FRIEDBERG
MERCANTILE
GROUP LTD.

First Quarter Report 2005

First Quarter Report 2005

Dear Investor,

It gives me great pleasure to present to you the financial report of the Friedberg Group of Funds for the quarter ended March 31, 2005.

Our two flagships, the Friedberg Global Macro Hedge Fund Ltd. and the Friedberg Global Macro Hedge Fund, managed to eke out small gains for the quarter, 1.17% and 0.74% respectively. This was not unexpected. By and large, the primary determinant of direction and magnitude is fixed-income securities, which represent at this time around 60% of the portfolios of these funds. As discussed below, total returns in the fixed-income area were minuscule. I should note that the decision to emphasize fixed income in the Global Macro Hedge Funds portfolios is dictated by considerations of stability and relative valuations; under different circumstances, this mix could change.

The early part of the quarter proved to be the high-water mark for fixed-income securities. The Fed's rhetoric had turned more aggressive and doubts began to emerge with respect to the measured pace of prospective rate increases. Perhaps underlying these fears were indications that the Fed was becoming concerned not so much with the behavior of consumer prices but, rather, with the behavior of asset prices, in particular real estate and commodities, and the explosive growth of private investment pools. These practically unspoken concerns appear to lie, at least for now, outside of the Fed's purview in much the same way as the equity bubble of the late 1990s came in and out of the Fed's consciousness. Bubbles, or financial excesses, are hard to measure rationally and, for the most part, are recognized only after the fact. Still, one cannot help but feel that all's not well today. Low interest rates have pushed risk-taking to extremes, arbitraging away asset prices, and only passing consideration has been given to historical rates of return and the inevitability of reversion to the mean in all human affairs. The relentless rise of short-term rates in the face of sharply decelerating money supply growth numbers indicates that the Fed would like to see an end to the sensed asset-price bubble. We suspect that an inverted yield curve is in the making; if so, the climate for financial and real assets will turn even more hostile in the months ahead. Directly ahead, and as a consequence of this tightening, lie a number of financial accidents that will test the Fed's determination to subdue animal spirits: the rapid financial deterioration of the major U.S. automotive companies and the painful taming of the GSEs, among others, involving hundreds of billions of dollars of outstanding debt. These are the visible parts of the iceberg. Not so visible are the credit and derivative positions of the largest commercial banks acting as counterparts to thousands of hedge funds; should conditions become less orderly, a veritable tsunami-like wave could bury our financial landscape.

Our fixed-income portfolios, laden with TIPS, gained from 0.0% to 0.9%, depending on the fund, and outperformed most other fixed-income funds. The outperformance was achieved primarily thanks to a synthetic Turkish lira money market position, which contributed a little over 100 basis points to total return. This position was totally liquidated before the end of the quarter. The TIPS portion showed a small positive return and bettered substantially the returns on emerging market debt and global bonds, which were negative. We engaged in a moderate amount of hedging during the quarter, selling a small amount of long-dated nominal Treasuries against the portfolio of TIPS. At quarter-end we maintained a short position of U.S. Treasury bond futures equal to anywhere between 16.4% and 19.9% of the overall portfolio. Duration, breakevens, and the technical condition of the market dictated, and continue to dictate, the extent and timing of these hedges.

We remain of the opinion that, in the medium term, real rates of interest are likely to fall further for all the known reasons, though in the near term, Fed policy will almost certainly raise interest rates across the entire yield curve.

The currency funds gained a little over 3% for the quarter, mostly thanks to our emerging market long position. In effect, the long Turkish lira/short U.S. dollar and the long Polish zloty and Hungarian forint/short euro and British pounds positions contributed to more than 87% of the total profits. A few short-term probes in the G7 area, specifically long U.S. dollar/euro and long U.S. dollar/Canadian dollar, offset some of the above gains. In the first few days of the new quarter we liquidated all positions, sensing a turn in the carry trade. This move proved rather fortunate, especially in view of the sharp corrections since experienced by the lira, zloty, forint and Mexican peso.

