FRIEDBERG MERCANTILE GROUP LTD.

Fourth Quarter Report 2003

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Fourth Quarter Report 2003

Dear Investor,

It gives me great pleasure to present to you the activity report of the Friedberg Group of Funds for the quarter and year ended December 31, 2003.

In terms of overall performance, it was a very satisfactory quarter and year. Our two Funds of Friedberg funds, Friedberg Global–Macro Hedge Fund (Canada) and Friedberg Global–Macro Hedge Fund Ltd. (Cayman), were up 4.7% and 4.4% for the quarter and 14.6% and 9.8% for the year, respectively (all returns in U.S.-dollar terms). The performance of the individual fund components ranged all over the map, from the still-disappointing commodity futures program to the rarely-disappointing Friedberg International Securities Fund, the limping Equity Hedge Funds, the satisfactory Currency Funds and the blow-out Fixed Income Funds. For details and benchmark comparisons see the inside pages.

Perhaps the one unifying theme for the periods under consideration was the emphasis on value. We did not buy emerging market debt, nor did we buy junk bonds. Ditto for distressed securities, U.S. high tech (except in the context of a hedged portfolio) and Asian stocks. We owned none of the spectacular winners, but did not seem to miss them. We stuck to fairly prosaic assets, spiked with a very modest dosage of exotics, and shorted and/or avoided the overpriced, the overvalued and the irrational.

On the currency front, we did not hop on the anti-dollar bandwagon. While the U.S. dollar may have been slightly overvalued at the beginning of the year (the result of years of persistent capital inflows), it was clear to us that it was no longer so by the fourth quarter. The U.S. was, and is, the bastion of world capitalism, with generally open and transparent markets, relatively low income and labor taxes, decent corporate governance and focused and profit-oriented corporate management. All of these operate within the framework of a relatively fair and functioning juridical system. The U.S. fiscal deficit is no greater than Euroland's and far smaller than Japan's. For all the talk of empire building and the economic dangers of expansionist policies (for all those who have read about the fall of the Roman empire), the U.S. spends less than 3% of GDP on defense. This is less than half the amount spent under Johnson at the time of the Vietnam war. The U.S. can well *afford* to be the world's policeman as long as no one else cares and as long as it is focused on how best to attain liberty for the other regions of the world. Its war and peace technologies remain first class and unmatched anywhere in the world. Can the U.S. dollar *really* tank? We don't think so.

During the quarter we abandoned our short bet on the Hong Kong dollar, which was temporarily buoyed by the Chinese IPO craze, with only a minuscule loss. We will return, if only because Hong Kong's exploding fiscal deficit is incompatible with a currency board and because its severe deflation continues unabated. Our long Eastern European currencies/short Swiss franc spread worked well, albeit with some rough spots along the way. We continue to believe that the dynamism and virility of the new European players will win out over the staid and Fabian members of the Old World. Wouldn't you agree?

The Turks handed us a wonderful gift, with the long lira representing almost three-quarters of our total gain for the quarter. There is more to come, as they are doing everything right, for the first time in generations. In the meantime, we enjoy their interest rates of 20%-plus. Finally, we had to sell Canadian dollars because it looked to us that the recent level was incompatible with domestic costs. We may live to regret this decision, especially in view of the very strong commodity environment. We'll see.

Our commodity futures program continued to disappoint. In my own trading, changes in tactics implemented soon after the beginning of the quarter began to yield modest results by the end of the period. At this writing, they show gains over the close of the third quarter and a promise of substantial improvement going forward. As explained in earlier communications, these tactical changes refer to finding a better trade-off between profits and risk and deal entirely with size and turnover issues in the type of markets we have been experiencing.

My colleagues, who now manage an equal share of the funds (under my watchful eye), experienced a number of unfortunate missteps. Worst of all was their persistently bearish tilt to equities while the tape was screaming on the upside. Second worst: correctly identifying the constructive fundamentals of the wheat and corn markets but amateurishly timing their multiple entries and exits.

