FRIEDBERG MERCANTILE GROUP LTD.

Third Quarter Report 2005

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Third 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 September 30, 2005.

Our two flagships, the Friedberg Global Macro Hedge Fund Ltd. and the Friedberg Global Macro Hedge Fund, once again posted solid gains for the quarter. In US-dollar terms, the funds gained 3.8% and 8.1%, respectively. The disparity between the Canadian-based fund and the Cayman-based fund is explained below in connection with the fixed income funds. Year-to-date, and again in US-dollar terms, our two funds are up 9.7% and 16.1%, respectively. On an attribution basis, the fixed income strategies provided almost the entire gain for the quarter (more than the entire gain in the Canadian-based fund), with the rest of the sub-funds and strategies gaining some and losing some, netting out to +0.4% (-0.5% in the Canadian-based fund).

Three developments account for the exceptional performance of the fixed income portfolios, two that are common to the offshore and Canadian fund and one that is particular to the Canadian-based fund only. I begin with the latter. As is well known to our investors, we have kept the bulk of our portfolios invested in inflation-indexed treasury securities for more than six years. Aside from their exceptional credit quality, we have been attracted to these securities for three reasons: they provide the purest play on real interest rates; they were, and continue to be, underpriced in our opinion; and finally, they give us a great deal of leeway when and if the Fed is prompted to tighten money in response to inflation concerns.

We have been of the belief that real interest rates are on a continuous, though ragged, decline. As global incomes grow and economies mature, global savings rise in relation to global investment opportunities. This tends to lower real rates. (This can be seen in the difference in real interest rates between developing and developed countries; the former countries grow faster, have more investment opportunities and enjoy lower income/savings. Everything else being equal, their higher rates attract savings from the global pool. As more and more developing countries move to the developed stage, income and savings rise and high-return investment opportunities diminish, lowering rates.) A second reason why real rates fall may have to do with the relative drop of the value of traditional capital vis-à-vis human capital, i.e. technology and creativity in general. Increasingly, productivity gains are becoming more a function of human ingenuity than of raw capital. This tends to lower the value of capital and leads to lower rates.

Holders of long-term nominal interest rate securities benefit from this fall in rates. However, they need to contend with an additional and extraneous problem, specifically, the rate of interest that will compensate the holder for expected and unexpected loss of purchasing power. Because of their construction, inflation-indexed securities eliminate this extraneous problem and allow the holder an undiluted — pure, one might say — bet on the macro-idea.

Inflation-indexed treasury securities (TIPS) are underpriced. Why? Because, for one thing, the market has been pricing them off nominal securities on the basis of underlying or core inflation (CPI minus food and energy), but these securities have collected on the basis of unadjusted inflation. And, for another, "break-even" levels, the difference between the yields on indexed and nominal securities and a good indicator of future inflation, have been hugging underlying inflation rates (260 basis points for the longer-term securities). Higher break-even levels, more in line with true, unadjusted inflation, would make these indexed securities correspondingly more expensive.

The unadjusted CPI has yielded a persistent premium, year after year, over the past decade, mostly a result of rising energy costs. This gain has been pocketed by the holders of TIPS. As an example, for the past year the gap has amounted to approximately 150 basis points, a huge return in a period of extremely low interest rates. Theory says that, at some point, the two inflation measures will converge. The unadjusted measure may even overcompensate, so that some of these relative gains will be given back. This is possible, but the timing is difficult to pinpoint; if the energy worriers are right, and we have indeed entered a long-term period of high but stable energy prices, then convergence may occur but overcompensation will not. Only if we thought that energy prices would collapse would we favor nominal securities over indexed ones, but, even here, there are additional factors to consider. The most important factor is optionality.