We continue to grope for a comfortable way of betting on the recovering U.S. dollar. We feel strongly that it has made an important bottom. We initiated a new short position in Australian and New Zealand dollars, betting that they had been driven to extreme levels on the back of favorable terms of trade and high interest rates and that both of these factors are about to change. Unlike our earlier emerging market positions, where the positive carry allowed us to be extremely patient, the present positions cost money to carry and test our determination on a daily basis. Moreover, some of the potential profit is eaten away by the cost of carry. All in all, the coming months look challenging, especially if trading turns choppy, i.e. trendless.

The two equity hedge funds continued to perform well, gaining 2.51% and 2.88% for the quarter. Their year-over-year performance, at 11.55% and 12.38%, remains respectable and well above the benchmark. The same is true for their three — and five-year performance (see inside for details).

A perceived lack of very attractive situations, long or short, forced us to scale back, bringing gross leverage to a recent low of 1.39x from a more usual 2.5x. Our long/short ratio remained very close to 50/50, probably, we guess, because of the tamer volatility of our short side selection. On an attribution basis, the short side achieved absolute gains (approximately 4.95%), while the long side achieved the less meritorious distinction of posting relative gains vis-à-vis the broader market. (We lost only 1.95%, compared with the 2.59% loss of the S&P 500.)

Sharp dispersion is essential for the success of these strategies. While dispersion will always exist, trendless or wide-ranging markets show smaller values than the incipient stages of a bull market. Bear market results are mixed; dispersion is high where there are sectors that have gone into bubble territory, but not so high when the overall market is overvalued, as it is now. We are thus less optimistic about achieving outstanding results in the near term.

The International Securities Fund was the only component of the Global Macro Hedge fund to show a loss for the quarter. The 5.59% decrease in net asset value was primarily due to a similar loss in a short position in the MSCI South Korea Webs, an exchange-traded index that replicates the Kospi index. We continue to believe that the South Korean equity market is the least attractive of the major global markets. Governance is poor, holding companies continue to control the corporate sector, consolidated debt remains extremely high (though somewhat lower than in the past), and unions continue to exert enormous power. From a macro point of view, South Korea is under the continuous threat of a neighbor that is run by an unpredictable madman, who may or may not be able to blow South Korea off the world map, but who certainly claims to be able to do so. The potential for extortion is not theoretical; it has become a major element in South Korea's foreign policy. The Korean central bank is now struggling with higher-than-anticipated inflation and a weak, heavily indebted domestic economy, i.e. stagflation.

In the course of the last three months we liquidated a substantial part of the portfolio, some of it to nail down solid gains (Turkish Investment Fund, International Uranium, Bancolombia, Devlan, and Elbit Systems) and some of it to reduce long exposure in view of our bearish outlook for the major stock markets (100% of our U.S. and U.K. holdings). As a result, our short to long ratio at the end of the quarter moved to its highest level yet, 2.6 to 1.0; we are short South Korea, as explained above, and Japanese secondary banks and we are long two Japanese industrial companies, a German real estate outfit, and a Chilean power company.

During the quarter the Global Macro Hedge Funds made a decision to allocate, on a permanent basis, a small "pocket" (less than 5%) to express opportunistic trades. For the most part, these trades would not normally be undertaken in the existing programs, either because they fall out of their mandate or because the desired position size is beyond their prudential limits. Our first three trades were a bear spread in crude oil, a bear spread in copper, and a substantial long position in two German stocks, Deutsche Bank AG and New Germany Fund. Germany is the only Western market we believe has reasonable upside potential. This opportunistic allocation contributed 0.68% to 1.08% to the net asset values of the funds respectively.

The Refco SphinX Managed Futures Ltd., down 6.4%, was buffeted by the choppy behavior of commodity futures during the quarter. The fund, which replicates the S&P Index of Managed Futures Funds, performed in line with the majority of commodity trading advisors, who, for the most part, use trend-following systems. In options parlance, these managers are buyers of volatility. The Sylvan Fund, to which the Global Macro Hedge Fund Ltd. has allocated slightly more than 3% of its portfolio, is, by way of contrast, a *seller* of volatility. Thus, we were pleased to see that it gained 1% for the quarter, partly offsetting the losses incurred by the commodity trading advisors. Below, we let A. Glickman, the manager of the Sylvan Fund, give us a perspective on volatility, a subject obviously of great interest to every hedge fund manager:

