FRIEDBERG MERCANTILE GROUP

First Quarter Report 2003

1

First Quarter Report 2003

Dear Investor,

It gives us pleasure to present to you the financial report of the Friedberg Group of Funds for the quarter ended March 31, 2003.

In overall terms, the results were positive. Our two Global Macro-Hedge funds, which combine all the firm's programs, were up 3.4% and 1.4% respectively. The difference in performance was due to slight, random and therefore unavoidable differences in their respective allocation (the timing of subscriptions and redemptions caused the bulk of the variations). The positive overall results masked, once again, widely disparate results among individual programs. On a positive note, our currency funds gained between 3.4% and 10.4%, our fixed income funds 4.3% to 7.2% and the Friedberg International Securities Fund 6.3%. Draw-downs were experienced in the Diversified Trading program (-14.7%) and the equity hedge funds (-1.5%, +0.1% respectively).

The equity hedge funds continue to labor under a now well-known handicap. This market has not provided the kind of home runs in individual stocks that were a feature of the late phase of the bull market and the early phase of the bear market. Unlike past quarters, there have been few spectacular gains. As an example, our largest gainer by far on the long side, at +76%, was Corning Inc., a company that operates in the telecommunications, advanced materials and information display industries. The next two gainers on the long side were up only 23% (Imclone Systems) and 14% (Apache Corp.), while our gainers on the short side ranged between 16.15% and 22.97%.

The almost imperceptible gain eked out by the Cayman Equity Hedge Fund Ltd. for the quarter was due to a flat performance on the short side and a slight gain on the long side, against an S&P 500 quarterly loss of 3.6%.

We continue to screen the market for attractive sectors, both on the long and the short side, in the belief that group analysis is more secure and less given to Enron-style blow-outs. At this time we favor the energy, defense and utility sectors on the long side because of their modest valuations and excellent cash flow. On the short side, our preferences run to the banking and financial services sectors, with their hidden and growing loan losses and their still too-top-heavy cost structures.

The satisfactory performance of the fixed income funds is attributable to the excellent total return provided by US and Canadian inflation linked Treasuries (for an in-depth view of why we believe these securities still represent a good investment, see this month's issue of *Friedberg's Commodity and Currency Comments*) and a well timed entry into and exit from the euro. As investors know, we take on currency exposure by either buying foreign currency bonds or by remaining in US securities but executing a forward currency transaction that effectively transforms the US dollar position into a foreign currency one. This we call a synthetic currency position. The reason we so often choose the synthetic route is simple: selling and then buying new securities can be expensive as we incur two bid/ask spreads. Spreads on bonds are far greater than spreads on currency forwards.

There is another reason we prefer a synthetic position: we may be unable to find an equivalent security in terms of maturity or creditworthiness in the currency that interests us. The synthetic position allows us to maintain the security we own, where maturity and creditworthiness have been deemed acceptable, and to change the currency exposure by executing a simple forward transaction. We carried a synthetic euro position from December 23, 2002 to March 13, 2003 and then switched back to US dollars in the belief that the war/post-war period would see a re-invigorated US unit. In recent days, we have affirmed our constructive view of the Canadian dollar — already long represented in our portfolios via the inflation linked Canadian Treasuries (Real Return Bonds, as they are called in Canada) — by buying Canadian dollar forwards (and consequently selling US dollars) and adopting a Canadian dollar exposure for anywhere between 82% and 87% of the funds' total net assets. In the process we are picking up "points" — that is, we are earning an additional 200 basis points on our investment, in line with Canada's higher short-term interest rates. We believe that the Canadian dollar will outperform its US counterpart even as the latter rebounds.

