FRIEDBERG MERCANTILE GROUP LTD.

Fourth Quarter Report 2004

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Fourth Quarter Report 2004

Dear Investor,

It gives me great pleasure to present to you the financial report of the Friedberg Group of Funds for the quarter and year ended December 31, 2004.

A near blow-out fourth quarter helped us achieve a second consecutive year of double-digit gains. Our two flagships, the Global Macro Hedge Fund (our Canadian-based multi-strategy fund) and the Global Macro Hedge Fund Ltd. (our Cayman-based multi-strategy fund), returned 10.2% and 7.8% for the fourth quarter and 17.4% and 13.1% for the year, respectively.

During the quarter our positions experienced practically no substantive changes. The same was true for the year as a whole (the single exception being that the commodity futures program was dropped at mid-year for chronic under-performance), a remarkable feat in the fast-moving world of investment assets. This observation is not intended to be boastful, but rather to drive home the point that to make money one need not experience an epiphany nor does one need to over-trade or to make abrupt and violent changes. Simply, one needs to be right and one needs to persist. But this also underscores the risks, since it is simply not easy to be right for long periods of time. Sooner or later, the themes on which we have capitalized will change, if ever so subtly, and they may catch us unaware. We discuss these themes in what follows and briefly evaluate the likelihood of a reversal.

Our fixed income funds, which represent on average approximately 60% to 65% of the Global Macro funds, gained 6.7% to 9.3% for the quarter and 13.7% to 18.2% for the year. The bulk of the funds continued to be invested in inflation-linked long-term Treasuries and Canadian Real Return bonds, accompanied by a smattering of foreign issues: a money market position in Turkish lira, yielding 22% per annum; a small position in inflation-linked peso-denominated Argentine government bonds, yielding real rates in excess of 7.5%; and an inflation-linked zloty-denominated Polish government bond, yielding a real rate of 3.3%. The expected total return for foreign assets varies, of course, with the fluctuations of the instrument and, principally, with the forex value of the asset. All three currencies gained against the U.S. dollar, providing an additional lift to the portfolio. A small portion, no greater than 20% for now, continues to be invested opportunistically in nominal U.S. Treasuries, taking advantage of what we believe are mis-alignments in the relative prices of the inflation-linked and the nominal securities. Specifically, when breakeven levels rise too far above what we feel is the underlying and expected rate of inflation, we sell some inflation-linked securities and move the proceeds into nominal Treasuries. The nominal securities are purchased synthetically, i.e. through the futures markets, where liquidity is unequalled, and they are backed by short-dated cash Treasuries.

Through most of the year we proceeded on the assumption that the Fed wanted to raise rates steadily and persistently, or, as they indicated, in measured steps. We assumed from the beginning that they had no specific target but would be paying close attention to inflation rates and to inflation expectations as boundary markers of how far to go. Were they to rise significantly, the Fed would have drawn the conclusion that a more aggressive and more "un-measured" pace was justified.

As it turned out, the markets delivered a benign verdict: the sharp depreciation of the dollar and the sharp rise of commodities, especially oil, has not affected expectations as negatively as one might have thought. For many reasons, among them globalization, better productivity, and a higher, unexplained demand for money, inflationary expectations have remained well contained and 10 year Treasuries yielding 4.25% provide reasonable returns. The tightening steps remain measured and we are guessing that, for now, the outward boundary for Fed funds must sit somewhere around 3.5%. In this context, rising short-term rates could have only one result, a flattening of the yield curve. The carry trade remains a profitable, albeit shrinking, activity.

In the latter stages of the cycle there is a risk that inflation will begin to accelerate, especially as the available labour pool shrinks. Equally likely, however, is the possibility that the housing boom will cool, consumption will slow and the economy will contract, in which case the Fed would reverse course and short- and long-term rates would gently fall back. For now, we believe that the long end of the market is still the place to be. Finally, we should note that narrowing credit spreads are keeping us away from private credits; our portfolio's over-all credit rating lies somewhere between AA and AAA. We believe that credit risks are impossible to assess properly, at least at this stage of the cycle, and that even if it were possible to do so, the potential rewards would not justify the risks of default. We are therefore not prepared to chase yields by lowering our credit standards.