"*…The Sylvan Fund pursues risk-adjusted return. When option volatility is low, we do not increase positions to achieve some nominal return. As we have noted on other occasions, increasing risk at lower risk premiums is a prescription for disaster. Market intelligence suggests that many investors do assume greater risk as spreads decline.*

One should expect the Sylvan Fund to deliver lower nominal returns at lower levels of volatility. Since volatility declined for most of the seven months we have been in operation with only a modest recovery this quarter and only in equities, our gross returns have averaged about 37 basis points per month. Through careful risk management and a disciplined system of stop loss, we avoided losses during the statistically abnormal market movements in financial commodities at the end of last year. With volatility and other risk premiums still near cycle lows, we neither extend the maturity of the options we trade nor do widen the range of our option spreads. As risk premiums rise, the fund should earn more for the risks that it assumes.

Since equity volatility is so highly correlated to two market drivers, i.e., interest rates (positive) and market direction (negative), the Sylvan strategy should earn higher rates of return as interest rates rise and/or equity markets decline. This makes the Sylvan strategy a fine complement to an investment portfolio with significant exposure to equity beta or fixed income…"

We enter the second quarter in what we believe is a changed environment. A more aggressive monetary policy, even in the face of global economic slowing, seems determined to put an end to speculative activity in commodities, real estate, equities, and debt. Caution has been thrown to the wind as moral hazard has climbed to new heights. We *believe*, though we can't be sure, that the Fed will not relent until it succeeds in reintroducing fear and discipline in the financial system, that is, until a financial "accident" of some consequence takes place. This belief has investment implications, the principal one being that it has turned us defensive, robbing us of the delights of the carry trades. If we are wrong, we will underperform significantly. If we are right, we will be one of the few to remain standing after the tsunami. We would like to say that, either way, principal preservation will be guaranteed, but, of course, guarantee is too strong a promise. Let us merely say that we will strive to preserve capital.

Respectfully yours,

Albert D. Friedberg

FRIEDBERG MERCANTILE GROUP LTD.

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: Absolute Returns

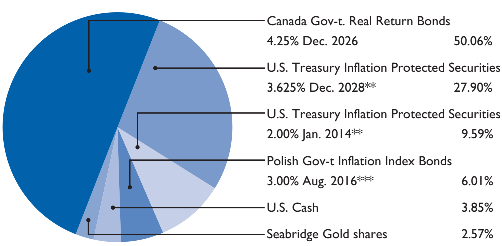
PERFORMANCE[1] as of Mar. 31, 2005

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	15.60	0.65%	3.69%	5.36%	9.38%	7.99%
Friedberg Total Return Fixed Income Fund Ltd.	1,808.42	0.55%	10.03%	14.06%	20.43%	13.40%
Friedberg Total Return Fixed Income Fund L.P.	188.70	0.91%	10.58%	14.83%	21.00%	14.35%
Benchmark[4]	—	N.A.	8.82%	12.02%	13.50%	9.50%

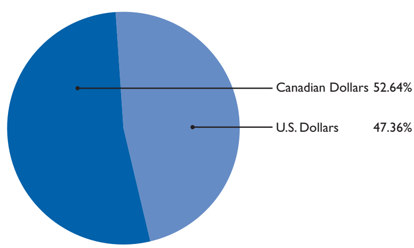
[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2005
[4]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	2.11%*
Weighted average current yield	2.67%*

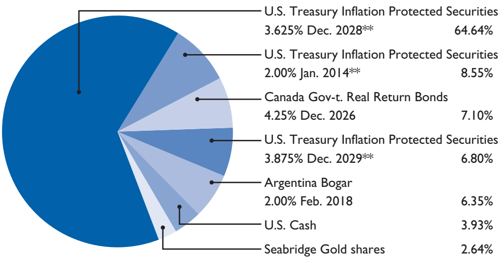
Adjusted modified duration		5.43
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	92.33%
	A	5.37%
	Unrated	2.30%

*Assumes zero inflation.

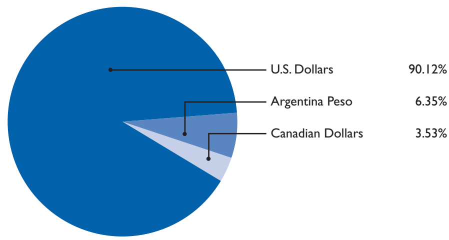
** The Fund has hedged part of this position, selling U.S. Treasury Bond futures equal to 19.90% of the fund's total assets.
*** Currency exposure was hedged during quarter.