By optionality we mean the value built in to these indexed securities that has not been reflected in break-evens. Allow me to explain. Break-evens, as we noted earlier, hug present underlying inflation rates. That is, the market estimates that inflation rates for the next 30 years will approximate present inflation rates. This may or may not happen. The uncertainty should be reflected in a premium over the expected rate of inflation built in the break-evens, a sort of option cost. Thus the term optionality. We do not pretend to know what this premium should amount to, but we do know that politics is unpredictable and that politicians are fond of spending lots of money. We are also willing to discount some of the Fed's credibility; systemic risks are growing and bailout efforts will certainly take precedence over inflation rates. Of course, one can offer a counter-argument and point to Japanese deflation. True, but the 30-year (from the burst of the bubble) history of Japan has not yet been written. Moreover, we are arguing for a premium for uncertainty and inflation variability, not necessarily a premium for inflation. In short, it is not unreasonable to expect a significant premium for uncertainty, the absolute inability of human beings to peer that far into the future. This is another reason why TIPS are underpriced, in our opinion.

The last reason for owning TIPS is that they allow us to ignore, on a medium-term basis, the Fed's reaction to fears of rising inflation. To put it simply, rising inflationary expectations, the Fed's reaction function, are automatically reflected in rising break-evens. To the extent that the Fed stays within the curve, rising break-evens offset the bearish effect of rising interest rates. To the extent that the Fed moves ahead of the curve (despite repeated increases in Fed Funds, it still has not done so) and temporarily raises real rates, indexed securities will decline, but slightly less than nominal securities (because of rising break-evens, as explained). With time, Fed-driven spikes in real rates will converge with natural rates and indexed securities will regain their former luster. This is another way of saying that the Fed cannot artificially raise real interest rates except for very short periods of time. As explained earlier, real interest rates are a function of real factors, not of central bank policies.

Having determined that TIPS were going to represent a substantial portion of the fixed income portfolios, what remained to be determined was the currency in which these securities would be denominated. Our sense told us that, over long periods of time, US and Canadian indexed securities would perform about the same. The reason is that real exchange rates, especially of two neighboring and fully integrated economies, should converge. Since real exchange rates are a function of inflation and nominal exchange rates, no important difference should accrue over time by choosing one indexed security over the other. We knew, however, that this postulate would not hold in the short run. And in fact, it did not. Canadian TIPS, or Real Return Bonds as they are called here, outperformed US TIPS by a long stretch, +10.2% versus –1.9%, a combination of currency gains and bond appreciation resulting from a relative fall in interest rates. Because the Canadian fund is designed for a Canadian-based investor (though still attuned to total returns on a global basis), it owned a great deal more Canadian Real Return Bonds than US TIPS. Best of all, it owned them un-hedged. This explains the outsized difference in returns between the fixed income funds. Since the Canadian hedge fund invests in the Canadian-based fixed income fund, the effect was extended to the relative performance of the two hedge funds that was noted earlier.

There were two factors that pushed the returns of the fixed income portfolios well above those of a similar ken. The first relates to a hedge we executed to protect the bond position from a fall induced by what we perceived was an aggressive Fed posture. Reasoning that the tightening moves would probably cause a further flattening of the yield curve accompanied perhaps by a slight increase in rates over all maturities, we chose to hedge part of the TIPS position (see our earlier comments re: Fed-induced increases in real rates) via short-term euro-dollar interest rates contracts. The hedge was lifted after the quarter end. During the quarter, the hedge resulted in a sizeable profit (somewhere between 1.5% and 1.7% of the portfolio). The flattening of the curve had more than made up the partial hedge.

The second extraordinary factor relates to the performance of our gold allocation. As our investors know, we are permitted to invest up to 5% of the portfolio in gold futures or options and an additional 5% in general equities. The original rationale, now lost in the mists of time, was that gold, too, was a global currency and perhaps such a currency was desirable during periods of high inflation or economic distress. At any rate, we maintained a small allocation (1.97% to 2.31%) to a gold mining company, Seabridge Gold Inc., where an officer of our firm who represents an affiliate is a member of the Board. The position has been disclosed every quarter now for some years, and the representation was disclosed more than once. The Friedberg affiliate owned just under 20% of the company (recently increased to 23%). Concerned with our board representation and potential conflict, Canadian regulators have now concluded that, despite the disclosures that were made in the past, the fixed income fund must eliminate its holdings of Seabridge. Needless to say, we think highly of this extremely well run mining company and believe that it represents an extremely leveraged play on gold. If you'd like more information on Seabridge Gold, you might want to visit its Website, www.seabridgegold.net The option characteristics of this stock were well demonstrated during this past quarter: on a 7.76% rise in the price of gold, Seabridge advanced 135%, adding 270-280 basis points to our returns and, in the process, taking our holdings up to the 4.19%-5.25% area.

