7. RELATED PARTY TRANSACTIONS

#### *Management and Incentive Fees*

Friedberg Mercantile Group Ltd. ("FMG") is the Investment Advisor to the Funds. For its services under the Investment Advisory Agreement, FMG 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. Friedberg Equity Hedge Fund Ltd. (In Liquidation) calculates and pays incentive fees to the Investment Advisor on a semi-annual basis. Friedberg Total Return Fixed Income Fund Ltd. calculates and pays the management fees on a monthly basis. Effective May 1, 2005, The Friedberg Global Macro-Hedge Fund, Ltd. fees increased from a .75% management fee plus the fees charged by each underlying

fund in which it invests to an annual management fee of 2% of assets payable monthly, based on the net asset value of the fund on the last day of the month and a quarterly incentive fee of 20% of net appreciation in the net asset value of the fund as long as the net appreciation exceeds the hurdle rate defined in the documents. The incentive fees are based on net new trading profits, defined as the difference, if positive, between the net asset value of each fund at the end of the applicable period and the net asset value of each fund at the end of the preceding period, adjusted to reflect the amount of any unrecovered loss carried forward from the preceding period or periods. For Friedberg Global Macro-Hedge Fund Ltd., the new trading profit must also exceed the hurdle rate before any incentive fees are paid.

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

	<u>Annual Management Fee Rate</u>	<u>Annual Incentive Fee Rate</u>
Friedberg Currency Fund II Ltd. ....	—	—
Friedberg Equity Hedge Fund Ltd. (In Liquidation) ....	1.50%	20.00%
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 underlying funds in which it invests.

#### *Brokerage Commissions*

Brokerage commissions paid to FMG and FMGI are netted in the statements of operations against realized gains or losses and are charged at market rates. Brokerage commissions for the years ending December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Friedberg Currency Fund II Ltd. ....	<b>1,680,851</b>	\$956,846
Friedberg Equity Hedge Fund Ltd. (In Liquidation) ....	<b>37,488</b>	48,276
Friedberg Total Return Fixed Income Fund Ltd. ....	<b>83,265</b>	288,855
Friedberg Global Macro-Hedge Fund Ltd. ....	<b>232,834</b>	289,404

## NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

### 7. RELATED PARTY TRANSACTIONS (continued)

#### *Due from Brokers*

The amounts due from brokers include the following related party amounts:

	FMG	
	2006	2005
Friedberg Currency Fund II Ltd. ....	<b>\$30,051,950</b>	\$26,688,928
Friedberg Equity Hedge Fund Ltd. (In Liquidation) .....	<b>4,313,653</b>	9,501,234
Friedberg Total Return Fixed Income Fund Ltd. ....	<b>2,275,645</b>	5,502,504
Friedberg Global Macro-Hedge Fund Ltd. ....	<b>46,515,829</b>	7,033,946

#### *Fund Share Ownership*

From time to time in the normal course of business, certain affiliates of the Investment Advisor may purchase and redeem participating, non-voting and redeemable shares of the Funds on the same terms as other shareholders. At each of December 31, 2006 and 2005, the affiliates' ownership ranged from 0% to 94% and 0% to 89%, respectively, of the outstanding shares of each Fund.

#### *Interest Income*

Interest earned on the Friedberg Currency Fund II Ltd. is retained by FMG in lieu of management fees. During the years ended December 31, 2006 and

2005, interest earned on the Friedberg Currency Fund II Ltd. and retained by FMG approximated \$1,408,967 and \$660,390 respectively. The remaining amounts due from FMG and FMGI did not earn interest.

#### *Management fee refund*

The Manager refunds the fees charged from the investments by the Friedberg Global Macro-Hedge Fund Ltd. in Friedberg Currency Fund II Ltd., Friedberg Equity Hedge Ltd. and Friedberg Total Return Fixed Income Ltd. (In Liquidation) The refund consists of the management fee, a part of commission charged for the derivative contracts in the underlying investment funds and the interest income retained in the Friedberg Currency Fund II Ltd.

## NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

### 8. FINANCIAL HIGHLIGHTS

Financial highlights for the years ended December 31, 2006 and 2005 are as follows:

#### Friedberg Currency Fund II Ltd.

	<b>2006</b>	<b>2005</b>
	<b>Classes A and B</b>	<b>Classes A and B</b>
Per share operating performance		
Net asset value, beginning of period .....	<b>\$850.54</b>	\$717.35
Income (loss) from investment operations:		
Net investment income (loss) .....	<b>(1.13)</b>	(1.42)
Net gain (loss) on investments .....	<b>80.19</b>	134.61
Total from investment operations .....	<b>79.06</b>	133.19
Net asset value, end of period .....	<b>\$929.60</b>	\$850.54
Total return		
Total return before incentive fee .....	<b>9.3%</b>	18.6%
Total return after incentive fee .....	<b>9.3%</b>	18.6%
Ratio to average net assets		
Operating expenses .....	<b>0.1%</b>	0.2%
Total expenses .....	<b>0.1%</b>	0.2%
Net investment income (loss) .....	<b>(0.1)%</b>	(0.2)%

## NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

### 8. FINANCIAL HIGHLIGHTS (continued)

Friedberg Equity Hedge Fund Ltd. (In Liquidation)