FRIEDBERG FIXED INCOME FUND LTD.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	2.38%*
Weighted average current yield	2.49%*

Adjusted modified duration	5.11
Approximate overall credit rating	AAA

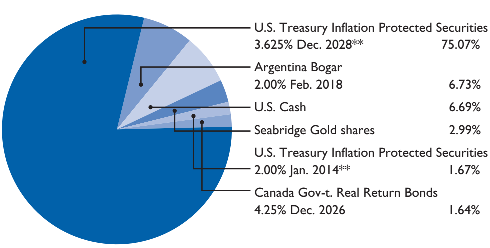
Bond rating breakdown:	AAA	92.70%
	Unrated	7.30%

*Assumes zero inflation.

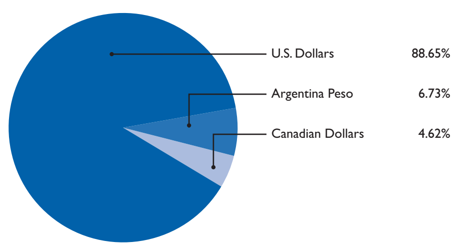
** The Fund has hedged part of this position, selling U.S. Treasury Bond futures equal to 17.80% of the fund's total assets.

FRIEDBERG FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	2.40%*
Weighted average current yield	2.49%*

Adjusted modified duration	5.06
Approximate overall credit rating	AAA

Bond rating breakdown:	AAA	91.96%
	Unrated	8.04%

*Assumes zero inflation.

** The Fund has hedged part of this position, selling U.S. Treasury Bond futures equal to 16.40% of the fund's total assets.

FRIEDBERG EQUITY HEDGE FUND LTD.
FRIEDBERG EQUITY HEDGE FUND

An equity fund that seeks absolute returns through the judicious selection of long and short positions while maintaining a market neutral posture.

PERFORMANCE[1] as of Mar. 31, 2005

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity Hedge Fund	21.81	2.88%	12.38%	8.63%	8.89%
Friedberg Equity Hedge Fund Ltd.	2,539.40	2.51%	11.55%	10.04%	10.13%
CSFB/Tremont Equity Market Neutral Index	—	N.A.	6.24%	7.43%	8.83%

[1]Net of fees
[2]Compounded annual rate of return through February 2005

INVESTMENT ALLOCATION[3]

	31-Dec-04	31-Jan-05	28-Feb-05	31-Mar-05
LONGS	51.74%	51.04%	51.02%	49.91%
SHORTS	48.26%	48.96%	48.98%	50.09%
TOTAL GROSS LEVERAGE	1.63 x	1.58 x	1.51 x	1.39 x

LARGEST SECTORS (LONGS)[3]

Electric Utilities	7.13%
Environmental Services	2.52%
Specialized Finance	2.39%

LARGEST SECTORS (SHORTS)[3]

Pharmaceuticals	11.28%
Technology Large cap (NASDAQ 100 index futures)	10.84%
Semiconductors	3.50%

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

LARGEST LONG POSITIONS
GATX Corp.
Centerpoint Energy Inc.
Checkfree Corp.
Aqua America Inc.
Eastman Kodak Co.
Entergy Corp.
Catellus Development Corp.
Royal Group Technologies Ltd.
Duke Energy Corp.
Advanced Micro Device Inc.
MTR Gaming Group Inc.

PAIRS
Long Advanced Micro Device Inc. / Short Intel Corp.