Our 3.5% allocation dedicated to finding special global opportunities justified once again the decision to include such activities in the global macro funds. The various investments showed a spectacular 180% return on equity and contributed 210 basis points to total returns. The principal gainers were a long position in copper, liquidated during the quarter at rising prices, a long position in gold (versus a short position in euros) that was reinforced subsequent to the quarter-end, and a long position in the New Germany Fund, a closed-end fund traded on the NYSE. These positions were all carried over from the previous quarter and had already made a positive contribution to last quarter's results. Lest you think that the 3.5% allocation is too small, we ask you to consider that the combined long positions of gold and copper at one time amounted to 40.5% of the net asset value of the global macro hedge funds. Futures leverage made this possible (and by no means exhausted the margin available) and so we think that the 3.5% allocation is more than sufficient for our purposes. The modus operandi here is to trade infrequently, trade with size and conviction, and go only for situations that are not covered already under the other strategies.

Our equity hedge strategy continues to trounce benchmarks in the year-over-year, three-year, and five-year categories (see inside pages for details). Unusually, gains were racked up on both sides of the market. On an attribution basis, longs showed gains of a little more than 3.15% and shorts showed gains of just under 1%. Overall gross leverage was reduced during the quarter, to 1.45x from 1.90x.

Last quarter we expressed a hope that "the recent 'freshening' of the portfolio — substituting indices for individual stocks and sectors — should help take us back to a more typical path." Our hopes were realized, despite the reduction in overall gross leverage. As an example, we built up a relatively heavy short position in banks whose balance sheets are heavily concentrated on mortgages. Typically, they borrow short and lend long and earn a great deal of money in periods where the yield curve is steeply positive. Needless to say, the ongoing flattening of the yield curve and the default problems that will certainly follow will put a great deal of pressure on this sector. Short positions were beefed up in two other sectors, pharmaceuticals and publishing, each for its unique set of problems. We continue to expect these sectors to underperform the overall market by a substantial margin.

With regard to our trading activities in the currency area, let me first say that we had come off two exceptional quarters on the back of positive carries — trades where the uneventful passage of time would accrue gains even if the long and short positions moved slightly against us. We refer to the long zloty and long forint versus short euro, as well as the long Turkish lira/dollar positions. Once we saw the need to close these positions, we realized that the easy money days were over. Henceforth, we had to work hard to anticipate medium-term moves in markets that were heavily transited and consequently where inefficiencies were likely to be smaller.

We operated around the idea that the US dollar was still recovering from last year's drop, that the Singapore dollar would provide a low-risk play on the eventual revaluation of the Chinese yuan, that the Kiwi dollar was absurdly overvalued, and that the Japanese yen would suffer from a sharp narrowing of the trade balance and a lifting of deflationary pressures. Each one of these ideas generated a trade or cross-trade but, on the net, we treaded water and gave up transaction costs. Believe it or not, and in view of the fears expressed earlier, not dipping into the first half-year's results was an accomplishment.

Going forward, we believe that the US dollar will continue to strengthen on the back of a flattening yield curve that threatens to invert, and a mildly expansionary fiscal impulse. The euro, yen, and kiwi continue to represent, in our view, good shorting opportunities. For many reasons, principally the disappearance of risk premiums as well as cyclical considerations, we believe that capital that has gone into emerging markets will soon begin a slow, and later more accelerated, exit. Since the US continues to be a highly attractive destination for investment funds, at least in relative terms, the reflows will benefit the US dollar most. Finally, we are back in the Turkish lira trade; with or without accession, the Turkish economy has performed admirably. It will soon attain Maastricht levels of fiscal indebtedness and Western European inflation levels. All of this will occur within a context of soaring productivity gains and rapid economic growth. In this low global interest rate scenario, 14% rates still look attractive.