Our currency activities enjoyed a booming quarter (up 21.5% to 24.4%) and year (up 46.3% to 53.2%) despite the fact that we refused to be drawn into the big trading arena, specifically the dollar/euro game. We did not believe that the euro was undervalued and we did not share the street's sentiment that the U.S. current account deficit was a serious problem and that consequently the dollar had to sink. We liked, and still do, the argument that sees a greater dollar bloc, composed of the U.S. dollar and the main Asian currencies — an extension of the internal dollar bloc made up of the states of the Union. Just as we do not worry greatly (or even at all) about the deficit of California with the rest of the country because we know that capital flows will compensate these commercial deficits, so we do not worry greatly about the U.S. current account with the Asian countries. Admittedly, the internal dollar bloc is more culturally cohesive and legally bound than the external one. Still, there are sufficient commercial incentives for the Asian countries to defend present exchange levels and recycle funds back to the U.S. The recycling can take the form of central bank purchases of Treasuries and/or private entity purchases of U.S. assets. The recent interest of a Chinese refiner in the assets of the U.S. refiner Unocal is a case in point. While some minor foreign exchange adjustments may yet take place, they should not cause a generalized flight away from the dollar. If anything, these minor adjustments should restore equilibrium to another pair, the euro/yen, which is badly out of kilter.

The winning streak was achieved with positions that have been discussed at great lengths in previous letters. By attribution, almost one half of the profits was accounted for by the long position in Turkish lira, a little over one-third by the short euro/zloty and euro/forint and the balance by a long position in the Brazilian real. The last named was initiated only in the last quarter.

The Turkish lira position was a bet on Turkey's remarkable economic progress. As is common with successful economic programs applied to high-inflation economies, the real rate of exchange rises — that is, nominal exchange rates fall less than inflation rates (or, viewed another way, nominal exchange rates advance at a slower rate than inflation rates). Since interest rates are maintained at levels that exceed inflation rates, interest rates can be said to more than compensate for any currency depreciation. As it turned out, the exchange rate rose in fact 12% and annual interest rates of 22% to 24% provided the icing on the cake. This trend is expected to continue for some time, though real currency appreciation will understandably slow. Inflation, down now to less than 10% from more than 90% three years ago, is likely to move below 5% this year. In its wake we expect a substantial fall in interest rates, which, in turn, will make it less profitable to hold lira balances.

The Polish zloty and Hungarian forint bets were in some respects similar to the lira. These currencies were seen to appreciate against the euro because of the superior economic growth, higher productivity and lower costs of their economies. In line with our neutral dollar/euro views, we restricted the zloty and forint plays to crosses against the euro, rather than outright bets against the dollar. Of course, an outright dollar/zloty and dollar/forint short position would have produced an even better result. It is important to keep in mind, however, that we were not interested in expressing a bearish dollar/euro view, but simply an appreciation of the East European currencies. As a result of their growing involvement with the European Community, the simplest and least risky way to express this view was via a cross trade.

The Brazilian real long position was initiated in order to take advantage of high nominal interest rates (16% to 18%) and real rates (10% to 12%) in the context of a soft dollar, good capital flows to the emerging universe and the Lula government's respectable fiscal performance. We are aware of the risks. Brazil's long, multi-year, exercise in austerity has not yielded commensurate rewards: the foreign debt ratio remains stuck at 55% of GDP, real incomes have not taken off, and income distribution remains extremely lopsided. Bureaucracy, corruption and misguided tax and regulatory policies weigh heavily on this nation of great potential. A new electoral cycle is about to begin and fiscal discipline is likely to erode. Pro-growth policies are nowhere to be seen. Semi-stagnation will cause social unrest with the result that austerity will have to give way. It will not be long before the Brazilian authorities begin to take note of Argentina's shining example of the rewards of default. Brazil could end its austerity stance by simply offering a generous 50% haircut on the foreign debt versus Argentina's savage 70% cut. Because we are keenly aware of the risks, we have taken only a modest position. The real has also served to partially offset the direct U.S. dollar exposure associated with the larger short position of the Australian dollar.