During the last days of March we picked up a small position in Argentina's Boden, a peso-denominated security linked to the cost of living and yielding about 15%. This extraordinary return is of course justifiable in view of the country's economic situation and its record of gross violations of property rights. This security has several characteristics that we find intriguing. First, the central bank has the ability to pay in pesos under any and all circumstances, because it can always print money. Second, it was issued to compensate the impoverished and despoiled holders of US dollar bank deposits trapped in the bank freeze. A second "rape" is highly unlikely, especially in view of the Supreme Court's belated ruling that the forced conversion of dollars into pesos was illegal. And finally, because the inflation rate has lagged the rise in the dollar, there is an additional implicit return. Since we purchased these bonds, the peso has risen more than 7% in the foreign exchange markets, partly redressing the currency's fallen real purchasing power. Alternatively, inflation can accelerate. Either way, these bonds *should* yield well in excess of 15% per annum in dollar terms.

It would be easy to blame the poor performance in the Diversified Trading programs on the huge war-related increase in volatility. Unfortunately, while volatility did spike up, this is no excuse. Futures traders ought to welcome increases in volatility; in the lingo of the industry, futures traders are buyers of volatility. The problem lies, obviously, in being on the wrong side of the fence. The sad truth is that I overstayed my welcome in crude oil, in the belief that Iraqi oil fields would be damaged and oil supplies would be interrupted for at least six months if not longer. Just as hostilities were about to begin, crude prices collapsed, unmindful (or omniscient?) of the possible damage to supplies, leaving that discussion to be sorted out at a later time. In any event, it is now clear that Iraqi supplies will be interrupted for at least three if not six months. Still, the psychological damage has been done and the back of the bull market has been broken.

I committed the same sin of overstaying in gold, unwilling to believe that the market contained a $60/oz. "war premium." Instead, I reasoned that the falling US dollar would ignite the fire under this market, without paying attention to the fact that the dollar itself was being offered on the back of the war. Despite an early and fairly well timed entry, and despite some reasonably nimble in-and-out trading on the way down, I still managed to lose money on this position. Other substantial losses were recorded in natural gas futures, where I was lulled into being long by well advertised spot shortages and enormous forward discounts (buying May contracts at 5.97 after March had touched 9.13 did not seem too bad an idea even when storage levels had reached nine-year lows), as well as in cocoa and wheat. These last two commodities enjoyed excellent fundamentals, at least statistically. Price action, however, clashed with the fundamentals and in the end it was revealed that indeed *foreign* supplies of wheat were more than adequate and that the civil strife in Ivory Coast had had little effect on cocoa export numbers (though quality remains for now an unknown). Heavy slippage costs compounded my incorrect posture in these two markets. Finally, the events leading to, and the onset of, the war witnessed what I believe was an irrational market reaction, to wit, the fact that an eventual end to the hostilities and thus the lifting of uncertainty would be bullish for stocks and, in mirror image, bearish for bonds. While we might be able to agree with the first proposition, at least for the near term, we cannot see how the end of war could affect bonds to the extent that it has (an increase of 40 basis points and a rise of more than 11% in the long end of the curve). The over-indebted consumer is not likely to go back on a consumption spree nor are corporations likely to add to their existing (over) capacity for quite some time. My refusal to blindly and mechanically follow the Gulf War script cost us dearly, though I still believe that no two episodes are exactly the same and that the post-war period ahead will look a lot different than the one following the Gulf War. Still, it was all very frustrating. By the end of the quarter, we were left with a small gain in our bond position (see exhibits), though the backup in rates eliminated a substantial portion of our sizeable paper profits.

Can a worthwhile lesson be learned from this? Perhaps. Perhaps one ought to stay out of leveraged positions when political/military events are the predominant market influence. Buying volatility on the back of these events seems like a rash bet. So, however, is selling volatility, which may be profitable 99 out of 100 times in such instances but which can lead to financial ruin in a small number of cases. Staying on the sidelines in such circumstances appears to be the better part of valor.

My funds fell 18.48% for the quarter. The funds managed by our investment committee (40% of the total) performed slightly better and fell 10.66%. Below is a discussion of results by S. Sanik, the group's chairman.

"Our performance for the first quarter of 2003 was a disappointment, with a 10.66% setback. Three trades accounted for the bulk of the activity and losses in the quarter.

