FRIEDBERG MERCANTILE GROUP

Fourth Quarter Report 2002

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Dear Investor,

It is a pleasure to present to you the financial report of the Friedberg Group of Funds for the quarter and year ended December 31, 2002.

After a rocky start in October and most of November, we managed to regain balance in December, and the funds closed the year near their best levels. Once again, however, the overall performance, as represented by the Global Macro Hedge Fund Ltd. (up 0.7% for the quarter, 21.2% for the year) hid a widely disparate performance for the individual funds. Particularly disappointing was the performance of the Equity Hedge Fund Ltd. (down 10.9% for the quarter and up only 4.1% for the year). Slightly less disappointing was the Diversified Fund, which registered a draw-down of 3.7% for the quarter but still managed to record a dramatic 31.9% gain for the year. On the plus side, our old favorites, the Currency funds, managed to gain between 3.0% and 5.0% for the quarter — leaving them, however, still far from erasing the devastating losses incurred early in the year with the Argentine peso. Next on the winning column were the Fixed Income funds, up 2.8% to 3.6% for the quarter and 23.3% to 27.3% for the year, and finally the International Securities Fund, up 7.2% for the quarter and 19.1% for the year. In all, it was a very satisfying performance, and one that underscores the merits of diversification across investment products.

A small number of common investment themes ran through most of our positions. These were the complex and delayed after-effects of the bursting of the 1996-2000 bubble, the Fed's asymmetrical response towards the perceived dangers of deflation and inflation and the market's perception of the sustainability or un-sustainability of the U.S. current account deficit. Following is a brief word about these themes and how they influenced our actions.

The bursting of the bubble economy — or shall we call it the bursting of a bubble, given that policy is gearing itself up for another sort of bubble – brought about a slow spending adjustment, more apparent in the corporate world than in the personal sector. Internally generated funds, that is, the excess of operating cash flow over capital spending and pay-outs, turned positive, allowing corporations to repair some of the balance sheet damage experienced during the bubble. In response, corporate spreads have tightened of late.

Still, we have been reluctant to purchase corporate debt. We feel that debt remains extremely high by historical standards and corporations remain very exposed to future rises in interest rates. At the very least, the corporate default rate is likely to stay high for quite some time;

the selection of potential survivors is fraught with unusual risk. Additionally, this process of corporate belt-tightening, coupled with an inevitable retrenchment of the heavily indebted consumer, is certain to dampen future economic activity, driving further down real interest rates. In sum, credit concerns and the prospects of still falling real interest rates keep us heavily positioned in U.S. and Canadian TIPS (Treasury Inflation Protection Securities) to the exclusion of other fixed-income securities. It is unlikely that the returns in 2003 from these inflation-linked securities will be anywhere near the dramatic 18.2% total return achieved in 2002, unless — and this is not a trivial possibility — real interest rates fall below 1.5% from the present 2.72%. At the very least, however, we should be able to earn a static 5.3% and a modest capital gain to boot.

The Fed's aggressive monetary posture – driving Fed Funds well below current inflation rates and nominal spending growth – demonstrates that the central bank is far more responsive to threats of deflation than to those of inflation. This asymmetry has serious long-term implications for the course of inflation and for risk-taking behavior (commonly referred to as moral hazard). A significant time gap is likely to open between the time inflation begins to accelerate and the time the Fed first reacts to it, cementing expectations and making the eventual task of reining in inflation that much more difficult. Aggravating the slow reaction will be the weak state of corporate balance sheets described earlier and the extraordinary leverage built up in the financial sector. The slower and weaker the Fed's reactions are perceived to be, the more aggressive will be the risk-taking behavior of the private sector. The upward ratchet of moral hazard will further complicate the Fed's task. Another horrendous burst therefore is inevitable.

In the meantime, commodity prices have been on a tear, with the Commodity Research Bureau index up a dramatic 23% over the past 12 months, despite relatively weak economic conditions. Gold has also risen, partly because of monetary stimulation, but also because of war concerns and the increasingly bearish timbre of the U.S. dollar. At this writing, gold stood at an almost six-year high. For now, the Fed remains inflation's best friend.