LARGEST SHORT POSITIONS
NASD 100 index futures
Imclone Systems
Semiconductor HOLDRs Trust
Colgate-Palmolive Co.
Teva Pharmaceutical-SP
Pfizer Inc.
Univision Communications-A
Forest Laboratories Inc.
Magma Design Automation Inc.
Intel Corp.
Fannie Mae

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Apple Computer Inc.	69.91%	Abitibi-Consolidated Inc.	33.09%
Valero Energy Corp.	61.39%	Imclone Systems	25.13%
Kerr-McGee Corp.	35.54%	Sirius Satellite Radio Inc.	14.59%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Advanced Micro Devices Inc.	-26.79%	Biovail Corp.	-4.96%
Human Genome Sciences Inc.	-27.74%	Kohl's Corp.	-5.00%
Dusa Pharmaceuticals Inc.	-29.86%	Weight Watchers International Inc.	-11.98%

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

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

PERFORMANCE[1] as of Mar. 31, 2005

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	10.13	3.05%	26.77%	20.19%	-4.62%
The First Mercantile Currency Fund	9.29	3.11%	21.46%	19.69%	-5.48%
Friedberg Currency Fund II Ltd.	737.85	2.86%	24.29%	28.00%	0.64%
Friedberg Forex L.P.	10.48	3.35%	38.53%	23.33%	-1.97%
Barclay Trader Indexes Currency	—	N.A.	-2.16%	6.24%	4.71%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2005

OPEN POSITIONS - Mar. 31, 2005

	Leverage
gross leverage at Mar. 31, 2005	1.86 x
maximum gross leverage during quarter	9.19 x

ACTIVITY REPORT - First Quarter 2005

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Turkish Lira	6.81	69.74
Long Hungarian Forint / Long Polish Zloty / Short Euro / Short British Pound	1.64	16.80
Long Singapore Dollar / Short Japanese Yen	1.19	12.14
Short Australian Dollar	0.13	1.31

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short Euro Currency	-3.58	50.65
Short Canadian Dollar	-1.89	26.80
Short New Zealand Dollar	-0.73	10.34
Long Brazilian Real	-0.52	7.30
Long Mexican Peso	-0.22	3.18
Short Indonesian Rupiah	-0.12	1.73

FRIEDBERG DIVERSIFIED FUND

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

PERFORMANCE[1] as of Mar. 31, 2005

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Diversified Fund	7.87	48.21%	-19.55%	-1.64%	-8.81%
CSFB/Tremont Managed Futures Index	—	N.A.	-7.14%	12.03%	8.01%
Refco SPhinX Managed Futures Index Fund	961.85	-6.44%	-12.27%		

[1]Net of fees
[2]Compounded annual rate of return through February 2005

OPEN POSITIONS - Mar. 31, 2005

Strategy I

	Leverage
Crude spread	17.03
Copper spread	5.49
Sugar spread	2.40
Long Japanese Govt Bond	1.96
Short Mini Nasdaq	0.68
Short Copper	0.57
Short Sugar	0.27
gross leverage at Mar. 31, 2005	28.39 x
maximum gross leverage during quarter	80.54 x

Strategy II

Long German Bonds / Short U.S. Treasury spreads	8.92
Crude spread	3.57
Short Corn	1.08
Short Soybeans	0.72
Long June U.S. 10 Year 106 Put	0.01
gross leverage at Mar. 31, 2005	14.30 x
maximum gross leverage during quarter	21.93 x

Strategy III

Long Ethanol	0.23
Short May Crude 54 Call	0.02
Long May Crude 45 Put	0.00
gross leverage at Mar. 31, 2005	0.25 x
maximum gross leverage during quarter	3.05 x

ACTIVITY REPORT - First Quarter 2005

Strategy I

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long distant/Short nearby Crude spreads	42.93	61.48
Short Nasdaq	11.25	16.12
Long distant/Short nearby Sugar spreads	7.10	10.17
Short Gold	5.09	7.29
Long Japanese Bonds	3.24	4.64
Short Fed Funds	0.21	0.30

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Bonds	(4.27)	51.70
Long distant/Short nearby Copper spreads	(2.66)	32.27
Long Cotton	(0.72)	8.73
Short Coffee	(0.60)	7.29

Strategy II

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long distant/Short nearby Crude spreads	36.94	78.11
Long Gold	6.30	13.32
Long German Bonds/Short U.S. Treasury Spreads	4.05	8.57

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Soybeans (variously long and short)	(7.19)	72.41
Corn (variously long and short)	(1.28)	12.93
Short U.S. Ten Yr Notes	(1.44)	14.48

Strategy III

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long nearby/Short distant Lean Hog spreads	1.03	53.27
Short Corn	0.54	27.92
Long Soybeans	0.36	18.80