The commodity dollars, Australia, New Zealand and Canada, are ripe for a substantial correction, having been driven to rarified levels by the enthusiasm reigning in the commodity pits — now visibly cooled off — and the bearish sentiment on the U.S. dollar. Australia's economy, in particular, shows pronounced signs of fatigue, overburdened with the highest debt-income ratios in its history. Interest rates should soon be heading down, and with them, the country's overvalued currency. Canada's economy too has come to a screeching halt, the delayed effect of a monstrous currency appreciation. Moreover, support for the currency has been removed as positive interest rate differentials vis-à-vis the U.S. have practically disappeared. These views justify our short Australian and Canadian dollar trades, though, admittedly, the Aussie is the more entrenched of the two bets because of Australia's far more ominous economic imbalances.

Finally, our very modest long Singapore dollar/short yen position is intended to capture some of the relative undervaluation of the Singapore dollar (which has weakened 0.8% in trade-weighted terms since April), the tightening bias of the Monetary Authority and the likelihood that it will respond faster and more positively than the yen to a potential revaluation of the Chinese yuan.

Our market-neutral equity hedge funds concluded another impressive quarter (6.6% to 7.3%) and year (23.0% to 25.7%). Five-year compounded annual returns (through November 2004) stand at 19.86% to 22.78%. This performance easily beats the CSFB/Tremont Equity Market Neutral Index benchmark that we have been using, which shows an annual compounded rate of only 9.03%. Moreover, as Burton Malkiel has shown in an impressive academic study, these indexes suffer from substantial bias and are overstated by 250 to 300 basis points per year.

The relevant information for the latest quarter is spelled out, as usual, in great detail in the inside exhibits. Here are some of the more salient statistics. By attribution, our short positions lost 8.93% of the quarter's initial equity, almost spot-on with the rise of the

S&P 500. That is, they did no worse than the market and that was a disappointment. The long position, on the other hand, showed a gain of 15.86%, almost double the overall market's performance. In the language of the long-only funds, it beat the index by 713 basis points.

Some of the appearances deceive. For example, one of the outstanding gainers on the long side, Advanced Micro-Devices (+69.3%), was part of an outright trade and also part of a pair trade, in this case a bet against Intel, which moved against us by 16.6%. Our largest long sector was represented by Semiconductors (principally Advanced Micro-Devices), but the short position in Semiconductors (Intel and the HOLDRs Trust) more than offset this exposure (5.55% vs. 6.81%).

Interestingly, during this quarter we continued to find more long positions than short ones, forcing us to rely increasingly on index futures to achieve balance. This is probably the principal reason why the short side performed in line with the market, as pointed out earlier. For the quarter, we maintained a very balanced long-short ratio, not exceeding 53/47 nor falling below 50.3/49.7. The ratio is adjusted frequently to compensate for the impact of varying volatility. The fact that throughout the year we found more interesting long plays than short ones may itself be an indicator of near-term market direction.

By the close of the year, most stocks looked overbought and over-extended, a good distance away from their 200-day moving averages. Going forward, market direction looks a great deal more uncertain. The potential transition from a bull phase to a bear phase could cause us some problems, as all transitions do. As a result, towards the end of November we began to de-leverage and have now settled into a more conservative 1.6x total gross leverage mode (from a more common 2.6x). We await the storm, when and if it comes, in a less exposed form.

Despite a good recovery for the quarter (+4.9%), the International Securities Fund was unable to turn full-year results into the plus column, ending the year with a slight 2.1% loss. We continue to lag the CSFB Tremont Hedge Fund index in the one- and three-year categories (2.7% vs. 9.11%) but we realize that the Fund's mandate is not as broad as that of a normal hedge fund, not because of legal constraints but because it was designed to be different and to fill the void of our other products. Its greatest handicap is its lack of significant exposure to the U.S. equities market and to the currency markets. This could be redressed by merging the International Securities Fund into one of the Global Macro Hedge funds, a possibility that we are now entertaining.