The good news was that our earlier investment in the SPhinX bore fruit. This futures portfolio, managed by 14 leading commodity trading advisors, now constitutes the industry's benchmark under the aegis of S&P. Its modest gain for the quarter helped us reduce overall losses in the program to a manageable 6.4% for the period. In view of the persistently poor performance — and until such time as we can prove our ability to outperform the industry's benchmarks on a consistent basis — we are reducing our exposure to the futures program to 8.5% from 10%, and are upping the SPhinX share to 40% of the reduced total.

It was in the fixed-income area that we attained the best results, an eye-popping gain of 6.7% to 8.7% for the quarter and between 22.3% and 27.2% for the year. We are pleased to see that our performance over one year, three years and five years easily trounces the chosen benchmark — by an average of 1,720 basis points, 840 basis points and 380 basis points, respectively (see inside for details and descriptions).

This quarter's and year's gains were achieved by continuing to maintain a portfolio nearly fully invested in U.S. TIPS and Canadian Real Return bonds while at the same time shifting opportunistically all or some of the currency exposure to Canadian dollars and a smattering of other emerging and developing country currencies, such as the Hungarian forint, the Polish zloty and the Turkish lira. A modest portion of the funds was invested, with excellent results, in an Argentina peso-denominated government paper ("Boden"), yielding at the outset nearly 14% in real terms. We also held shares of Seabridge Gold Inc., a gold mining company listed on the TSX Venture Exchange and affiliated with one of our companies. (The mandate of these income funds permits us to invest up to 5% of the portfolio in gold assets, though the exposure to Seabridge was at all times well under this limit.)

At this writing, we have closed out the position of the Boden. Yields have fallen below 8.5%, hardly justifying the implicit risks.

We continue to believe that real and nominal interest rates are headed lower in the next few months. Inflation-indexed securities have priced in inflation expectations that are beginning to exceed our short-term expectations. As a result, we have cautiously swapped some of these securities for nominal long-term Treasuries, so that the latter constitute approximately 20% of the entire portfolio. Some of the currency exposure and bond swaps were executed and are being held via forward and futures markets. Note, however, that we take special care not to leverage the portfolio. We utilize derivatives rather than the equivalent cash positions because they offer superior liquidity and extremely low transaction costs.

Our two equity hedge funds managed to achieve most or all of their yearly gains in the fourth quarter, gaining 3.82% and 3.94% respectively. Some of the most interesting statistics: the short position underperformed the S&P 500 by rising about 80 basis points more than the index, while the long position outperformed the index by approximately 470 basis points. Overall, leverage was higher than average, reaching a peak of 2.96x net asset value by the end of the year; long/short exposure went from a 49/51 ratio at the beginning of the quarter to a 53/47 ratio at the end of the period, responding to a relative attenuation of the volatility of the long side of the portfolio. While we underperform the CSFB/Tremont Equity Market Neutral Index (6.77% to 8.05% compounded yearly) on a three-year basis, we continue to maintain a wide lead in the five-year comparison (18.3% vs. 10.83%).

Our performance continues to improve, thanks in good part to the widening of the spread between winners and losers. As we pointed out last quarter, more divergences will occur with the maturing of the market cycle, and these in turn will translate into a greater number of profitable opportunities. The sweet spot of the cycle should lie straight ahead, encompassing the latter days of the bull and the early stages of the bear.

The weak fourth-quarter performance (-6.6%) of the International Securities Fund turned full-year results to a negative 1.1%. While our year-over-year performance (to end of November) lags considerably the CSFB/Tremont Hedge Fund Index (2.1% vs. 14.44%), three-year comparisons still show us outperforming the benchmark by a wide margin (14.8% to 7.7%). This is as it should be, as we are focused on long-term performance.