Our view with regard to the U.S. dollar has remained partly clouded. On the one hand, the U.S. current account deficit continues to widen. It now exceeds 5% of GDP, and investment inflows appear to have subsided, in line with a weaker stock market performance. Extrapolating these trends to 2007 – the current account deficit could reach over 7% and the U.S. net external liabilities would, at current exchange rates, be close to 65% of GDP – may bring us to the conclusion that the dollar is overvalued and that this overvaluation must be reversed quickly.Yet, unlike anytime in the past century, there is no country and no currency that can take the place of the U.S. and the dollar. In the immediate post-war years, the dollar reigned supreme until reconstruction produced the European (primarily German) and Japanese miracles. By the late sixties and early seventies, these regions were fit competitors for the U.S., running higher economic growth rates, lower inflation and few political problems. The Vietnam war and the Nixon political scandal weakened the U.S. and seriously damaged its image of invulnerability. In politico-economic terms it was possible to speak of a second sphere of influence. With the advent of the Reagan presidency, the scales began to tip back to the U.S. Moral and economic leadership would once again devolve on this side of the Atlantic. The Clinton years, the lucky nineties, saw a once-in-a-generation economic boom (the last part of it artificially driven) and the U.S. had little problem financing its mushrooming trade and current account deficit. Europe and Japan, in the meantime, stagnated. A political and economic *rigor mortis* has since overtaken them.

Short of a disastrous military foray (or forays), the U.S. remains the undisputed leader of the world, upholding the freest and most liberal economic order of all major nations of the world, signing free trade agreements with nations at the very periphery of the globe, standing up to political/ military blackmail wherever it may be and backing up its moral standing with a military force superior, by several orders of magnitude, to any military force the world has ever seen. Clearly, Europe and Japan no longer represent the economic, political and moral alternative that they represented in the sixties and seventies, fresh out of the devastating effects of the War. It seems to us that from a strictly currency point of view, there is no alternative to a dollar standard. This leads us back to the problem of sustainability. Can the U.S. finance its ever growing addiction for foreign savings? Given the lack of alternatives, we believe that it can. The inevitable consumer retrenchment that we see coming is likely to reduce the trade gap and lower the deficit to a more sustainable 3% to 4%. Above all, the U.S. will continue to attract foreign investors because, relatively speaking, it will remain attractive. There are no fixed economic laws that impede a country from running very large current account deficits for long periods of time; financing depends on confidence. An interesting analogy comes to mind: Argentina went into default and was forced into devaluation and chaos with a debt/GDP ratio of 55% to 65%. Their debt burden was called intolerable and even “crushing,” yet other countries have managed to survive with far higher debt/GDP ratios without a semblance of crisis.

As we stated earlier, our view of the U.S. dollar became more clouded as the year wore on. We started out with a clear-cut dollar bearish mind-set, backing it with a long position of a basket of currencies, then turned more agnostic towards mid-year (closing out the profitable basket). We hesitatingly reversed course once again towards year-end, impressed by the euro’s upward momentum. We are thus long euros in our currency vehicles and in our fixed-income funds (as we did in the earlier part of the year) and for now are showing a profit. We conclude that, in the short term, under the influence of the self-fulfilling forecast of un-sustainability and nebulous fears of war and its impact on U.S. standing and finances, the dollar will continue to lose some ground. In the longer term, however, this simplistic and imprecise notion of un-sustainability should give way to the more basic fundamentals outlined above, and the dollar should regain some strength.