The Fund's portfolio underwent very minor changes during the quarter. Details are provided in the exhibits. Long positions in equities continued to be concentrated in Latin America, North America and Turkey, via the NYSE-listed, closed-end Turkish Investment Fund. These sectors provided the largest gains by attribution, 4.9%, 2.1% and 3.1%, respectively. The best single performer in the fund was Bancolombia S. A., Colombia's largest private commercial bank. It has benefited from President Uribe's successful drive against drug traffic and political terror and the economy's good performance. We first purchased the shares in August 2004 at $6.95, then trading at a modest 1.65 times book value. During the quarter, we began liquidating some of the position, at prices ranging from $11.09 to $14.13.

Short positions remained concentrated in Japan – mostly regional banks – and the S. Korea index, via the NYSE-listed MSCI WEBs. Both of these contributed to the largest losses by attribution, 1.1% and 5.6%, respectively. For reasons discussed in earlier letters, we continue to believe that good dividends will be earned by our contrarian stance in S. Korea and the secondary banks in Japan, though the latter position has been scaled down somewhat. Going forward, we do not anticipate significant changes in the portfolio's sectoral allocation.

It was a good quarter for trend-following CTAs. Our investment in the Refco SPhinX Managed Futures Ltd. returned 10.5% for the quarter and managed to eke out a 2.9% gain for the year. The Sylvan Fund, a fund managed by a good friend and very competent trader, posted a 0.9% gain for the quarter and a 1.1% gain from inception (September 2004). The continuous shrinkage in implied volatilities has made his job very difficult. Since the Canadian Global Macro Hedge Fund was unable to participate in the Sylvan Fund, we began a small option-writing program for it. Preliminary results were satisfactory. Full results will be broken out and analyzed in our next letter.

Last quarter we ended our letter to you by saying "strangely, we enter the final quarter of 2004 calm and with little of the usual trepidation that follows a good quarter. This is because we believe that the fourth quarter will bring, in economic terms, more of the same: a little more stagflation." Well, it turned out even a little better than expected. In the meantime, our crystal ball has fogged up a bit – political events are coming to a head, economic weakness is spreading if ever so slightly, fixed income and equities valuations are stretched, and uncertainty is rising. Though somehow we feel that the present positions will keep us whole, risk/reward ratios are no longer lopsidedly in our favour. This much we know: every hundred basis points above the risk-free 3% per annum will be a struggle. Let's hope our skepticism is unwarranted.

Respectfully yours,

Albert D. Friedberg

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

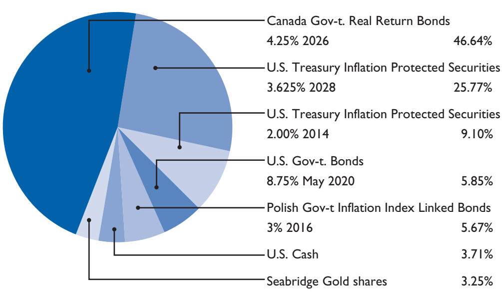
PERFORMANCE[1] as of Dec. 31, 2004

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	15.50	2.92%	5.94%	6.13%	8.00%	7.32%
Friedberg Total Return Fixed Income Fund Ltd.	1,798.58	6.75%	11.89%	19.39%	18.96%	13.01%
Friedberg Total Return Fixed Income Fund L.P.	187.00	7.06%	11.44%	20.11%	19.71%	13.75%
Benchmark[4]	—	N.A.	11.83%	15.03%	12.49%	9.08%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through November 2004
[4]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

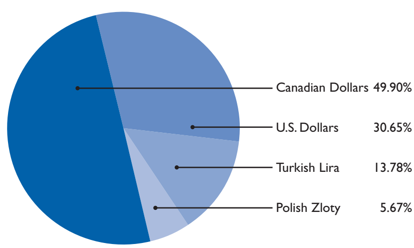
Portfolio Allocation



Weighted average yield to maturity 2.03%*
Weighted average current yield 2.69%*

*Assumes zero inflation.