The behavior of the gold market was rather unique among markets that were affected by the lead-up to war and the eventual start of military activity in Iraq. The fear premiums (or discounts) in the US dollar and in the stock and bond markets reached their respective extremes in the second week in March. Gold prices peaked more than a month before that. Following indicators that are typically reliable, we concluded that the speculative excesses in the gold market were squeezed out by the time the prospects for war grew strong. More important, we believed that prices would find support in bullish fundamentals completely unrelated to the unfolding geopolitical crisis. Our miscalculation of the depth of the correction kept us long the market and contributed to one third of the loss column.

A classic struggle is brewing between the supply and demand sides of the soybean market. Asian demand is booming, but so is output in South America, which has now surpassed the US as the world's largest producer. We've been bullish and have attempted to maintain a long position, but nervousness about being overwhelmed by a flood of supply when Brazil and Argentina go into harvest caused us to trade this market poorly. Trading in soybeans represented 22% of our loss. We still have an eye to the long side.

Sugar prices had a sharp bull run in 2002. We were skeptical throughout the duration of the rally because we did not see global supply/demand balances that were tight enough to warrant the move. Rather, we reasoned, a tidal wave of long-speculation was responsible for the strength in price. Several unsuccessful attempts at the short side cost us 22% of our losses. In looking ahead, though, we find that the burdensome long position is now in the process of being unwound. We maintain a short position and hope to profit from a return to prices that reflect what we feel are appropriate bearish fundamentals."

There are two small consolations: we are still showing gains year over year and the competition did just as poorly, if not worse. While results for March are not yet in, chatter on the street is that CTAs had a disastrous March, more than wiping out January and February gains (our benchmark, the CFSB/Tremont Managed Futures Index will shortly release March figures; through February, we managed to outperform them).

We continue to make small progress in our currency funds, posting year-over-year gains of as much as 27.4% (the comparison between funds in the year-over-year results is distorted by the effect the rising Canadian dollar had on the funds whose NAV is priced in Canadian dollars, and by US regulations which prevented the Friedberg Forex LP from purchasing OTC TIPS derivatives).

The largest contributor to profits during the quarter was the well timed purchase and sale of the euro, representing more than 10% of the beginning equity. Small losses were incurred in a long sterling/short Swiss franc cross trade and a long Turkish lira position, the latter rattled by war considerations. The Swiss franc remains our favorite short position, now being spread against the euro (see our latest *Currency and Commodity Comments* for an in-depth analysis of this trade). Ultimately, we expect to unwind the euro portion of the trade and remain short the Swiss unit versus the US dollar. At the same time, we remain friendly (and long) Canadian dollars, underpinned by favorable interest-rate differentials (caused, in turn, by higher-than-expected inflation figures in Canada). It is still unclear how SARS will play itself out and how it might affect economic activity and, consequently, currency values in the most seriously affected centers, including Canada. Latest indications are that reporting cases have stabilized. It is also unclear how a US dollar bull run will affect the Canadian unit, though it is our belief that it will continue to be viewed broadly as a US dollar satellite. It is our hope that a few well focused transactions should yield satisfactory results over the coming months.

The Friedberg International Securities Fund benefited from its long-held short position in Japanese regional banks, though admittedly, current levels are far from reflecting true values. The Japanese government, through a revamped and reformed FSA, is coming closer to a decision to nationalize most of the country's insolvent banks. This will be done at first (and only under certain conditions) through the conversion of government-held preferred shares into common shares. A full nationalization of the industry, a sort of Big Bang, may not be that far off, in which case the long wait in our short positions will pay off handsomely. Prospects for South Korea continue to dim. The banking system is suffering from indigestion brought on by the consumer finance boom, industry margins are coming under pressure from mainland China competition and the deadly threat of North Korea looms in the background. We were unable to borrow more shares of the Korea Spiders to add to our short position. Instead, we sold shares in The Korea Fund, a closed end fund traded on the NYSE. This country play, too, proved profitable. For further details, please turn to the exhibits.