	<b>2006</b>	<b>2005</b>
	<b>Classes A and B</b>	<b>Classes A and B</b>
Per share operating performance		
Net asset value, beginning of period .....	<u>\$2,551.50</u>	<u>\$2,477.14</u>
Income (loss) from investment operations:		
Net investment income (loss) .....	<u>4.57</u>	<u>(22.58)</u>
Net gain (loss) on investments .....	<u>116.40</u>	<u>96.94</u>
Total from investment operations .....	<u>120.97</u>	<u>74.36</u>
Net asset value, end of period .....	<u>\$2,672.47</u>	<u>\$2,551.50</u>
Total return		
Total return before incentive fee .....	<u>5.7%</u>	<u>3.7%</u>
Incentive fee .....	<u>(1.1)</u>	<u>(0.7)</u>
Total return after incentive fee .....	<u>4.6%</u>	<u>3.0%</u>
Ratio to average net assets		
Operating expenses (including interest and dividends) .....	<u>4.6%</u>	<u>3.0%</u>
Incentive fee .....	<u>1.1</u>	<u>0.7</u>
Total expenses .....	<u>5.7%</u>	<u>3.7%</u>
Net investment income (loss) .....	<u>0.2%</u>	<u>(0.9)%</u>

## NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

### 8. FINANCIAL HIGHLIGHTS (continued)

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

	2006 Class A Shares	2005 Class A Shares
Per share operating performance		
Net asset value, beginning of period .....	<u>\$1,992.23</u>	<u>\$1,798.65</u>
Income (loss) from investment operations:		
Net investment income (loss) .....	56.84	23.76
Net gain (loss) on investments .....	<u>(38.08)</u>	<u>169.82</u>
Total from investment operations .....	<u>18.76</u>	<u>193.58</u>
Net asset value, end of period .....	<u>\$2,010.99</u>	<u>\$1,992.23</u>
Total return		
Total return before incentive fee .....	<u>0.9%</u>	<u>10.8%</u>
Total return after incentive fee .....	<u>0.9%</u>	<u>10.8%</u>
Ratio to average net assets		
Operating expenses .....	<u>1.0%</u>	<u>1.1%</u>
Total expenses .....	<u>1.0%</u>	<u>1.1%</u>
Net investment income (loss) .....	<u>1.7%</u>	<u>1.4%</u>

## NOTES TO FINANCIAL STATEMENTS

(expressed in United States dollars)

### 8. FINANCIAL HIGHLIGHTS (continued)

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

	2006 Class A Shares	2005 Class A Shares
Per share operating performance		
Net asset value, beginning of year .....	<u>\$1,698.92</u>	\$1,498.04
Income (loss) from investment operations:		
Net investment income (loss) .....	<u>(28.41)</u>	(38.45)
Net gain (loss) on investments .....	<u>226.10</u>	239.33
Total from investment operations .....	<u>197.69</u>	200.88
Net asset value, end of year .....	<u>\$1,896.61</u>	<u>\$1,698.92</u>
Total return		
Total return before incentive fee .....	<u>13.4%</u>	15.1%
Incentive fee .....	<u>(1.8)</u>	(2.1)
Total return after incentive fee .....	<u>11.6%</u>	<u>13.0%</u>
Ratio to average net assets		
Operating expenses (including interest) .....	<u>2.4%</u>	1.7%
Management fee refund .....	<u>(2.1)</u>	(1.2)
Incentive fee .....	<u>1.8</u>	2.1
Total expenses .....	<u>2.1%</u>	<u>2.6%</u>
Net investment income (loss) .....	<u>(1.6)%</u>	<u>(2.6)%</u>

The ratios do not reflect Friedberg Global Macro-Hedge Fund Ltd.'s proportionate share of income and expenses of the underlying private investment companies.

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

## **NOTES TO FINANCIAL STATEMENTS**

*(expressed in United States dollars)*

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### **9. SUBSEQUENT EVENTS**

#### **Friedberg Currency Fund II Ltd.**

From January 1, 2007 through July 24, 2007 this fund accepted additional subscriptions of approximately \$3,400,000 and had additional redemptions of approximately \$6,655,000.

#### **Friedberg Equity Hedge Fund Ltd. (In Liquidation)**

On April 30, 2007, this fund terminated its operations and all Class A and B Shares were redeemed at the net asset value on April 30, 2007. Non US Shareholders were invited to invest in Friedberg Global Macro Hedge Fund Ltd. ("Global Macro") as of the same date. Non US Shareholders investing in Global Macro approximated \$29,470,000 and

payment to shareholders not investing in Global Macro approximated \$1,170,000.

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

From January 1, 2007 through July 24, 2007 this fund accepted additional subscriptions of approximately \$28,600,000 and had additional redemptions of approximately \$38,700,000.

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

From January 1, 2007 through July 24, 2007 this fund accepted additional subscriptions of approximately \$45,714,000 and had additional redemptions of approximately \$789,000.

## INVESTOR INFORMATION

### REGISTERED OFFICE OF THE FUNDS

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

### AUDITORS

Rothstein, Kass & Company (Cayman)  
Certified Public Accountants  
P.O. Box 1748 GT  
Cayman Corporate Ctr.  
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  
270 Park Avenue, 40th Floor  
New York, New York 10017 U.S.A.

### REGISTRAR AND TRANSFER AGENT

Cayman National Trust Co. Ltd.  
Cayman National Building, 4th Floor  
200 Elgin Avenue  
PO Box 10340 APO  
Grand Cayman, Cayman Islands  
Fax: (345) 949-9557

## LEGAL ADVISORS

Willkie Farr & Gallagher  
787 Seventh Avenue  
New York, N.Y. 10019

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

## INVESTMENT ADVISOR AND SUB-ADMINISTRATOR

Friedberg Mercantile Group Ltd.  
181 Bay Street, Suite 250  
Toronto, Ontario M5J 2T3, Canada  
Telephone: (416) 364-2700      Fax: (416) 364-0572  
e-mail: [Funds@friedberg.ca](mailto:Funds@friedberg.ca)      Website: [www.friedberg.ca](http://www.friedberg.ca)