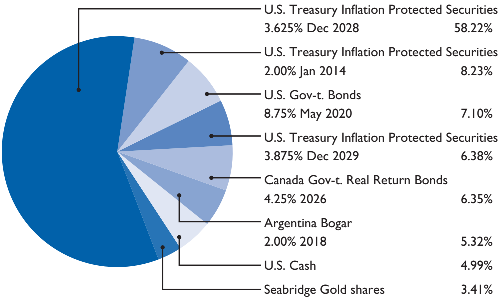
Currency Exposure



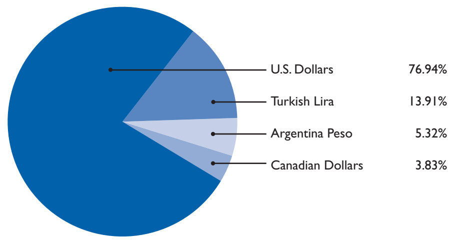
Adjusted modified duration		5.72
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	90.66%
	A	6.09%
	Unrated	3.25%

FRIEDBERG FIXED INCOME FUND LTD.

Portfolio Allocation



Currency Exposure



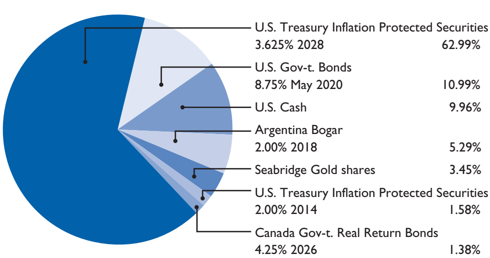
Weighted average yield to maturity	2.20%*
Weighted average current yield	2.49%*

*Assumes zero inflation.

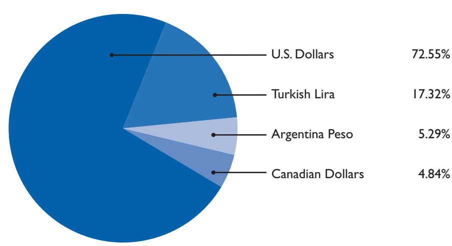
Adjusted modified duration		5.72
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	91.27%
	Unrated	8.73%

FRIEDBERG FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	2.26%*
Weighted average current yield	2.45%*

*Assumes zero inflation.

Adjusted modified duration		5.18
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	91.26%
	Unrated	8.74%

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 Dec. 31, 2004

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity Hedge Fund	21.20	7.34%	19.32%	9.18%	19.86%
Friedberg Equity Hedge Fund Ltd.	2,477.21	6.60%	17.15%	10.98%	22.78%
CSFB/Tremont Equity Market Neutral Index	—	N.A.	6.56%	6.66%	9.03%

[1]Net of fees
[2]Compounded annual rate of return through November 2004

INVESTMENT ALLOCATION[3]

	30-Sep-04	31-Oct-04	31-Nov-04	30-Dec-04
LONGS	50.31%	53.03%	51.60%	51.74%
SHORTS	49.69%	46.97%	48.40%	48.26%
TOTAL GROSS LEVERAGE	2.64 x	2.66 x	1.57 x	1.63 x

LARGEST SECTORS (LONGS)[3]

Semiconductors	5.55%
Electric Utilities	5.51%
Environmental Services	2.41%

LARGEST SECTORS (SHORTS)[3]

Technology Large cap (NASDAQ 100 index futures)	20.93%
Pharmaceuticals	7.27%
Semiconductors	6.81%

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

LARGEST LONG POSITIONS

Advanced Micro Device Inc.
Lennar Corp.-A
Checkfree Corp.
Catellus Development Corp.
Xerox Corp.
Aqua America Inc.
Gatx Corp.
Eastman Kodak Co.
Cuno Inc.
Entergy Corp.