With respect to investment decisions that fall outside of the main themes, a few comments are in order. Outside of the euro, the currency funds engaged in two other transactions: a long sterling/short Swiss franc spread, closed out at a loss, and a long Turkish lira position, still open, and profitable, at this writing. The former position is based on the fact that the Swiss franc, a traditional safe haven play, is dramatically overvalued, with quite negative effects on economic activity, while sterling is suffering from fears (unfounded, in our view) that it will need to join the ECB at lower and more sustainable levels. In the meantime, UK relative economic performance is superior. We are likely to re-enter this cross trade later in the year, perhaps after the onset of an Iraqi military campaign. The case for the Turkish lira is straightforward: convergence towards an ultimate entry into the ECB, led by a very astute leader and backed by a first political majority in many years. Extremely high real interest rates (50% versus inflation below 30% per annum) provide icing on the cake. Here, too, fears of war have so far impeded a more favorable outcome.

As you are already aware, the Diversified trading program has had two managers for the past 27 months. I now manage 60% directly and an investment committee at our firm manages the other 40% — under my watchful eye, of course. The investment committee’s allocation has risen gradually over the past 2 years. I introduced this arrangement after a number of years in which the program floundered, suffering from a lack of new investment ideas (I was too obsessed with the financial markets), poor timing and principally poor risk management. The investment committee brought along a very disciplined, focused and micro-oriented approach to commodity futures. Results, thus far, have exceeded my expectations. Just as important, the new managers sharpened my own trading which, slowly, began to improve. While the Diversified program gained 31.9% for the year, a breakdown will show that the investment committee gained 54.9% and I gained only 32.3% (though for the past six and three months the tables turned, + 45.5% vs. +18.3% and +6.5% vs. –16.9%). As I wrote on a different occasion, we enjoy the self-imposed competition and believe that it yields the best risk-adjusted returns for the investor.

I present below some brief comments penned by the group's unofficial chairman:

"We were humbled in the fourth quarter with a 16.9% setback. Conviction can be costly in counter trend market moves. We overstayed our welcome on the short side of the stock market, with the resulting loss representing 52% of the loss column and 90.7% of the total loss.

Gold finally broke through the stubborn $330-per-ounce barrier. The broad participation of the street that we've seen over the past month will create greater volatility, but we believe that the gold market will continue to benefit from its underlying, fundamental strengths. Gold was the most profitable trade in the win column.

Commodity prices have been very strong. The CRB Index rose to levels not seen since pre-Asian- crisis levels. We participated in this bull run with the cocoa and soybean markets and we maintain long positions in both. Civil war rages in the Ivory Coast and threatens to disrupt cocoa supplies. This has been a supply-side bull market thus far, but we expect consumption to increase and exacerbate the supply problems. Asian demand for protein meals used as animal feed has been insatiable. U.S. soybean supplies have been run down to multi-year lows and the market is not completely confident that record crops in South America will make up the shortfall.

We were less successful with attempts at trading copper and cotton from the long side. Wheat was a particular disappointment because we gave back some of the spectacular gains earned earlier in the year.

Aside from losses incurred in our trading of stock indexes, our trading performance was fairly balanced. Although we did lose money in the quarter, we are satisfied that the risk-management portion of our mandate continues to compliment the creative side."

Long positions in gold and crude oil futures produced the best gains for my portfolio. My views about gold are well known (see for example the December 2002 issue of *Friedberg's Commodity and Currencies Comments*); I expect prices to surprise on the upside. Despite compelling fundamentals – such as the lowest crop yields in many years in the U.S., Canada and Australia – wheat prices came under heavy pressure, causing my largest single loss. Tightening global stocks, however, will at some point underpin a dramatic bull market; when it happens, we hope to be there.

The October-November stock market rally was led primarily by the deeply oversold tech and financial sectors, with some of our short positions showing gains between 35% and 45 %. The unusual spurt in the *beta* of the short side of our portfolio caught us unprepared: the fairly consistent 56/44 long/short ratio (a ratio that has kept us market-neutral, as it takes into account the generally higher *beta* of the shorts) was insufficient to deal with this contingency. As a result, we suffered significant losses during those two months. Some of the adversely moving stocks were either partially or totally liquidated. We recovered somewhat in December but have been unable, so far, to fully regain the lost ground. Nevertheless, the December recovery allowed us to break even or even eke out a small gain, depending on the fund, for the year as a whole (see exhibits for details).