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short Crude	(4.89)	95.27
Long nearby/Short distant Cotton spreads	(0.15)	2.93
Long Ethanol	(0.09)	1.76
Short U.S. Bonds	(0.00)	0.04

FRIEDBERG INTERNATIONAL SECURITIES FUND

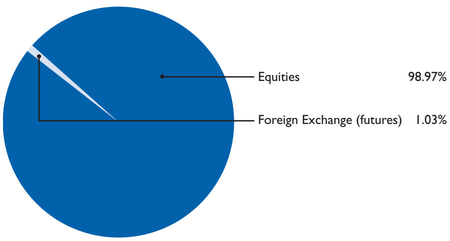
A leveraged global equity and fixed income hedge fund that seeks absolute returns.

PERFORMANCE[1] as of Mar. 31, 2005

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg International Securites Fund	13.01	-5.59%	-9.13%	4.36%
CSFB/Tremont Hedge Fund Index	—	N.A.	7.48%	9.66%

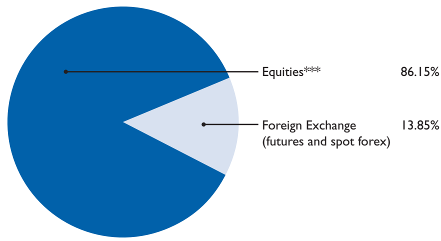
[1]Net of fees
[2]Compounded annual rate of return through February 2005

BREAKDOWN BY INVESTED AMOUNTS*



*Based on margins used in each category

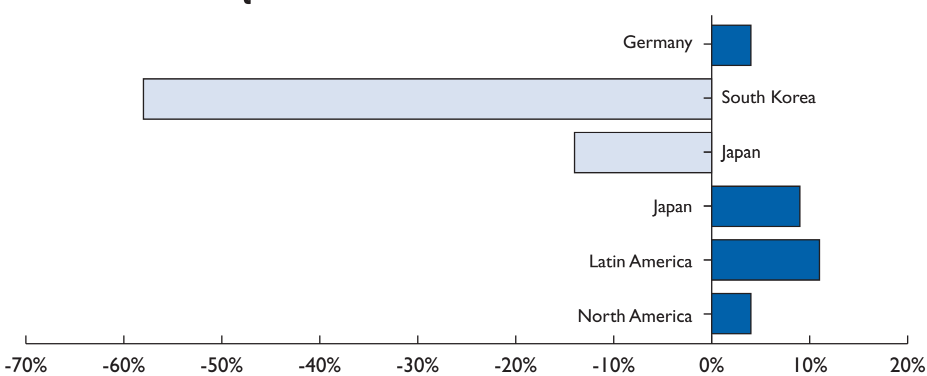
BREAKDOWN BY TOTAL GROSS EXPOSURE**



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

TOTAL GROSS LEVERAGE 0.81 x

EQUITIES ALLOCATION BY COUNTRY



NEW POSITIONS ESTABLISHED DURING THE QTR.

1) Bought WCM Beteiligung (Germany)
2) Bought Nippon Shinyaku (Japan)
3) Bought FTSE Index Futures (U.K.)
4) Bought DAX Index Futures (Germany)

POSITIONS LIQUIDATED DURING THE QTR.

1) Sold Long Turkish Investment Fund (Turkey)
2) Sold Long Elbit Systems (Israel)
3) Sold Long Colt Telecom (U.K.)
4) Sold Long Old Mutual (U.K.)
5) Covered Short Hokuhoku Bank (Japan)
6) Sold Long Bancolombia (Colombia)
7) Sold Long Enersis (Chile)
8) Sold Dendreon (U.S.)
9) Sold Long Cephalon (U.S.)
10) Sold Long Cubist (U.S.)
11) Sold Long Virologic (U.S.)
12) Sold ECI Telecom (U.S.)
13) Sold Long Human Genome (U.S.)
14) Sold Long Incyte (U.S.)
15) Sold Long McDermott (U.S.)
16) Sold Long Parametric (U.S.)
17) Sold Long Service Corp. (U.S.)
18) Sold Long Geac (Canada)
19) Sold Long Devlan (Canada)
20) Sold Long International Uranium (Canada)
21) Sold Long FTSE Index Futures (U.K.)
22) Sold Long DAX Index Futures (Germany)
23) Sold Long U.S. Bond Futures (U.S.)