LARGEST SHORT POSITIONS

NASDAQ 100 index futures
Intel Corp.
Teva Pharmaceutical-SP
Biovail Corp.
Imclone Systems
Semiconductor HOLDRs Trust
Coca Cola Co.
Viacom Inc.-B
Univision Communications-A
Colgate-Palmolive Co.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Advanced Micro Device Inc.	69.38%	Magma Design Automation	17.04%
Apple Computer Inc.	66.19%	Imclone Systems	12.81%
McDermott Intl Inc.	55.59%	Univision Communications-A	7.40%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Worthington Industries	-8.29%	AMR Corp.	-49.39%
Reader's Digest Association	-4.66%	Intel Corp.	-16.60%
Firstenergy Corp.	-3.82%	Bowater Inc.	-15.13%

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 Dec. 31, 2004

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	9.83	18.29%	25.67%	-18.63%	-12.98%
The First Mercantile Currency Fund	9.01	12.63%	25.62%	-16.03%	-10.69%
Friedberg Currency Fund II Ltd.	717.35	21.53%	26.45%	-8.21%	-7.92%
Friedberg Forex L.P.	10.14	22.61%	41.82%	-13.85%	-10.40%
Barclay Trader Indexes Currency	—	N.A.	4.23%	7.04%	4.88%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through November 2004

OPEN POSITIONS - Dec. 31, 2004

	Leverage
Long Hungarian Forint / Long Polish Zloty / Short Euro Currency / Short British Pound	3.90
Short Australian Dollar	1.46
Long Turkish Lira	1.08
Short Canadian Dollar	1.04
Long Singapore Dollar/ Short Japanese Yen	0.90
Long Brazilian Real	0.46
gross leverage at Dec. 31, 2004	8.60 x
maximum gross leverage during quarter	8.70 x

ACTIVITY REPORT - Fourth Quarter 2004

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Turkish Lira	19.12	48.23
Long Hungarian Forint / Long Polish Zloty / Short Euro / Short British Pound	14.66	36.98
Long Brazilian Real	5.86	14.79

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short Australian Dollar	-7.14	47.12
Short Euro Currency	-5.84	38.54
Short Canadian Dollar	-2.17	14.31
Long Japanese Yen / Short Singapore Dollar	-0.01	0.04

DIVERSIFIED TRADING PROGRAM

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

PERFORMANCE[1] as of Dec. 31, 2004

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Diversified Fund	5.31	-0.75%	18.80%	-1.83%	-7.19%
CSFB/Tremont Managed Futures Index	—	N.A.	10.90%	13.22%	9.09%
Refco SPhinX Managed Futures Index Fund	1028.07	9.64%	8.65%		

[1]Net of fees
[2]Compounded annual rate of return through November 2004

OPEN POSITIONS - Dec. 31, 2004

Strategy I

Leverage	**Leverage**
Long Japanese Govt Bond	3.27
Short Gold	2.65
Short Crude	2.63
Short Mini Nasdaq	1.58
Long US Treasury Bonds	1.36
Short Coffee	0.47
Long Mar Crude 39 Call	0.20
Long Mar Crude 38 Call	0.15
Long Apr Gold 440 Call	0.08
Long Mar Cotton 44 Call	0.06
gross leverage at Dec. 31, 2004	12.45 x
maximum gross leverage during quarter	61.48 x

Strategy II

Long Bund	3.80
Short Ten Year Note	3.52
Long Soybeans	1.57
Short Corn	1.47
Long Crude	1.17
Long Corn	0.78
Long Crude	0.59
Long June 10 Year 106 Put	0.02
gross leverage at Dec. 31, 2004	12.93 x
maximum gross leverage during quarter	16.90 x

Strategy III

Short Lean Hogs	0.39
Short Corn	0.37
Long Lean Hogs	0.37
Long Soybeans	0.35
gross leverage at Dec. 31, 2004	1.48 x
maximum gross leverage during quarter	7.02 x

ACTIVITY REPORT - Fourth Quarter 2004

Strategy I

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long / Short Crude	19.58	74.80
Long Japanese Bonds	3.30	12.62
Long Bonds	3.03	11.57
Short Sugar	0.27	1.01

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short Nasdaq	(12.50)	49.65
Long / Short Gold	(7.74)	30.75
Short Coffee	(3.19)	12.65
Long Cotton	(1.45)	5.78
Short Fed Funds	(0.30)	1.18

Strategy II

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Crude	5.58	97.80
Long Soybeans	0.13	2.20