The lesson is that a market-neutral *posture* does not guarantee neutral results if we are unable to forecast properly the betas of our portfolio. Perhaps more attention ought to be paid to deeply oversold and overbought conditions. Be that as it may, the going is getting tougher, as we've alluded in previous quarterly letters. To achieve satisfactory results, we need to outperform the benchmarks by 300 to 400 basis points on *each* side. This is difficult to accomplish in the present type of market because the spectacular opportunities that presented themselves in previous years on the short side of the bubble market have vanished and the home runs of a normal bull market have not as yet made their appearance (if only, we suppose, because we are still in a bear market!). In deference to this "feeling" we have chosen to lower the Global Macro Hedge fund's allocation to the Equity Hedge funds by five percentage points and to move up its allocation to the Diversified program by the same amount.

The International Securities Fund continued its winning ways, gaining in almost every sector (see exhibit for details). The profit on the short position in Japanese regional banks was the single largest contributor to the fund's quarterly performance. We continue to believe that, ultimately, the equity of these financial institutions will be seen to be nil and regulators will be forced to shut them down. Nevertheless, we are keeping a close eye on the BOJ's attempt to reflate. Should it succeed, that is, should stepped up monetization lift real estate prices, some of these lenders will be bailed out (provided of course that they are not too heavily invested in long-term JGBs). We are long Turkey via a closed end fund listed on the NYSE that trades at a 10.4% discount to NAV for the same reasons that we outlined earlier in connection with the Turkish lira. We are long H shares in Hong Kong, stocks that trade at a 70% discount to their mainland-China equivalents. They remain extremely cheap on the bases of both yield and earnings multiples and they give us a window on the world's fastest growing economy.

During the quarter we established very selectively a few new positions. On the long side, we have invested in a Norwegian oil tanker operator, reasonably leveraged and trading at a compelling valuation. On the short side we have placed the world's largest hedge fund operator, a UK listed company, for being overpriced and highly vulnerable to the vicissitudes of the business, and South Korean Webs, as a play on their collapsing (banking) boom and the threat of annihilation.

While it should be obvious that we are gratified with this year's financial results, it is less obvious but just as true that we are happy with the way we traded. Acknowledging first that there is still much to learn, we can say that we successfully mixed persistence with flexibility, discipline with risk taking, caution with entrepreneurship. We avoided common and not-so-common pitfalls. We had the patience to ride winners and the proper ruthlessness to cut losses. Having said that, we hope and pray that success does not go to our heads, for after all, there are few things more humbling than the market.

Thanking you for your continued trust and support,

Albert D. Friedberg

FRIEDBERG MERCANTILE GROUP

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FOREIGN BOND FUND

FRIEDBERG FOREIGN BOND FUND
FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.
FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

The funds seek total investment return, consisting of a combination of interest income, currency gains, and capital appreciation, by investing in both investment grade and non-investment grade fixed income obligations denominated in a variety of currencies.
LOW RISK. Objective: Beat Benchmark

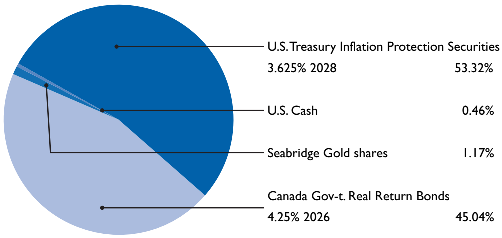
PERFORMANCE as of December 31, 2002

	NAV	Quarter	Year over Year[2]	Two Years[2]	Three Years[2]	Five Years[2]
Friedberg Foreign Bond Fund[1]	13.98	2.12%	11.86%	7.64%	8.13%	4.45%
Friedberg Total Return Fixed Income Fund Ltd.	1,292.25	2.84%	18.07%	10.05%	8.94%	3.59%
Friedberg Total Return Fixed Income Fund L.P.	132.67	3.01%	18.91%	11.12%	9.69%	4.41%
Benchmark[3]	—	N.A.	4.62%	6.34%	6.04%	N.A.