Short positions in Korea's Kospi index and Japanese regional banks cost us dearly during the past quarter, but are likely to stay on our books for some time. South Korea has some of the worst fundamentals on the global equity scene: a banking system weighed down by enormous credit-card write-offs; an unreformed corporate sector that lacks any semblance of transparency and that is burdened by heavy debt; huge and growing competition from next-door neighbor China; militant unions; and blackmail under an ever-present nuclear threat from neighboring North Korea. Underpinned by enormous increases in liquidity, the South Korean equity market has managed to rise in sympathy with the worldwide equity bull market. The South Koreans are good at generating large trade surpluses and at accumulating reserves, but it should not be too long before Chinese competition eats into this source of liquidity, too. Japan is still not making any headway with its imploding banking system, though it appears that major city banks will be bailed out at the expense of regional ones, thus effecting a much-needed consolidation. (We don't mean to pass judgement on the method of achieving this consolidation, however.) Despite temporary indications that the economy has moved into a positive growth mode and that deflation is moderating, low money supply growth and a strengthening currency belie these expectations. We think it more likely that Japan's deflation will resume, collateral asset values will continue to melt and banking balance sheets will continue to erode. The day of reckoning for the banking (and insurance) system has only been postponed. Some realism has begun to creep in, as Kuizoma has slowly and forcefully allowed for a much tougher handling of capital adequacy issues. Nevertheless, this trend needs to be deepened and taken to its ultimate conclusion: the closing of the great majority of banks, with the staggering losses to be absorbed by the largest depositors, the shareholders and the government.

South Korea and Japanese regional banks constitute almost the total proportion of our equity short position. They are balanced by a long position in other Japanese securities (mostly real estate operators, bought at values that barely reflect their option value of survival) and long positions in North America (bio-technology, hi-tech), Latin America

(Banco Latinoamericano de Exportaciones, up almost fourfold from our entry, and Enersis, a cheap and recapitalized Chilean energy distributor), India (two generic pharmaceuticals), Turkey (a closed end fund) and a smattering of other international issues. The overall long to short ratio stands at 1.7x. Our emphasis has been on finding value, by country, by sector and by company, and we remain confident that this portfolio, as currently structured, will provide excellent results in the coming year.

The improved outlook for the equity hedge program and the slightly reduced prospects for the fixed income and futures programs lead us to make a number of minor changes in allocation. Going forward, we shall increase the weight of the former and decrease the weight of the latter two. (For details, see the table accompanying the Global Macro Fund discussions.)

The new season started out on a very positive note. Let us hope it is a favourable omen for the entire year.

Respectfully yours,

Albert D. Friedberg

PS: In the future we would like to send the quarterly reports by e-mail to ensure the fastest delivery possible. Please e-mail us at **reports@friedberg.ca** if you would like to receive your reports electronically.

FRIEDBERG MERCANTILE GROUP LTD.

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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

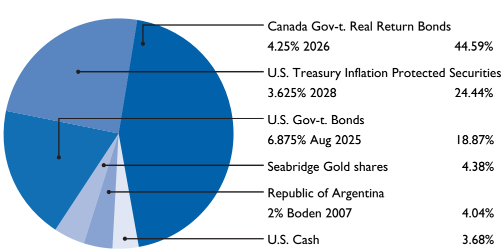
PERFORMANCE as of December 31, 2003

	NAV	Quarter	Year over Year[2]	Two Years[2]	Three Years[2]	Five Years[2]
Friedberg Foreign Bond Fund[1]	14.46	3.43%	6.32%	9.05%	7.19%	4.92%
Friedberg Total Return Fixed Income Fund Ltd.	1,580.91	7.38%	27.40%	22.66%	15.55%	9.71%
Friedberg Total Return Fixed Income Fund L.P.	164.52	6.69%	29.45%	24.07%	16.92%	10.71%
Benchmark[3]	—	N.A.	10.78%	7.66%	7.80%	6.37%

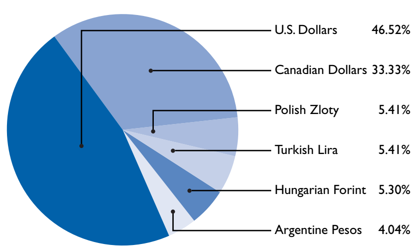
[1]Priced in Canadian Dollars
[2]Compounded Annual Rate of Return through November 2003
[3]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	4.43%*
Weighted average current yield	3.42%*

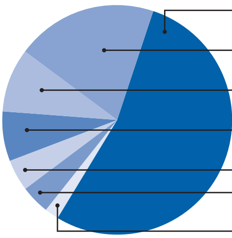
*Assumes zero inflation.