And so we come to some closing remarks. It was a fair quarter, though in some respects, an extremely disappointing one (witness the Global Macro Hedge funds' drawdown from the highs). The delicate balance between for-profit-leverage and risk control, between too little risk aversion and too much, continues to haunt us. Too much risk, and one can suffer devastating losses; too little, and results tend to mediocrity. Uncorrelated positions should be the answer but it is not always clear, *ex ante*, what is and what is not correlated. More requires faster reaction time, perhaps incompatible with our style of trading. Less suits us better, and thus less is more. Now all we need to know is, how much less?

We hope that the newly gained wisdom will help us to a smoother ride and a more even performance.

Thanking you for your continuous trust and support,

Albert D. Friedberg

Note:

Much has been written in research journals regarding the benchmark conundrum. We ourselves have had a number of articles in our previous quarterly reports. (See, for example, our articles in the third- and fourth-quarter 2001 reports, as well as the October 2001 and December 2001 issues of *Friedberg's Commodity and Currency Comments*.)

At the time of our last report to shareholders (fourth-quarter 2002), a change had been made to the benchmark we use for the Friedberg Global-Macro Hedge Fund. In my research to find a new, more appropriate, benchmark for our Macro Fund, I determined that the CSFB/Tremont Global Macro Index would be the best choice. This benchmark seemed to be a perfect fit for the five programs that our Macro fund invests in. As stated in the overview that was provided to me, "the portfolio of these funds can include stocks, bonds, currencies, and commodities in the form of cash or derivatives instruments. Most funds invest globally in both developed and emerging markets." It turns out that, unfortunately, the Tremont Global Macro Index has a universe of only nine funds. It certainly does not pass our first test of a good benchmark. Additionally, it is overweighted with currency funds, so its results are in no way indicative of the "average" return of similar funds.

Upon further research, I have determined that the best benchmark for our Macro Funds is the CSFB/Tremont Hedge Fund Index. This index monitors a universe of 417 fund management programs. My research into this index shows that the CSFB index includes a large database of graveyard funds to ensure minimized survivorship bias, there is no active selection bias and returns reflect an asset-weighted methodology. Therefore, I believe this index does not suffer from the biases discussed in the articles mentioned above.

D.A.G.

FRIEDBERG
MERCANTILE
GROUP

CONTENTS

FIXED INCOME FUNDS

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

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

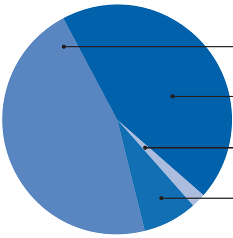
PERFORMANCE as of March 31, 2003

	NAV	Quarter	Year over Year[2]	Two Years[2]	Three Years[2]	Five Years[2]
Friedberg Foreign Bond Fund[1]	13.97	-0.07%	17.89%	7.42%	9.78%	5.98%
Friedberg Total Return Fixed Income Fund Ltd.	1,348.50	4.35%	34.26%	13.22%	12.96%	6.54%
Friedberg Total Return Fixed Income Fund L.P.	140.20	5.68%	34.35%	13.95%	14.03%	7.22%
Benchmark[3]	—	N.A.	8.71%	6.03%	7.06%	6.36%

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

FRIEDBERG FOREIGN BOND FUND

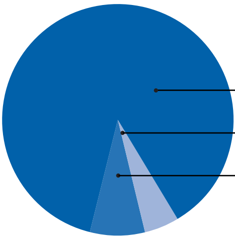
Portfolio Allocation



Weighted average yield to maturity	3.65%*
Weighted average current yield	3.12%*

*Assumes zero inflation.

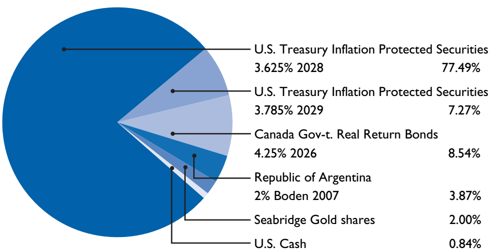
Currency Exposure



Adjusted modified duration		6.56
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	90.28%
	CC	7.67%
	Unrated	2.05%

FRIEDBERG FIXED INCOME FUND LTD.