[1]Priced in Canadian Dollars
[2]Compounded Annual Rate of Return through November 2002
[3]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

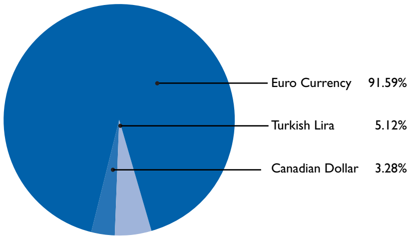
FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Weighted average yield to maturity 5.56%
Weighted average current yield 3.30%

Currency Exposure

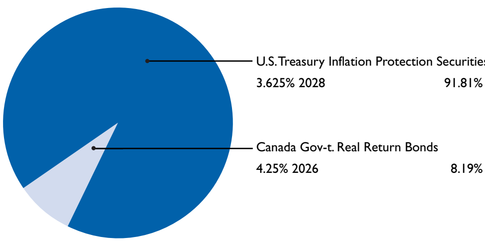


Adjusted modified duration 7.19
Approximate overall credit rating AAA

Bond rating breakdown: AAA 98.83%
Unrated 1.17%

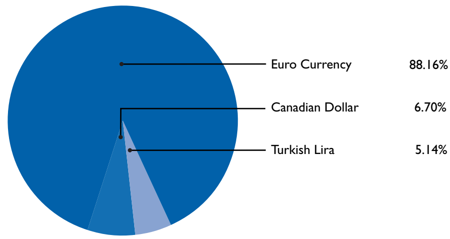
FRIEDBERG FIXED INCOME FUND L.P.

Portfolio Allocation



Weighted average yield to maturity	4.81%
Weighted average current yield	3.10%

Currency Exposure

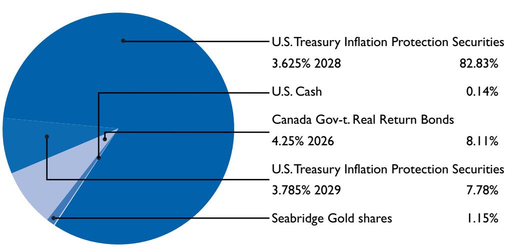


Adjusted modified duration	7.34
Approximate overall credit rating	AAA

Bond rating breakdown:	AAA	100.00%
	Unrated	0.00%

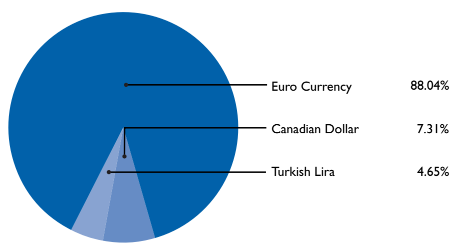
FRIEDBERG FIXED INCOME FUND LTD.

Portfolio Allocation



Weighted average yield to maturity	4.76%
Weighted average current yield	3.07%

Currency Exposure



Adjusted modified duration	7.27
Approximate overall credit rating	AAA

Bond rating breakdown:	AAA	98.85%
	Unrated	1.15%

FRIEDBERG EQUITY HEDGE FUND LTD.
FRIEDBERG EQUITY HEDGE FUND

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

PERFORMANCE[1] as of December 31, 2002

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity-Hedge Fund Ltd.	1,895.26	-10.93%	-4.68%	24.85%	10.74%
Friedberg Equity-Hedge Fund	16.33	-13.14%	-11.29%	19.03%	N.A.
CSFB/Tremont Equity Market Neutral Index	—	N.A.	6.46%	10.57%	11.85%

[1]Net of fees
[2]Compounded annual rate of return through November 2002

INVESTMENT ALLOCATION[3]

	30-Sep-02	31-Oct-02	30-Nov-02	31-Dec-02
LONGS	53.29%	56.43%	55.61%	56.62%
SHORTS	46.71%	43.57%	44.39%	43.38%
TOTAL GROSS LEVERAGE	2.00 *x*	2.64 *x*	2.35 *x*	2.90 *x*