FRIEDBERG INTERNATIONAL SECURITIES FUND cont'd

APPROXIMATE GROSS RETURNS ON BEGINNING EQUITY BY MAJOR SECTORS

(Jan. 1 - Mar. 31)[3]

NORTH AMERICA	-0.94%	KOREA	-5.42%
LATIN AMERICA	0.65%	JAPAN[4]	-0.11%
U.S. TREASURY BONDS	0.09%	ISRAEL	-0.11%
EUROPE	-0.26%	TURKEY	0.63%

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

FRIEDBERG GLOBAL-MACRO HEDGE FUNDS

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
FRIEDBERG GLOBAL-MACRO HEDGE FUND

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

PERFORMANCE[1] as of Mar. 31, 2005

	NAV	Quarterly	Year over Year[2]	Two Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	14.66	1.17%	7.08%	9.10%
Friedberg Global-Macro Hedge Fund	1,509.11	0.74%	9.95%	13.16%
CSFB/Tremont Hedge Fund Index	—	N.A.	7.48%	12.05%

[1]Net of fees
[2]Compounded annual rate of return through February 2005

Allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of Mar. 31, 2005 is as follows:

FUND	CURRENT ALLOCATION	PROPOSED NEW ALLOCATION
Fixed Income Fund Ltd.	59.546%	60.00%
U.S. Treasury 2.75% 30/6/2006	0.200%	0.00%
Equity Hedge Fund Ltd.	14.892%	15.00%
Currency Fund II Ltd.	13.386%	15.00%
International Securities	2.915%	2.50%
Miscellaneous / Special Situations	3.341%	3.50%
Refco SPhinX Managed Futures Index Fund Ltd.	2.092%	2.00%
Sylvan Fund Ltd.	3.196%	2.00%
Cash	0.431%	0.00%
	100.00%	100.00%

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[1] as of Mar. 31, 2005

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg Skill-Based Managers Fund	14.82	1.72%	5.45%	8.30%
CSFB/Tremont Hedge Fund Index	—	N.A.	7.48%	9.66%

[1]Net of fees
[2]Compounded annual rate of return through February 2005

David Rothberg Comments:

The Skill Based Managers Fund earned 1.72% during the first quarter net of all fees.

The allocation as of the end of the quarter and returns per strategy were as follows:

Strategy	Allocation in Percent	Return in Percent
Long/Short Value U.S.	34.58	4.26
Event Driven	25.92	7.45
Convertible Arbitrage	25.44	-2.52
CTA / Managed Futures	14.09	-2.18
Cash & Treasuries	0.00	N/A

Arbitrage can be thought of as a pond that animals come to drink from. If the population of animals increases, the water level must increase proportionally or each animal will end up with a smaller drink. In the case of **convertible arbitrage** not only did the number of funds (animals) grow, but because of all the cash that corporations are sitting on, the number of deals (amount of water) actually shrank. On top of it all, those new issues that have been offered have tended to be priced leaner than they were during the heyday of the strategy (1994-2003). In addition, volatility, one of the three legs the strategy depends upon, has shrunk too.

What's startling given all the bad news is that the strategy performed as well as it did during the quarter.

The future? Assets under management (AUM) are estimated to have declined by a Darwinian 30% during the past year. We are betting that a dwindling number of thirsty fund managers will trump all other factors and allow for a return to profitability.

In other strategies:

Of the 4.26% earned by our **long/short value** manager, two thirds of the profits are attributable to short positions. This should not surprise. We are living in an environment in which the very businesses being traded on exchanges can't find opportunities to invest the hoards of cash they are sitting on.

CTAs disappointed during the quarter. Mechanical trend followers, by far the largest players in the field, were down more than 6%. While we allocate to a discretionary CTA, he has been affected badly by the trend following mob — for more info phone or email me.

We liquidated our investment in the **event driven** style at the end of the quarter because the manager grew much less focused on merger arbitrage and much more focused on restructurings and special situation (opportunistic) trading, and because the fund had grown to more than $3 billion. It was the first change to the portfolio we've made in nearly two years.

David Rothberg

NOTES

FRIEDBERG
MERCANTILE
GROUP LTD.

FRIEDBERG MERCANTILE GROUP LTD.

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