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Wheat	(3.08)	39.87
Long / Short Corn	(1.83)	23.74
Short 10 Yr Notes	(1.42)	18.40
Treasury Spread	(0.99)	12.87
Short Bonds	(0.40)	5.13

Strategy III

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Soybeans	1.28	97.16
Long / Short Lean Hogs	0.04	2.84

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short Bonds	(0.59)	78.87
Long / Short Corn	(0.16)	21.13

FRIEDBERG INTERNATIONAL SECURITIES FUND

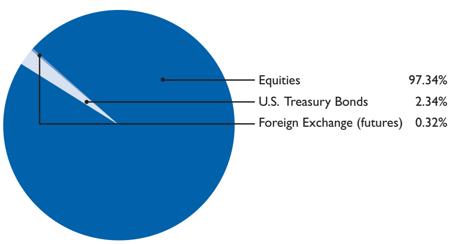
The fund seeks to capitalize on the rise and fall of local markets throughout the world by anticipating long term secular trends or by identifying, at an early stage, cyclical economic expansions and contractions of economies of selected countries. The fund uses leverage, and trades fixed income and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

PERFORMANCE[1] as of Dec. 31, 2004

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg International Securites Fund	13.78	4.87%	-1.84%	2.74%
CSFB/Tremont Hedge Fund Index	—	N.A.	10.02%	9.11%

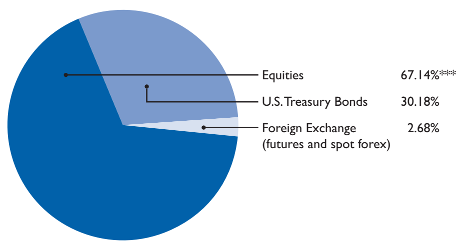
[1]Net of fees
[2]Compounded annual rate of return through November 2004

BREAKDOWN BY INVESTED AMOUNTS*



*Based on margins used in each category

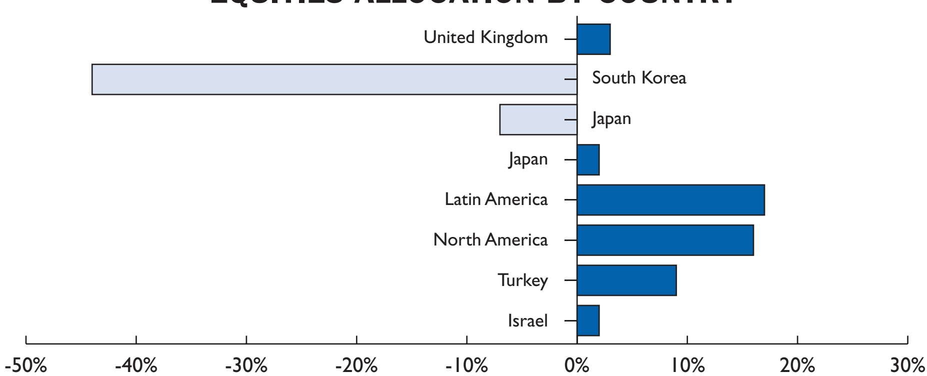
BREAKDOWN BY TOTAL GROSS EXPOSURE**



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

TOTAL GROSS LEVERAGE 1.33 x

EQUITIES ALLOCATION BY COUNTRY



NEW POSITIONS ESTABLISHED DURING THE QTR.

POSITIONS LIQUIDATED DURING THE QTR.
1) Sold Long Torii (Japan)
2) Covered Short Joyo Bank (Japan)
3) Sold Long Banco Galicia (Argentina)

FRIEDBERG INTERNATIONAL SECURITIES FUND cont'd

APPROXIMATE GROSS RETURNS ON BEGINNING EQUITY BY MAJOR SECTORS
(Oct. 1 - Dec. 31)[3]

NORTH AMERICA	2.14%	KOREA	-5.67%
LATIN AMERICA	4.96%	JAPAN[4]	-1.12%
U.S. TREASURY BONDS	0.42%	ISRAEL	0.35%
EUROPE	0.50%	TURKEY	3.16%