Adjusted modified duration	5.98
Approximate overall credit rating	AAA

Bond rating breakdown:	AAA	91.58%
	CC	4.04%
	Unrated	4.38%

FRIEDBERG FIXED INCOME FUND LTD.

Portfolio Allocation

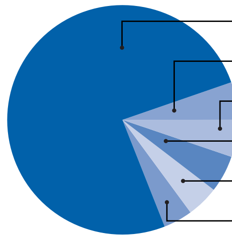


U.S. Treasury Inflation Protected Securities 3.625% 2028	53.58%
U.S. Gov-t. Bonds 6.875% Aug 2025	19.89%
Canada Gov-t. Real Return Bonds 4.25% 2026	9.00%
U.S. Treasury Inflation Protected Securities 3.875% 2029	7.00%
Seabridge Gold shares	4.45%
Republic of Argentina 2% Boden 2007	4.09%
U.S. Cash	1.99%

Weighted average yield to maturity	4.52%*
Weighted average current yield	3.31%*

*Assumes zero inflation.

Currency Exposure

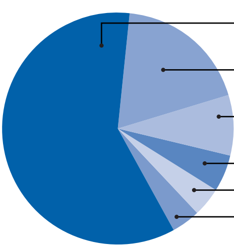


U.S. Dollars	75.67%
Polish Zloty	5.29%
Turkish Lira	5.25%
Hungarian Forint	5.21%
Canadian Dollars	4.50%
Argentine Pesos	4.09%

Adjusted modified duration		6.30
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	91.46%
	CC	4.09%
	Unrated	4.45%

FRIEDBERG FIXED INCOME FUND L.P.

Portfolio Allocation

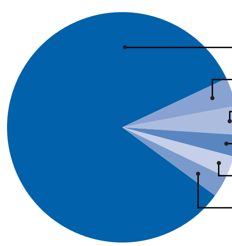


U.S. Treasury Inflation Protected Securities 3.625% 2028	59.66%
U.S. Gov-t. Bonds 6.875% Aug 2025	18.68%
Canada Gov-t. Real Return Bonds 4.25% 2026	8.43%
U.S. Cash	5.14%
Seabridge Gold shares	4.08%
Republic of Argentina 2% Boden 2007	4.00%

Weighted average yield to maturity	4.43%*
Weighted average current yield	3.23%*

*Assumes zero inflation.

Currency Exposure



U.S. Dollars	82.79%
Canadian Dollars	4.16%
Argentine Pesos	4.00%
Polish Zloty	3.04%
Hungarian Forint	3.03%
Turkish Lira	2.97%

Adjusted modified duration		6.13
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	91.92%
	CC	4.00%
	Unrated	4.08%

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, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity-Hedge Fund	16.87	3.94%	22.94%	3.56%	15.86%
Friedberg Equity-Hedge Fund Ltd.	2,013.80	3.82%	22.39%	6.77%	18.30%
CSFB/Tremont Equity Market Neutral Index	—	N.A.	6.96%	8.05%	10.83%

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

INVESTMENT ALLOCATION[3]

	30-Sep-03	31-Oct-03	30-Nov-03	31-Dec-03
LONGS	49.14%	49.58%	54.22%	52.91%
SHORTS	50.86%	50.42%	45.78%	47.09%
TOTAL GROSS LEVERAGE	2.83 *x*	2.91 *x*	2.63 *x*	2.96 *x*

LARGEST SECTORS (LONGS)[3]

Communications Equipment	8.02%
Biotechnology	6.25%
Electric Utilities	3.88%

LARGEST SECTORS (SHORTS)[3]

Technology-large cap (NASD 100 index futures)	25.68%
Pharmaceuticals	5.37%
Soft Drinks	1.93%

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

LARGEST LONG POSITIONS
Novell Inc.
Corning Inc.
Philadelphia Suburban Corp.
ECI Telecom Ltd.
Catellus Development Corp.
Entergy Corp.
Atmel Corp.
Cuno Inc.
Imclone Systems
Southern Corp.