LARGEST SECTORS (LONGS)[3]

Small Cap Industrials (Russell 2000 futures)	15.38%
Oil Exploration and Production	7.20%
Aerospace-Defence Equipment	5.17%

LARGEST SECTORS (SHORTS)[3]

Computers	7.43%
Super Regional Banks	7.24%
Investment Banking/Brokers	4.96%

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

LARGEST LONG POSITIONS

Russell 2000 Index futures
Eastman Kodak
Intertrust Technologies
Corning Inc.
Patina Oil & Gas Corp.
XTO Energy Inc.
Philadelphia Suburban Corp.
Entergy Corp.
Valero Energy
Apache Corp.

LARGEST SHORT POSITIONS

Walgreen Corp.
Waddell & Reed Financial
International Business Machines Corp.
Stilwell Financial Inc.
Goldman Sachs Group Inc.
Biovail Corp.
PNC Financial Services Group
MBNA Corp.
Intel Corp.
Fleet Boston Financial Corp.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Corning Inc.	69.87%	Capital One Financial	14.89%
Valero Energy	39.55%	Bombardier Inc.	13.47%
Intertrust Technologies Corp.	33.12%	Bank of New York	10.63%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Fresh Del Monte	-26.10%	Maxim Integrated	-33.44%
Sears Roebuck	-38.59%	AOL Time Warner	-38.89%
TXU Corp.	-41.86%	Alcatel S.A.	-41.50%

CURRENCY PROGRAM

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

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

PERFORMANCE as of December 31, 2002

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Currency Fund[1]	7.02	4.15%	-60.55%	-28.52%	-16.35%
The First Mercantile Currency Fund	6.24	2.13%	-58.87%	-26.65%	-15.94%
Friedberg Currency Fund II Ltd.	453.21	3.04%	-51.12%	-25.21%	-13.65%
Friedberg Currency Fund Ltd.	518.24	3.41%	-52.97%	-21.16%	-10.13%
Friedberg Forex L.P.	6.26	2.96%	-58.33%	-27.80%	-14.25%
Barclay Trader Indexes Currency	—	N.A.	6.05%	3.13%	4.03%

[1]Priced in Canadian Dollars
[2]Compounded Annual Rate of Return through November 2002

OPEN POSITIONS - December 31, 2002

	Leverage
Long Euro Currency	2.35
Long U.S. Treasury Inflation Protection Securities	0.91
Long Turkish Lira	0.71
gross leverage at December 31, 2002	4.01 *x*
maximum gross leverage during quarter	5.90 *x*

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PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Euro Currency	3.46	72.63
Long Turkish Lira	1.00	20.99
Long U.S. Treasury Inflation Protection Securities	0.30	6.38

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short Swiss Franc	(0.80)	80.69
Long British Pound	(0.19)	19.31

Model account value September 30, 2001	27,877.79
Model account value December 31, 2002	28,973.97
Percentage gain (loss) in quarter:	3.93%

FRIEDBERG DIVERSIFIED FUND

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

PERFORMANCE as of December 31, 2002

	NAV	Quarter	Year over Year[1]	Three Years[1]	Five Years[1]
Friedberg Diversified Fund	8.39	-3.67%	10.34%	-7.04%	-8.80%
CSFB/Tremont Managed Futures Index	—	N.A.	14.58%	6.84%	7.09%

[1]Compounded annual rate of return through November 2002

OPEN POSITIONS - December 31, 2002

	leverage
Long Gold	1.40
Long U.S. Treasury Inflation Protection Securities	1.17
Long Soybeans	0.43
Long Cocoa	0.30
Long SoybeanOil	0.26
Short Soybean Meal	0.25
Long Crude Oil	0.16

gross leverage at December 30, 2002	4.17 *x*
maximum gross leverage during quarter	5.33 *x*