For the past few quarters we have been allocating to the International Securities Fund a diminishing share of the assets of the global macro funds. It now stands at 2.5%. Since a good deal of the mandate of this international trading vehicle is now being internalized in the global macro funds themselves — via an exposure to the global opportunities strategy — it is likely that the International Securities Fund will be completely dropped out of the allocation during this quarter or the next. The International Securities Fund's sub-standard performance, down 8.96% for the quarter, -3.91% year over year and showing only a meager 1.99% annualized return from inception (March 1999), can be attributed to the difficulties that we found in carrying out its mandate, the desire to maintain a hedged book across countries and regions (or sometimes a balance between equities and fixed income). More specifically, the difficulties in assigning proper weights and the occasional lack of compelling situations with which to balance positions imparted a certain artificiality to the effort. The fund itself has been liquidating positions; its holdings remained basically unchanged over the quarter. The short position in the Kospi index, via the MSCI Web South Korea, and in a handful of Japanese secondary banks continued to move adversely, carried away, in our opinion, by the blind enthusiasm for global equities and the tentative Japanese economic recovery. See the inside pages for more details.

In closing, I would like to say that I have been more than pleasantly surprised by the results obtained to date. Though I have repeatedly articulated the need to move with great caution and the misgivings we have felt with respect to the investment environment, the money has been made by a few bold and relatively large moves, opportunistically taken, without — I might add with great surprise again — a great deal of effort. The moves seemed natural. Strange? I will not complain, nor will I make pronouncements about the future. I will allow us the freedom that comes from not locking ourselves into a view and allow this wonderful naturalness to arise. Not by way of invocation, but by way of a fervent wish.

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: Absolute Returns

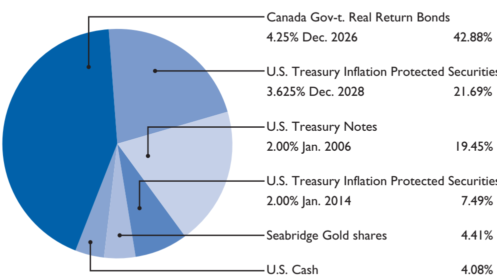
PERFORMANCE[1] as of September 30, 2005

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	16.39	2.90%	6.75%	10.80%	8.65%	9.30%
Friedberg Total Return Fixed Income Fund Ltd.	1,931.04	3.42%	13.29%	16.47%	15.43%	13.88%
Friedberg Total Return Fixed Income Fund L.P.	202.41	3.92%	14.36%	16.24%	16.15%	15.46%
Benchmark[4]		N.A.	7.37%	7.50%	8.57%	7.20%

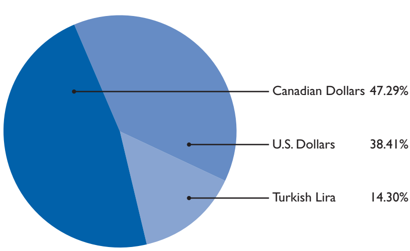
[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through August 2005
[4]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Currency Exposure



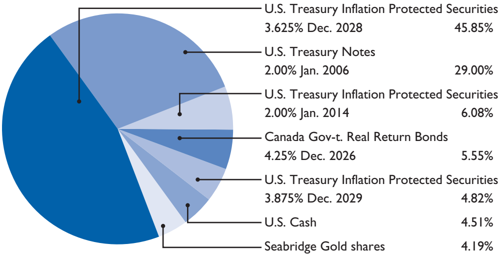
Weighted average yield to maturity	2.12%*
Weighted average current yield	2.51%*

*Assumes zero inflation.

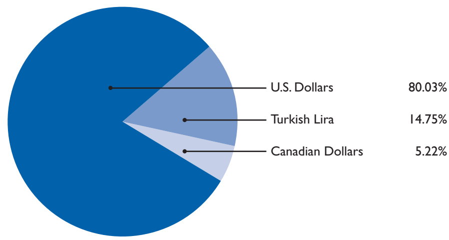
Adjusted modified duration		4.76
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	95.61%
	Unrated	4.39%

FRIEDBERG FIXED INCOME FUND LTD.