LARGEST SHORT POSITIONS
NASD 100 index futures
Johnson & Johnson
Coca Cola Company
New York Times Co.
Microsoft Corp.
Weight Watchers International Inc.
Colgate-Palmolive Co.
Du Pont (E.I.) De Nemours
Kohl's Corp.
Harley-Davidson Inc.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
McDermott International Inc.	109.28%	Biovail Corp.	26.30%
Novell Inc.	98.68%	Kohl's Corp.	16.00%
Atmel Corp.	49.61%	Wyeth	7.92%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
CV Therapeutics inc.	-33.15%	General Motors Corp.	-22.77%
Geron Corp.	-27.17%	H.B. Fuller Co.	-22.54%
Gateway Inc.	-18.73%	Eli Lilly Co.	-21.68%

CURRENCY FUNDS

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[3] as of December 31, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Currency Fund[1]	7.07	-2.62%	8.69%	-20.74%	-14.65%
The First Mercantile Currency Fund	604.98	2.32%	20.85%	-10.93%	-5.60%
Friedberg Currency Fund II Ltd.	541.03	2.47%	25.13%	-11.61%	-8.61%
Friedberg Currency Fund Ltd.	6.77	1.04%	8.20%	-18.87%	-13.26%
Friedberg Forex L.P.	6.96	2.65%	14.60%	-18.72%	-14.05%
Barclay Trader Indexes Currency	—	N.A.	11.01%	6.92%	4.56%

[1]Priced in Canadian Dollars
[2]Compounded Annual Rate of Return through November 2003
[3]Net of fees

OPEN POSITIONS - December 31, 2003

	Leverage
Long British Pound / Short Euro / Short Swiss Franc	4.66
Long Hungarian Forint / Long Polish Zloty / Short Swiss Franc	4.24
Long Canadian Dollar	1.57
Long Turkish Lira	1.09
gross leverage at December 31, 2003	11.56 *x*
maximum gross leverage during quarter	13.90 *x*

ACTIVITY REPORT - Fourth Quarter 2003

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Turkish Lira	6.62	74.23
Long Basket[4] / Short Swiss Franc	1.32	14.80
Short Mexican Peso	0.52	5.81
Long / Short Canadian Dollar	0.46	5.17

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Pound / Long Japanese Yen / Short Euro / Short Swiss Franc	-7.60	73.84
Long Japanese Yen	-2.60	25.28
Short Hong Kong Dollar	-0.09	0.87

[4]Polish Zloty, Hungarian Forint

Model account value September 30, 2003	30,964.59
Model account value December 31, 2003	30,519.36
Percentage gain (loss) in quarter:	-1.44%

DIVERSIFIED TRADING PROGRAM

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

PERFORMANCE as of December 31, 2003

	NAV	Quarter	Year over Year[1]	Three Years[1]	Five Years[1]
Friedberg Diversified Fund	5.25	-9.33%	-27.83%	-0.45%	-10.94%
CSFB/Tremont Managed Futures Index	—	N.A.	14.22%	12.05%	5.92%
Refco Sphinx Managed Futures Index Fund	999.25	4.92%			

[1]Compounded Annual Rate of Return through November 2003

OPEN POSITIONS - December 31, 2003

	Leverage
Long Bonds	2.75
Long Japanese Gov't Bond	1.08
Long Gold	0.70
Long Soybeans	0.33
Long Cotton	0.32
Long Live Cattle	0.24
Long Copper	0.22

gross leverage at December 31, 2003	6.38 *x*
maximum gross leverage during quarter	6.59 *x*

ACTIVITY REPORT - Third Quarter 2003

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long / Short Crude Oil	6.38	41.27
Long Gold	3.19	20.63
Long Copper	2.71	17.55
Long / Short Soybeans	2.18	14.07
Long Natural Gas	0.92	5.96
Long Cotton	0.05	0.33
Long Live Cattle	0.03	0.19

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long / Short U.S. Treasury Bonds	(9.51)	35.91
Long / Short S&P	(5.36)	20.25
Long Wheat	(2.65)	10.01
Long / Short Nasdaq	(2.50)	9.44
Long Coffee	(2.19)	8.26
Long / Short Jap Gov't Bond	(2.08)	7.87
Long Corn	(1.96)	7.39
Long Cocoa	(0.23)	0.86