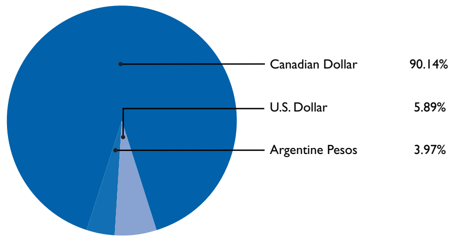
Portfolio Allocation



Weighted average yield to maturity	3.10%*
Weighted average current yield	3.00%*

*Assumes zero inflation.

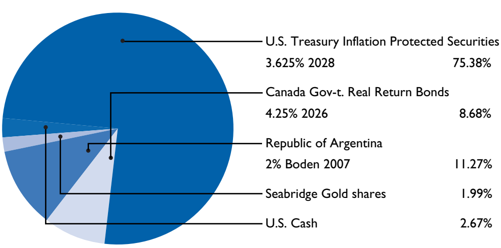
Currency Exposure



Adjusted modified duration		6.97
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	93.98%
	CC	3.97%
	Unrated	2.05%

FRIEDBERG FIXED INCOME FUND LTD.

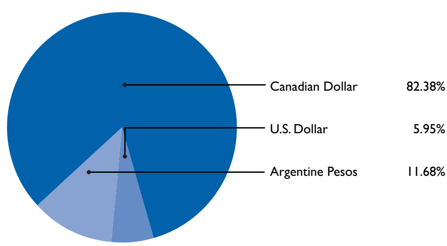
Portfolio Allocation



Weighted average yield to maturity	3.94%*
Weighted average current yield	2.87%*

*Assumes zero inflation.

Currency Exposure



Adjusted modified duration		6.30
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	86.26%
	CC	11.68%
	Unrated	2.06%

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 March 31, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity-Hedge Fund Ltd.	1,896.37	0.06%	-4.69%	5.05%	13.97%
Friedberg Equity-Hedge Fund	16.08	-1.53%	-9.48%	2.62%	10.14%
CSFB/Tremont Equity Market Neutral Index	—	N.A.	7.53%	9.81%	11.40%

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

INVESTMENT ALLOCATION[3]

	31-Dec-02	31-Jan-03	28-Feb-03	31-Mar-03
LONGS	56.62%	54.57%	52.78%	56.29%
SHORTS	43.38%	45.43%	47.22%	43.71%
TOTAL GROSS LEVERAGE	2.90 *x*	2.67 *x*	2.70 *x*	2.77 *x*

LARGEST SECTORS (LONGS)[3]

Misc. Industrials (S&P 500 index futures)	12.95%
Oil-Exploration and Production	7.72%
Energy-Electric Integrated	5.31%

LARGEST SECTORS (SHORTS)[3]

Super Regional Banks	7.15%
Computers	5.96%
Investment Banking/Brokers	4.75%

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

LARGEST LONG POSITIONS

S&P 500 index futures
Corning Inc.
Philadelphia Suburban Corp.
Patina Oil & Gas Corp.
XTO Energy Inc.
Valero Energy
Entergy Corp.
Catellus Development Corp.
Apache Corp.
Southern Corp.

LARGEST SHORT POSITIONS

Goldman Sachs Group Inc.
Walgreen Corp.
Morgan Stanley
Waddell & Reed Financial
Capital One Financial Corp.
Janus Capital Group
PNC Financial Servies Group
Intel Corp.
General Electric Corp.
MBNA Corp.