Portfolio Allocation



Currency Exposure



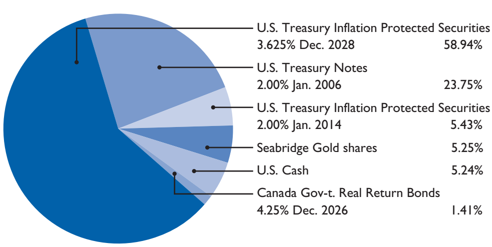
Weighted average yield to maturity	2.44%*
Weighted average current yield	2.41%*

*Assumes zero inflation.

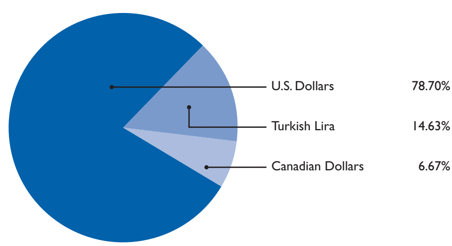
Adjusted modified duration		4.27
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	95.49%
	Unrated	4.51%

FRIEDBERG FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	2.35%*
Weighted average current yield	2.44%*

*Assumes zero inflation.

Adjusted modified duration		4.54
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.75%
	Unrated	5.25%

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 September 30, 2005

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity Hedge Fund	22.75	4.12%	14.47%	8.41%	10.81%
Friedberg Equity Hedge Fund Ltd.	2,651.68	4.18%	16.13%	10.19%	12.82%
CSFB/Tremont Equity Market Neutral Index		N.A.	3.19%	2.96%	4.71%

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

INVESTMENT ALLOCATION[3]

	30-Jun-05	31-Jul-05	31-Aug-05	30-Sep-05
LONGS	50.47%	50.49%	49.61%	48.77%
SHORTS	49.53%	49.51%	50.39%	51.23%
TOTAL GROSS LEVERAGE	1.90 x	1.41 x	1.33 x	1.45 x

LARGEST SECTORS (LONGS)[3]

Electric Utilities	6.96%
Industrials Large Caps (S&P 500 index)	4.25%
Wireless Telecommunication Services	2.53%

LARGEST SECTORS (SHORTS)[3]

Pharmaceuticals	7.68%
Thrifts and Mortgage Finance	7.16%
Publishing	5.64%

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

LARGEST LONG POSITIONS
S&P 500 index
GATX Corp.
Aqua America Inc.
Centerpoint Energy Inc.
Southern Co.
Pinnacle West Capital
Sprint Nextel Corp.
International Paper Co.
Checkfree Corp.
American Science & Engineering Inc.

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

LARGEST SHORT POSITIONS
EBAY Inc.
Waddell & Reed Financial
Colgate-Palmolive Co.
Imclone Systems
New York Times Co.
Forest Laboratories Inc.
Teva Pharmaceutical-SP ADR
Pfizer Inc.
Eli Lilly & Co.
Univision Communications

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
American Science & Engineering Inc.	47.86%	Fannie Mae	23.25%
Advanced Micro Devices	45.33%	Cott Corporation	18.92%
Oceaneering International Inc.	38.19%	Boston Scientific Corp.	13.44%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Agere Systems Inc.	-13.25%	Apple Computer Inc.	-16.49%
Owens-Illinois Inc.	-17.68%	Citadel Broadcasting Corp.	-19.91%
MTR Gaming Group Inc.	-31.19%	EBAY Inc.	-24.81%

CURRENCY FUNDS

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 September 30, 2005

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	10.98	-5.10%	29.07%	15.02%	-4.82%
The First Mercantile Currency Fund	9.82	-1.11%	22.52%	15.62%	-5.19%
Friedberg Currency Fund II Ltd.	824.80	-0.56%	39.63%	20.26%	0.94%
Friedberg Forex L.P.	11.66	-0.68%	40.97%	20.56%	-1.84%
Barclay Trader Indexes Currency		N.A.	5.31%	4.19%	5.15%

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

OPEN POSITIONS - September 30, 2005

	Leverage
gross leverage at September 30, 2005	5.54 x
maximum gross leverage during quarter	6.71 x