ACTIVITY REPORT - Fourth Quarter 2002

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Gold	5.21	40.74
Cocoa	2.94	22.98
Crude Oil	2.36	18.48
Ten Year Notes	0.83	6.49
Soybeans	0.80	6.27
Natural Gas	0.33	2.59
U.S. Treasury Inflation Protection Securities	0.21	1.61
Soybean Meal	0.10	0.77
Soybean Oil	0.01	0.06

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Wheat	(8.37)	45.97
Equity Futures	(7.40)	40.63
Sugar	(1.24)	6.82
Cotton	(1.04)	5.72
Copper	(0.16)	0.87

FRIEDBERG INTERNATIONAL SECURITIES FUND

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

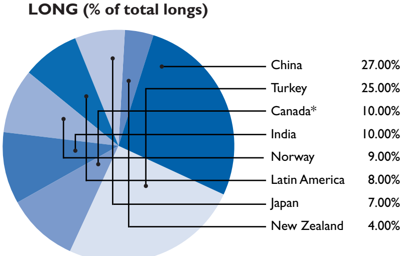
PERFORMANCE[1] as of December 31, 2002

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg International Securities Fund	14.23	7.23%	8.13%	23.27%
HFRI Equity Hedge Index (Offshore)	—	N.A.	6.46%	10.57%

[1]Net of fees
[2]Compounded Annual Rate of Return through November 2002

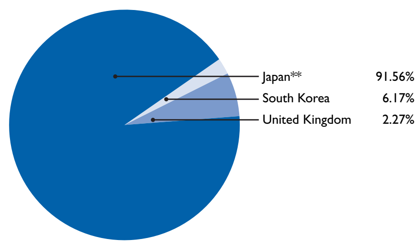
EQUITIES EXPOSURE BY COUNTRY

LONG (% of total longs)



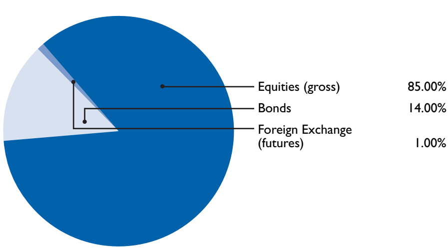
*Oil and Gas shares

SHORT (% of total shorts)



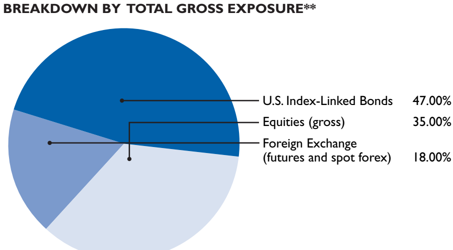
**Secondary Banks (hedged with JY futures)

BREAKDOWN BY INVESTED AMOUNTS*



*Based on margins used in each category

BREAKDOWN BY TOTAL GROSS EXPOSURE**



**Including notional values of derivatives

TOTAL GROSS LEVERAGE 2.39 *x*

NEW POSITIONS ESTABLISHED DURING THE QTR.
1) Long Frontline (Norway)
2) Long Turlish Investment Fund (Turkey)
3) Short Man Group (UK)
4) Short Korea Webs (Korea)

POSITIONS LIQUIDATED DURING THE QTR.
1) Long Tokyo Style Corp. (Japan)
2) Long ASA Corp. (South Africa)
3) Short Invensys (UK)

APPROXIMATE GROSS RETURNS ON BEGINNING EQUITY BY MAJOR SECTORS

(October 1 - December 31)[2]

U.S. Index-linked bonds	-0.14%	Canada	0.70%
Europe	0.35%	Hong Kong	0.88%
Miscellaneous	-0.85%	India	0.87%
Latin America	1.66%	Japan[3]	7.15%

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

FRIEDBERG GLOBAL OPPORTUNITIES FUND LTD.