[3]not time adjusted
[4]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 Dec. 31, 2004

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global Opportunites Fund Ltd.	495.56	9.56%	-8.60%	-7.73%	-5.09%

[1]Net of fees
[2]Compounded annual rate of return through November 2004

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[1] as of Dec. 31, 2004

	NAV	Quarterly	Year over Year[2]	Two Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	1,497.97	7.85%	10.74%	13.67%
Friedberg Global-Macro Hedge Fund	14.49	10.19%	15.53%	18.40%
CSFB/Tremont Hedge Fund Index	—	N.A.	10.02%	12.21%

[1]Net of fees
[2]Compounded annual rate of return through November 2004

Allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of Dec. 31, 2004 is as follows:

FUND	CURRENT ALLOCATION	TOTAL $ VALUE	PROPOSED NEW ALLOCATION
Fixed Income Fund Ltd.	58.768%	$70,814,921.60	60.00%
U.S. Treasury 2.75% 30/6/2006	0.234%	$282,159.84	0.00%
Equity Hedge Fund Ltd.	15.021%	$18,099,746.87	15.00%
Currency Fund II Ltd.	12.773%	$15,391,550.51	15.00%
International Securities	6.257%	$7,539,306.95	5.00%
Refco SPhinX Managed Futures Index Fund Ltd.	2.615%	$3,151,096.67	2.50%
Sylvan Fund Ltd.	4.197%	$5,057,200.00	2.50%
Cash	0.136%	$164,156.02	0.00%
	100.00%	$120,500,138.46	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 Dec. 31, 2004

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg Skill-Based Managers Fund	14.57	2.03%	7.91%	8.47%
CSFB/Tremont Hedge Fund Index	—	N.A.	10.02%	9.11%

[1]Net of fees
[2]Compounded annual rate of return through November 2004

David Rothberg Comments:

The Skill Based Managers Fund earned 2.03% during the fourth quarter net of all fees. For all of 2004 the Fund earned 7.18%.

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.	33.79	1.55
Event Driven	24.57	9.96
Convertible Arbitrage	26.60	1.22
CTA / Managed Futures	14.67	-2.13
Cash & Treasuries	0.364	N/A

The HFRI **Event Driven** investable index earned 6.93% during 2004. Our allocation to the strategy, we're pleased to acknowledge, outperformed the index by a wide margin. Major return generators during the quarter included K-Mart which first emerged from bankruptcy, and then bought Sears; and the narrowing spread between Price and Verizon which has contracted to acquire it. M&A activity remains relatively muted and, given the negative effect dollar depreciation may be expected to have on international activity — the vast majority of which has stemmed from the U.S. in recent years — may not be as quick to revive as some would like to believe.

The 4th quarter rally in U.S. equities was largely a post election honeymoon driven by momentum players. Not surprisingly, **Value** managers, especially pious ones like we favour, got hurt on the *short* side of their portfolios. The forceful tone the Fed used in the recently released minutes of its mid-December meeting to describe the speculative complacency its low interest rate regime has produced is the largest of many reasons that we believe is set to wreck the honeymoon. We expect that the losses suffered on shorts will be made up, and that more opportunities than have recently existed will appear on the long side.

Convertible Arbitrage profited from the stock market rally but still suffered from a dearth of volatility and credit spreads which could hardly tighten further. Both are prime symptoms of the complacency noted in the Fed minutes. We expect a weaker economy and consequently that creditor anxiety will eventually overwhelm the nearly universal appetite investors show for yield. Hedges on yield decompression have been costly for arbs. This year should demonstrate who has been willing to pay premiums and who's been greedy for incentive fees.

After a brilliant 2003, **CTAs** generally enjoyed a less than stellar year last year, earning 1.14% basis the Calyon Financial Barclay Index. Despite the 2.13% loss during the quarter the Fund's allocation to the strategy generated returns of 17.7% for all of 2004. It is our feeling that the quantitative sector of the strategy, flush after 2003's results, created too much volatility at entry and exit points for all of the quants to enjoy a repeat performance. Trends in commodities should abound in 2005, though we expect many will surprise on the short side.

NOTES

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