FRIEDBERG INTERNATIONAL SECURITIES FUND

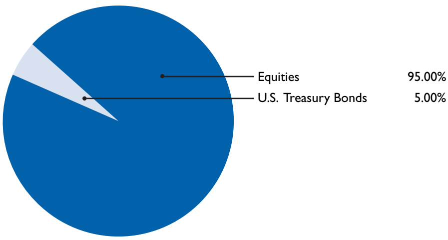
The fund seeks to capitalize on the rise and fall of local markets throughout the world by anticipating long term secular trends or by identifying, at an early stage, cyclical economic expansions and contractions of economies of selected countries. The fund uses leverage, and trades fixed income and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

PERFORMANCE[1] as of December 31, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg International Securites Fund	14.08	-6.63%	2.18%	14.81%
CSFB/Tremont Hedge Fund Index	—	N.A.	14.44%	7.74%

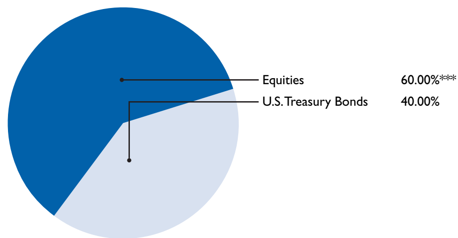
[1]Net of fees
[2]Compounded annual rate of return through November 2003

BREAKDOWN BY INVESTED AMOUNTS*



*Based on margins used in each category

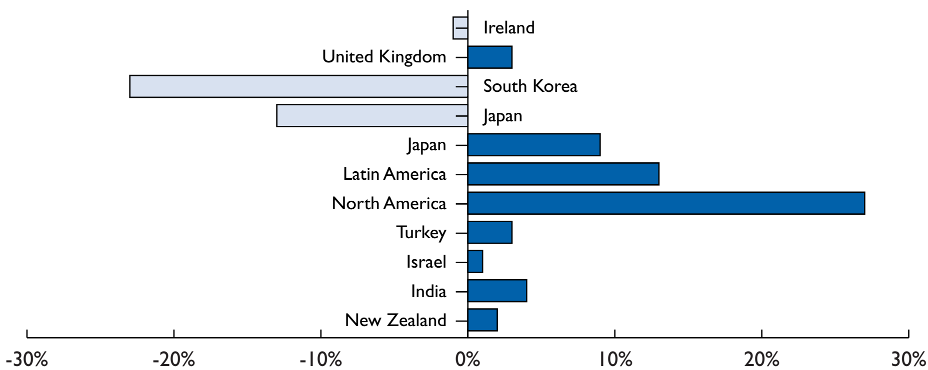
BREAKDOWN BY TOTAL GROSS EXPOSURE**



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

TOTAL GROSS LEVERAGE 2.43 *x*

EQUITIES ALLOCATION BY COUNTRY



NEW POSITIONS ESTABLISHED DURING THE QTR.

1) Long Counsel Corp. (Canada)
2) Long Elbit Systems ADR (Israel)
3) Long Turkish Investment Fund (Turkey)
4) Long Taisei Corp. (Japan)
5) Long Hazama Corp. (Japan)
6) Long Kajima Corp. (Japan)
7) Long Tokyu Construction (Japan)
8) Long Kumagai Gumi Corp. (Japan)
9) Long Heiwa Real Estate (Japan)
10) Long Haseko Corp (Japan)
11) Long Fudo Construction (Japan)
12) Long Tekken Corp (Japan)
13) Long Sumitomo Mitsui Construction (Japan)
14) Long Toyo Construction (Japan)
15) Long McDonald's Holdings (Japan)
16) Long Cable and Wireless ADR (U.K.)
17) Long Colt Telecom ADR (U.K.)

POSITIONS LIQUIDATED DURING THE QTR.