BEST QUARTERLY PERFORMANCE

LONGS

Corning Inc.	76.44%
Imclone Systems	23.07%
Apache Corp.	14.04%

SHORTS

Great Atlantic & Pacific Tea Corp.	22.97%
MBNA Corp.	20.87%
Omnicom Group	16.15%

WORST QUARTERLY PERFORMANCE

LONGS

General Dynamics Corp.	-30.62%
Fresh Del Monte Produce Inc.	-19.35%
MTR Gaming Group Inc.	-16.71%

SHORTS

Biovail Corp.	-42.76%
Comcast Corp.	-16.10%
Charles Schwab Corp.	-13.82%

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 March 31, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Currency Fund[1]	7.23	2.99%	15.91%	-19.23%	-16.94%
The First Mercantile Currency Fund	6.69	7.21%	17.51%	-19.74%	-15.93%
Friedberg Currency Fund II Ltd.	482.42	6.45%	27.40%	-14.40%	-14.13%
Friedberg Currency Fund Ltd.	546.03	5.36%	25.65%	-11.37%	-10.30%
Friedberg Forex L.P.	6.47	3.35%	5.96%	-20.04%	-17.94%
Barclay Trader Indexes Currency	—	N.A.	10.32%	5.03%	5.29%

[1]Priced in Canadian Dollars
[2]Compounded Annual Rate of Return through March 2003

OPEN POSITIONS - March 31, 2003

	Leverage
Short Swiss Franc	3.10
Long Euro Currency	3.07
Long Canadian Dollar	2.02
Long U.S. Treasury Inflation Protected Securities	0.89
gross leverage at March 31, 2003	9.11 *x*
maximum gross leverage during quarter	9.11 *x*

ACTIVITY REPORT - First Quarter 2003

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Euro Currency	10.38	94.20
Long U.S. Treasury Inflation Protected Securities	0.64	5.80

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long British Pound	(2.56)	36.13
Short Swiss Franc	(1.64)	23.10
Long Hungarian Forint	(1.40)	19.75
Long Turkish Lira	(1.23)	17.41
Long Canadian Dollar	(0.26)	3.62

Model account value December 31, 2002	28,973.87
Model account value March 31, 2003	30,085.85
Percentage gain (loss) in quarter:	3.84%

DIVERSIFIED TRADING PROGRAM

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

PERFORMANCE as of March 31, 2003

	NAV	Quarter	Year over Year[1]	Three Years[1]	Five Years[1]
Friedberg Diversified Fund	7.16	-14.66%	63.44%	2.70%	-3.52%
CSFB/Tremont Managed Futures Index	—	N.A.	38.63%	13.17%	10.16%

[1]Compounded annual rate of return through February 2003

OPEN POSITIONS - March 31, 2003

	Leverage
Long U.S. Treasury Inflation Protected Securities	1.39
Long Gold	1.05
Long Sugar	0.10
Long Cocoa	0.37
Long Natural Gas	0.30
Long Wheat	0.28
Long Mini S&P	0.25
Long Crude Oil	0.18

gross leverage at March 31, 2003	4.92 *x*
maximum gross leverage during quarter	4.92 *x*

ACTIVITY REPORT - First Quarter 2003

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long U.S. Treasury Inflation Protected Securities	1.22	48.88
Long/Short Equity Futures	1.00	39.98
Long Silver	0.28	11.14

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long/Short Cocoa	(4.25)	24.34
Long Natural Gas	(3.13)	17.94
Long Gold	(2.24)	12.82
Long/Short Wheat	(2.23)	12.76
Long Crude Oil	(2.02)	11.57
Long Soybeans	(1.30)	7.42
Long Corn	(0.82)	4.71
Long Copper	(0.49)	2.80
Short Soybean Meal	(0.39)	2.24
Short Cotton	(0.26)	1.51
Long Soybean Oil	(0.18)	1.06
Long/Short Sugar	(0.14)	0.81