ACTIVITY REPORT - Third Quarter 2005

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Short Japanese Yen	1.78	38.57
Long Turkish Lira	1.17	25.34
Long Singapore Dollar / Short Japanese Yen	1.15	24.89
Long Singapore Dollar / Short Euro Currency	0.28	6.06
Short Euro Currency	0.24	5.15

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Czech Koruna	-2.32	43.89
Short New Zealand Dollar	-2.13	40.29
Short Swiss Franc	-0.84	15.82

FRIEDBERG DIVERSIFIED FUND

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

PERFORMANCE[1] as of September 30, 2005

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Diversified Fund	16.75	31.89%	272.79%	26.30%	24.28%
CSFB/Tremont Managed Futures Index		N.A.	12.78%	6.93%	10.08%
Refco SPhinX Managed Futures Index Fund (I)	965.53	3.18%	6.70%		

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

OPEN POSITIONS -September 30, 2005

Strategy I

	Leverage
Long Eurodollar Futures	9.96
Short Euro FX Currency	1.82
Short Copper	1.50
Long Copper	1.43
Long CBT Gold	1.31
Short Crude	1.15
Long U.S. Treasury Bonds	1.08
Long Crude	0.69
Long CMX Gold	0.66
Short Mini Nasdaq	0.56
Long Eurodollar 9625 Put	0.07
gross leverage at September 30, 2005	20.23 x
maximum gross leverage during quarter	25.83 x

Strategy II

Long Heating Oil	12.41
Short Heating Oil	10.65
Long Heating Oil	2.10
Short Five Year Note	1.42
Short Crude	1.32
Long Three Year Bund	1.13
Long Crude	1.02
Short Copper	0.57
Long Crude	0.41
Long Corn	0.26
gross leverage at September 30, 2005	31.29 x
maximum gross leverage during quarter	75.55 x

Strategy III

gross leverage at September 30, 2005	0.0 x
maximum gross leverage during quarter	1.01 x

ACTIVITY REPORT - Third Quarter 2005

Strategy I

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Gold	18.09	38.86
Spread Copper	10.30	22.12
Short Eurodollar	7.64	16.41
Short Corn	3.87	8.32
Long FTSE Index Futures	2.79	5.98
Short Euro Forex	1.77	3.80
Short Bankers Acceptance	1.62	3.47
Spread Crude Oil	0.48	1.04

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long / Short Natural gas	(15.80)	73.75
Long Nickel	(1.89)	8.84
Short Nasdaq Futures	(1.44)	6.71
Long U.S. Treasury Bonds	(1.22)	5.68
Long Japanese Gov't Bonds	(0.95)	4.44
Long Aluminum	(0.13)	0.59

Strategy II

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long / Short heating oil	37.09	51.20
Long Crude Oil	20.76	28.65
Long Wheat	5.44	7.51
Long Cocoa	3.72	5.14
Long Bund / Short Five Year	2.01	2.77
Long Soybeans	1.62	2.24
Long Euro Futures	1.40	1.93
Long Corn	0.41	0.56

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short Copper	(6.30)	100.00

Strategy III

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Soymeal	3.47	71.46
Short Soybeans	1.38	28.54

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Corn	(5.11)	69.78
Long / Short Soybean Oil	(2.21)	30.22

FRIEDBERG INTERNATIONAL SECURITIES FUND

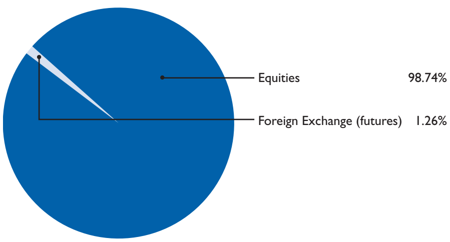
A leveraged global equity and fixed income hedge fund that seeks absolute returns.