1) Long Grupo Financiero Galicia (Argentina)
2) Short Brasil Telecom ADR (Brazil)
3) Short Petroleo Brasil ADR (Brazil)
4) Long Marubeni Corp. (Japan)
5) Long Toshiba Corp. (Japan)
6) Short AMB Generali (Germany)
7) Long Haseko Corp. (Japan)
8) Long Fudo Construction (Japan)
9) Long Tekken Corp. (Japan)
10) Long Sumitomo Mitsui Construction (Japan)
11) Long Toyo Construction (Japan)

APPROXIMATE GROSS RETURNS ON BEGINNING EQUITY BY MAJOR SECTORS
(Oct. 1 - Dec. 31)[2]

North America	1.87%	New Zealand	0.80%
Latin America	6.36%	Europe	-0.04%
U.S. Treasury Bonds	-8.80%	Korea	-7.00%
India	1.10%	Japan[3]	-2.74%
New Zealand	1.31%		

[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 December 31, 2003

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global Opportunities Fund Ltd.	592.05	3.97%	-23.93%	5.92%	-5.51%

[1]Net of fees
[2]Compounded annual rate of return through November 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 December 31, 2003

	NAV	Quarterly	Year over Year[1]
Friedberg Global–Macro Hedge Fund Ltd.	1,325.02	4.37%	16.68%
Friedberg Global–Macro Hedge Fund	12.34	4.66%	21.34%
CSFB/Tremont Hedge Fund Index	—	N.A.	14.44%

[1]Compounded annual rate of return through November 2003

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

FUND	CURRENT ALLOCATION	TOTAL $ VALUE	PROPOSED NEW ALLOCATION
Fixed Income Fund Ltd.	66.49%	$60,681,430.15	60.00%
Equity Hedge Fund Ltd.	11.82%	$10,784,656.92	15.00%
Currency Fund Ltd.	9.41%	$8,589,110.32	10.00%
International Securities Fund	3.73%	$3,403,543.73	6.50%
Refco SPHINX Managed Futures Index Fund Ltd.	2.13%	$1,946,018.99	3.40%
Commodity Trading Account	6.30%	$5,748,168.57	5.10%
Cash	0.12%	$106,608.35	0.00%
	100.00%	$91,259,537.03	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 as of December 31, 2003

	NAV	Quarter	Year over Year[1]	Three Years[1]
Friedberg Skilled-Based Managers Fund	13.55	3.83%	13.22%	9.95%
CSFB/Tremont Hedge Fund Index	—	N.A.	14.44%	7.74%

[1]Compounded Annual Rate of Return through November 2003

David Rothberg Comments:

The Skill-Based Managers Fund earned 3.83% during the fourth quarter, net of all fees. During 2003 the Fund earned 11.89%. The allocation as of the end of December and returns during the quarter, by strategy, were as follows:

Strategy	Allocation in Percent	Return in Percent
Long/Short Value U.S.	34.77	3.56
Event Driven specializing in Risk Arbitrage	21.79	3.80
Convertible Arbitrage	29.00	3.51
CTA	13.74	0.27
Cash & Treasuries	0.07	0.38

In our last quarterly report we wrote that it was 1971 revisited — sort of. We've been right — sort of. We have had a weaker dollar and higher gold prices, but the stock market's been anything but mushy; and bond yields have so far been range-bound.

In such an environment, you might have predicted that all the strategies in the portfolio would have performed well. And they did — sort of.

Our long/short strategists, focused as they are on small caps and some debt, continued to benefit from the ongoing global discounting of risk.

Even driven strategies, especially those operating primarily in the risk-arb space, finally began enjoying the benefits of an increase in deal flow after three years of famine. Spreads remained tight however — again, reflecting how cheaply investors in general price risk — except, occasionally, in Europe where less-flexible legislation and traditional cultural mores offer opportunity not available in North America.

Convertible arbitrage rebounded smartly from its third quarter pains. Bonds rallied, and spreads tightened further — despite the Parmalat fiasco.

CTAs had a less salutary time than perhaps they ought to have had given the dollar, the gold, and the performance of commodities generally — the CRB was +8% for the quarter. It seems that quant-driven funds, many of them so large that they trade off-board (via trade houses who enjoy unlimited hedge books), have added a layer of irrationality to markets even as they render them more efficient. We'll have to see if discretionary traders, for cultural reasons our favourites, will be able to adjust.

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