FRIEDBERG INTERNATIONAL SECURITIES FUND

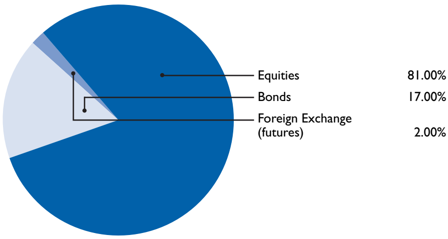
The fund seeks to capitalize on the rise and fall of local markets throughout the world by anticipating long term secular trends or by identifying, at an early stage, cyclical economic expansions and contractions of economies of selected countries. The fund uses leverage, and trades fixed income and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

PERFORMANCE[1] as of March 31, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg International Securities Fund	15.12	6.25%	34.95%	22.39%
CSFB/Tremont Hedge Fund Index	—	N.A.	5.09%	2.64%

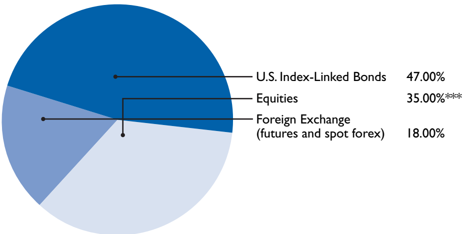
[1]Net of fees
[2]Compounded Annual Rate of Return through February 2003

BREAKDOWN BY INVESTED AMOUNTS*



*Based on margins used in each category

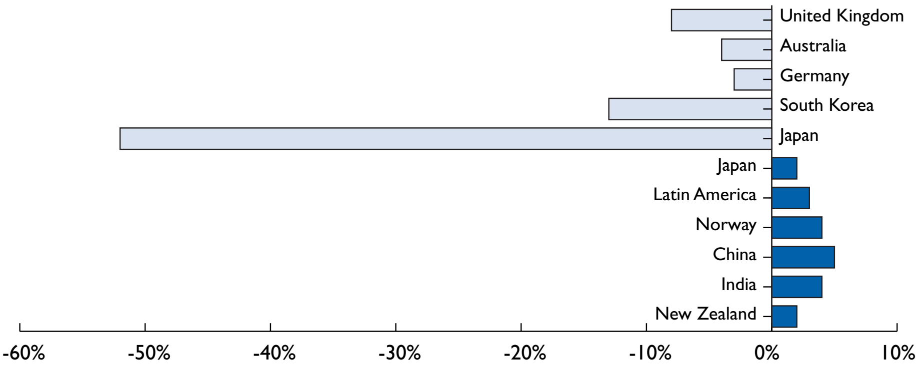
BREAKDOWN BY TOTAL GROSS EXPOSURE**



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

TOTAL GROSS LEVERAGE 2.40 x

EQUITIES ALLOCATION BY COUNTRY



NEW POSITIONS ESTABLISHED DURING THE QTR.
1) Short Foodland (Australia)
2) Short Allianz A.G (Germany)
3) Short Muenchener Rueckvers (Germany)
4) Short AMB Generali Holdings (Germany)
5) Short Korea Fund (Korea)

POSITIONS LIQUIDATED DURING THE QTR.
1) Short Allianz A.G (Germany)
2) Short Bank of Ryukyus (Japan)
3) Short Mizuho Holdings (Japan)
4) Long Turkish Investment Fund (Turkey)
5) Long Canadian Oil and Gas Equities (Canada)

APPROXIMATE GROSS RETURNS ON BEGINNING EQUITY BY MAJOR SECTORS

(January 1 - March 31)[2]

Japan[3]	3.43%	Latin America	0.37%
Korea	1.59%	India	-0.04%
U.S. Index-linked Bonds	0.85%	Europe	-0.13%
Turkey	0.79%	Australia	-0.24%
Hong Kong	0.45%		

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

FRIEDBERG GLOBAL OPPORTUNITIES FUND LTD.