PERFORMANCE[1] as of September 30, 2005

	NAV	Quarter	Year over Year[2]	Three Years[2]
Friedberg International Securities Fund	11.59	-8.96%	-3.91%	-3.23%
CSFB/Tremont Hedge Fund Index		N.A.	11.19%	10.47%

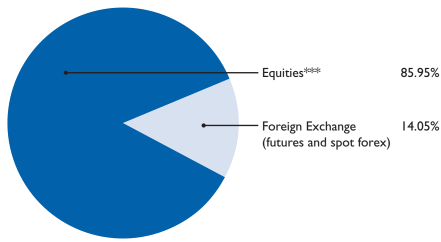
[1]Net of fees
[2]Compounded annual rate of return through August 2005

BREAKDOWN BY INVESTED AMOUNT*



*Based on margins used in each category

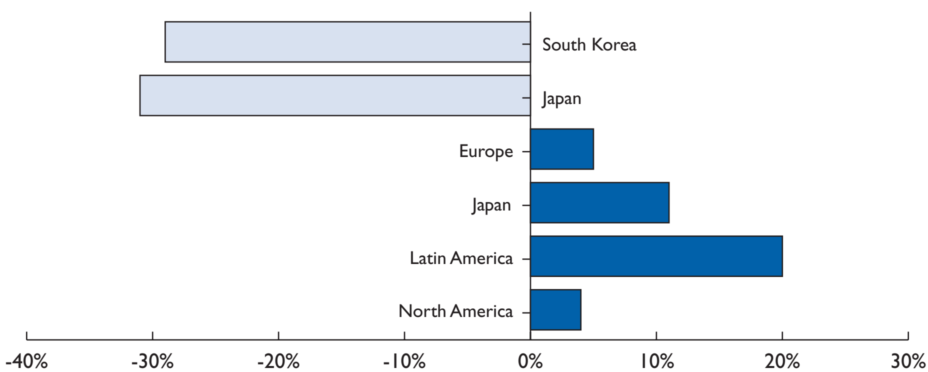
BREAKDOWN BY TOTAL GROSS EXPOSURE**



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

TOTAL GROSS LEVERAGE 0.65 x

EQUITIES
Allocation by Country



NEW POSITIONS ESTABLISHED DURING THE QTR.
1) Bought Partygaming (U.K.)

POSITIONS LIQUIDATED DURING THE QTR.

FRIEDBERG INTERNATIONAL SECURITIES FUND cont'd

APPROXIMATE GROSS RETURNS ON BEGINNING EQUITY BY MAJOR SECTORS

(July. 1 - September 30)[3]

NORTH AMERICA	0.16%	KOREA	-7.45%
LATIN AMERICA	0.19%	JAPAN[4]	-1.52%
EUROPE	-1.31%		

[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 September 30, 2005

	NAV	Quarterly	Year over Year[2]	Two Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	1,643.46	3.81%	16.83%	15.29%
Friedberg Global-Macro Hedge Fund	16.82	8.10%	24.34%	19.73%
CSFB/Tremont Hedge Fund Index		N.A.	11.19%	10.10%

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

Allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of September 30, 2005 is as follows:

FUND	CURRENT ALLOCATION	PROPOSED NEW ALLOCATION
Fixed Income Fund Ltd.	59.675%	64.50%
U.S. Treasury 2.75% 30/6/2006	0.172%	0.00%
Equity Hedge Fund Ltd.	14.358%	15.00%
Currency Fund II Ltd.	14.090%	15.00%
International Securities	2.227%	0.00%
Miscellaneous / Special Situations	5.457%	3.50%
Refco SPhinX Managed Futures Index Fund Ltd.[3]	1.800%	2.00%
Sylvan Fund Ltd.[4]	2.775%	0.00%
Cash	0.055%	0.00%
Accrued Liabilities	-0.609%	0.00%
	100.00%	100.00%

	Quarterly return	Year-to-date return
[3]Refco SPhinX Managed Futures Index Fund Ltd.	2.94%	-6.30%
[4]Sylvan Fund Ltd.	0.08%	2.25%

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.