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

PERFORMANCE[1] as of December 31, 2002

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg Global Opportunities Fund Ltd.	784.89	0.84%	12.98%	3.46%

[1]Net of fees
[2]Compounded Annual Rate of Return through November 2002

FRIEDBERG GLOBAL–MACRO HEDGE FUND

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

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

PERFORMANCE as of December 31, 2002

	NAV	Quarterly	Year to Date
Friedberg Global–Macro Hedge Fund Ltd.	1,206.84	0.68%	12.29%
Friedberg Global–Macro Hedge Fund[1]	10.77	-0.37%	7.70%
CSFB/Tremont Global Macro Index	—	N.A.	16.50%

[1]Since inception June 1, 2002

Allocation of the Friedberg Global–Macro Hedge Fund Ltd. as of December 31, 2002 is as follows:

FUND	PROPOSED NEW ALLOCATION	CURRENT ALLOCATION	TOTAL $ VALUE
Fixed Income Fund Ltd.	65.00%	64.87%	$50,172,182.65
Global Opportunites Fund Ltd.	10.00%	10.04%	$7,768,417.06
Equity Hedge Fund Ltd.	10.00%	11.28%	$8,721,410.79
Currency Fund Ltd.	10.00%	9.44%	$7,307,095.64
Commodity Trading Account	5.00%	0.00%	$0.00
Cash	0.00%	4.37%	$3,379,365.84
	100.00%	100.00%	$77,348,471.98

FRIEDBERG FUTURES FUND

The Futures Fund combines the Currency and Diversified programs in approximately equal weights. Please refer to our earlier graphs and tables regarding these programs.

FRIEDBERG SKILL-BASED MANAGERS FUND

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

PERFORMANCE as of December 31, 2002

	NAV	Quarter	Year over Year	Three Years[1]
Friedberg Skilled-Based Managers Fund	12.11	12.03%	4.46%	6.87%
CSFB/Tremont Hedge Fund Index		N.A.	3.17%	6.60%

[1]Compounded Annual Rate of Return through November 2002

David Rothberg Comments:

The Skill Based Managers Fund earned 1.9% during the fourth quarter net of all fees. The allocation as of the end of December and quarterly returns were as follows:

Strategy	Allocation	Return in Percent
Long/Short Value U.S.	24.88	5.1
Long/Short Value International	0	3.8
Event Driven specializing in Risk Arbitrage	15.01	0.3
Convertible Arbitrage	20.43	5.4
CTA	9.88	0.2
Option Granting	3.71	-0.5

A greater sense of normalcy returned to at least some of the fields that hedge funds play on during the fourth quarter. This was evident nowhere more than in credit markets where spreads finally narrowed after a summer of record divergence with treasuries. The improved environment allowed the Skill Based Fund's allocation to **convertible arbitrage** the chance to return to profitability after uncharacteristically poor third quarter results. The new normalcy might be, probably is, the result of the end of the bear market in equities, or at least of its most vicious phase. In the trendless, in-between-time before a more obvious new phase begins players who are the most imaginative and rigorous in finding value at the micro level continue to outperform. Not limited to either side of the market, nor to debt or to equity, the Skill Based Fund's allocation to **long/short value** strategists contributed 4.3% in the three months, +17% over the course of the year.

The new normalcy even began to creep into the ambit of strategies specializing in risk arbitrage. They have struggled with a dearth of deals of late and the Skill Based Fund's allocation to the strategy, though vastly reduced from what it was two years ago, suffered its sixth consecutive quarter of generally lackluster returns. We expect better results in 2003.

After producing returns of 21% through the first three quarters, the Fund's allocation to **Commodity Trading (CTA)**, regressed to the mean and, September through December, were flat. Commodity markets remain trending and therefore fertile terrain for the strategy.

The Fund's option granting strategy sold near-record volatility. We expect it to profit now that equities are no longer perceived as toxic.

The Skill Based Fund was designed to generate safe returns more potent than t-bills. For the year it earned 5.3%, four times the t-bill rate. Given the more favorable tax treatment applied to it than to bills, it has become an admirable wealth preserver. We are not displeased.

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FRIEDBERG MERCANTILE GROUP

BCE Place, 181 Bay Street, Suite 250
Toronto, Ontario M5J 2T3
Tel.: (416) 364-1171
Fax: (416) 364-0572
www.friedberg.com
e-mail: funds@friedberg.com