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

PERFORMANCE[1] as of March 31, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global Opportunities Fund Ltd.	717.46	-8.59%	57.79%	8.98%	-4.88%

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

FRIEDBERG GLOBAL–MACRO HEDGE FUNDS

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

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

PERFORMANCE as of March 31, 2003

	NAV	Quarterly	Year over Year[2]
Friedberg Global–Macro Hedge Fund Ltd.	1,223.64	1.39%	28.05%
Friedberg Global–Macro Hedge Fund[1]	11.14	3.44%	14.80%
CSFB/Tremont Global Macro Index	—	N.A.	5.09%

[1]Since inception June 1, 2002
[2]Return through February 2003

Allocation of the Friedberg Global–Macro Hedge Fund Ltd. as of March 31, 2003 is as follows:

FUND	PROPOSED NEW ALLOCATION	CURRENT ALLOCATION	TOTAL $ VALUE
Fixed Income Fund Ltd.	65.00%	65.96%	$52,821,862.55
Global Opportunites Fund Ltd.	10.00%	8.87%	$7,101,097.21
Equity Hedge Fund Ltd.	10.00%	11.30%	$9,052,174.58
Currency Fund Ltd.	10.00%	9.66%	$7,739,219.48
Commodity Trading Account	5.00%	4.00%	$3,199,681.14
Cash	0.00%	0.20%	$163,411.89
	100.00%	100.00%	$80,077,446.85

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 March 31, 2003

	NAV	Quarter	Year over Year	Three Years[1]
Friedberg Skilled-Based Managers Fund	12.22	0.91%	5.09%	7.12%
CSFB/Tremont Hedge Fund Index	—	N.A.	5.09%	2.64%

[1]Compounded Annual Rate of Return through Februray 2003

David Rothberg Comments:

The Skill Based Managers Fund earned 0.9% during the first quarter, net of all fees. The allocation as of the end of March and returns by strategy were as follows:

Strategy	Allocation in Percent	Return in Percent
Long/Short Value U.S.	32.9	2.49
Event Driven specializing in Risk Arbitrage	19.0	-1.96
Convertible Arbitrage	27.9	5.73
CTA	12.7	-0.73
Option Granting	4.4	-8.27
Cash	3.1	—

Struggles economic, martial, and intellectual dominated the quarter. At quarter's end, only the martial appeared clear. Not surprisingly, volatility reigned. **Convertible arbitrage** enjoyed the equity volatility. The strategy also profited from the ongoing story that balance sheets are healing and that corporate debt deserves less of a premium over treasuries. With valuations now appearing fairly priced, the story becomes new issues. So far so good; there have been a decent number of them, and they have been competitively priced.

Re **Risk Arbitrage**: Deal flow continued to increase gently year over year during the quarter. While it shrank during the uncertainty of the war's prologue it has since picked up; viz Deutche Post's bid for Airborne, Sears' search for a buyer for its credit division, and others. This is good. Also good: new deals are offered at spreads several times wider than they were last year — IRRs of 25% are not uncommon, whereas last year managers were best advised to stay in t-bills. This is due mostly to a thinning of the ranks. Many risk arb guys have packed up their tents. Many have succumbed to the hedge fund community's obsession with volatility (at the expense of profits); distressed trades (the other half of the "event driven" style category) have shown steadier monthly numbers. We think there is money to be made again in risk arb and would increase our allocation to it.

CTAs, whether they depend upon algorithms, or like us, upon fundamental analysis and discretionary decision-making, enjoy trends. Since last April the Commodity Research Bureau (CRB) Index has trended from 215 to 250. Nevertheless, commodity prices are torn between economic slowdown and the central banks' pedal-to-the-metal monetary policy. We have our seat belts on and our eyes on the road.

Long/short value is a broad style that continues to reward rigorous research and discipline.

A disastrous foray — fortunately with small money — into an option-granting strategy robbed the fund of 1% during the quarter. The strategy suffered from nearly uniform poor security selection — Sears, General Dynamics, and Fedex — and inadequate diversification. We have put a stop to it, at least for the time being.

FRIEDBERG
MERCANTILE
GROUP

FRIEDBERG MERCANTILE GROUP

BCE Place, 181 Bay Street, Suite 250
Toronto, Ontario M5J 2T3
Tel.: (416) 364-2700
Fax: (416) 364-0572
www.friedberg.ca
e-mail: funds@friedberg.ca