NIAGARA COMFORT CLASS "B" 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 September 30, 2005

	NAV	Quarterly	Year over Year[2]	Three Years[2]
Niagara Comfort Class 'B' Fund	14.66	1.10%	2.46%	7.51%
CSFB/Tremont Hedge Fund Index		N.A.	11.19%	10.47%

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

David Rothberg Comments:

The Comfort Fund was up 1.10% during the third 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.	34.53	2.20
Long/Short Dollar Neutral	19.91	4.12
CTA / Managed Futures	13.69	-2.82
Convertible Arbitrage	20.96	1.54
Cash & Treasuries	10.91	N/A

In our last quarter's letter we concluded: "The universality of the losses during the quarter is coincidental. Looking forward, I think we can reasonably expect better numbers."

They turned out better but not great. Meager positive returns in long / short value and convertible arbitrage were offset by losses in discretionary managed futures. Only our allocation to long / short dollar neutral supplied octane.

Orthopractic value investors continue to operate in a soggy environment. Fair value companies are few. Bargains in the U.S. and Canada are nearly non-existent. There are lots of over priced shorts out there but so far the market's intransigent refusal to express fear has suspended them. Commentators call the suspension 'the Greenspan put.' We think the term is appropriate. But we also think the premium is shrinking. High energy costs, tight monetary policy, and more onerous credit card payment requirements and bankruptcy laws are all conspiring, like a complex plot, to thwart, finally, the great American consumer. The consequences will be far-reaching and seismic. Short sellers of stocks that Ben Graham would mock are amongst those who will enjoy the fruits of the creative destruction.

Convertible arbitrage has enjoyed its first positive quarter this year. Despite the crowing of the practitioners, the uptick, coming as it did after a tsunami of redemptions in Qs 1 and 2, was, disappointingly, not much more than a dead-cat bounce. The US convertible market saw $3.1 billion worth of deals priced during September. While that's less than 7% more than was priced in September '04, it's being offered to a market that, because of the redemptions, is probably around 35% smaller than it was last year. Still, with yields averaging just 4.5%, and with premia of 26.5%, it is little wonder that investors have been demanding better terms. Clearly issuers know the game now and the informational advantage is gone. We'll see if the rumored heavy sleight of offerings during the 4th quarter tips the scales back in favour of the funds. We suspect it will.

By way of speaking about our allocation to long / short dollar neutral, we ask readers to refer to the comments our colleague, Al Friedberg, makes above.

Our allocation to managed futures was almost entirely confounded by the U.S. Department of Agriculture's surprisingly large upward revision in this year's corn crop. It reveals a weakness of the discretionary CTA: the high leverage coupled with the dynamism of futures markets in general limits the mind of the risk conscious trader to concentrating on just a small number of positions.

A further weakness of the managed futures strategy (in both its discretionary and mechanical trend-following incarnations) resides in the difficulty an allocator has in determining when to let a manager go. Within the alternative investment universe, managed futures, at least in this allocator's opinion, is the strategy that makes the purest claim upon a manager's skill. Futures markets are, famously, zero sum games. Hedgers offer speculators efficiency of needing materials or capital assets for reasons other than price and speculators with risk capital compete amongst themselves for the spoils. As in any competition, some players do better than others.

How do you identify a manager who plays the game well? Or, to put the question another way, how do you identify a manager who has played well but plays well no longer? Mechanical trend followers whose back testing reflects absolutely no curve fitting should only fail if the sociology of the markets in which they trade changes. While such a statement is, to say the least, difficult to prove, discretionary traders are subject to even less precise testing. From our experience, quantitative analysis can only state the obvious: if the manager's performance falls beyond reasonably construed limits, something serious is amiss. But quantitative analysis does not respond to the problem of having a manager whose returns fall within reasonably construed limits but suddenly fall within those limits too frequently. With methods of determining manager skill so feeble, we were only slightly surprised to learn that a recent study showed that of 26 existing funds of CTAs, only 1 managed to beat a randomly selected set of managers.

In response to the feebleness but still wanting to capture the skills of good managers, we have devised a purely qualitative method of determining whether a manager's skills are currently reliable. The method involves judging whether or not the CTA has reaped value from a price change, whether it has struck the proper balance between being courageous and prudent, and whether the CTAs trading is, in our terms, 'elegant.'

In summary we expect the CTA / managed futures allocation in the Comfort Fund to increase and to show better risk adjusted returns — certainly than we have managed the past two quarters.

David Rothberg

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