FRIEDBERG MERCANTILE GROUP LTD.

First Quarter Report 2010

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It gives me pleasure to present to you a discussion of the financial performance of our funds for the quarter ended March 31, 2010.

The Global Macro Hedge Fund Canada was down 3.3% for the quarter while the Global Macro Hedge Fund Cayman was down 4.2% for the same period. Year-over-year performance for the two funds remains solidly on the plus side at 34.1% and 14.4%, respectively. (All results are measured in U.S. dollars.) Please note that the two funds' results are not strictly comparable; the Canadian fund profited throughout these two periods from its partial Canadian-dollar hedge. Profits from the hedge partially compensated Canadian unitholders for the relative appreciation of the Canadian dollar vis-à-vis the U.S. dollar but represented real profits to U.S.-based investors. For all practical purposes, both funds followed the same trading policies, with slight variations in allocation to accommodate different regulatory conditions. The ensuing discussion will centre on the larger Cayman fund.

By attribution, the global opportunities pocket was the main contributor to the fund's quarterly loss. The strategy (more on this below) experienced an 11.6% loss, which, adjusted by its weight in the fund's portfolio, translated into a 3.7% loss for the fund (representing 88% of the fund's losses for the quarter). As its name implies, this pocket serves as an umbrella for various trading ideas. It is not limited to any particular market or asset class and stands somewhat apart from the three other pockets, the market-neutral equities strategy, the currency program and the fixed-income portfolio. It is the most variable and volatile section of the fund's portfolio, for good and for bad. The 11.6% loss masks a number of meaningful trades and positions and needs to be disaggregated to permit a more objective assessment of the manager's thinking through the quarter.

The trades and the net results are described in the way I thought about them, that is, how long and short positions balanced each other: a long position in gold and general commodities via futures and options and a long position in the life insurance equities sector versus a short position in the stock market, via S&P 500 futures, and a bullish bet on Euro interest rates. The net result of these positions accounted for a little more than the totality of all losses in this pocket. These bets responded to our growing concern that the easy money policy instituted by the Fed under emergency conditions would come to an abrupt end and would have a severe negative impact on asset prices. Thus, a bullish bet on interest rates and a bearish bet on stock index futures, a market that we had thought was already seriously overpriced on a historic basis, were intended to serve as an overall hedge to the long asset position. Approximately midway through the quarter, we began to notice that the monetary aggregates were not responding as they normally do to the extraordinary increase in commercial bank reserves. Excess reserves were mounting and our concern began to shift from fears of inflation and Fed responses to it to fears of asset price deflation. At the same time, our commodity manager was liquidating long commodity positions on technical grounds, confirming, in our eyes, that inflationary forces were waning. At that point, we adjusted our positions. We closed out the Euro interest-rates bet, cut back slightly our stock index short position and put on a long position in 10-year Bund futures. The latter was a bet that deflation was more likely to hit the Eurozone first rather than the U.S., given the needs of the governments of the Euro periphery to retrench. The Bund futures position was increased substantially through the quarter. A fair-sized profit in these instruments attenuated somewhat the above-mentioned loss, so that, by the end of the quarter, the variations in the above-discussed positions plus the Bunds accounted for almost 100% of the losses of the global opportunities section. All other positions, including CDS long positions, showed only minor and offsetting variations. Below I will try to offer a coherent view of where we see things and where we stand.

The second contributor to the fund's losses was the equity hedge program. It lost 4.77% and contributed negative 124 basis points after adjusting for its weight in the fund's portfolio. The same two factors that have plagued our results for the past year continued to plague us in the most recent quarter: low dispersion and the market's continuing love affair with low-quality companies that come off vastly oversold conditions but do not necessarily enter major uptrends. For proof of low dispersion, see our exhibit showing best and worst quarterly performances and note the spread between best performing and worst performing stock. This spread is bumping along some of the lowest levels in recent memory. With low dispersion we are unable to overcome the natural downward tug of slippage, interest costs and less-than-sterling stock selection. Will dispersion rise in coming quarters? We believe that it will, but we are unable to pinpoint the start of this trend. It appears that low dispersion runs hand in hand with low volatility and, as we have seen, historical option volatility has sunk to new post-2007 lows. Will volatility rise in coming quarters? The market thinks so, since implied volatilities exceed historical volatilities by a very wide margin (for 30 days, 14.5% vs. 7%). As to the market's preference for low-quality, oversold issues, this too should be coming to an end as more than 90% of stocks are now trading well above their long-term moving averages. Interestingly, only a small percentage of issues on the Big Board and on Nasdaq are making new 52-week highs. This confirms the thesis that this "bull market" has concentrated primarily on lifting stocks off their oversold condition rather than on producing long-term winners. Intelligent readers may be entitled to deduce from the comments above that the equity hedge program is, despite its balanced nature, a directional play: rising markets are accompanied by low volatility and a preference for junk, while the converse is true for falling markets. While I can find no fault in this logic, our long-term record does not quite support this thesis. That is, the program's results have not been well correlated with direction. We are still scratching our heads…but for now, we shall persist.

In the fixed-income sector, and as per the change in mind discussed earlier, we reduced our exposure to TIPS and replaced them with 10-year Bunds, so that, at quarter's end, TIPS (via the I-Shares) represented 40% of the portfolio and Bunds around 60%. To minimize currency exposure and at the same time gain liquidity, we acquired the Bunds via the futures markets. The unleveraged fixed-income portfolio showed a minor gain for the quarter. While our long-term view with respect to TIPS remains favorable, near-term price pressures could make them an under-performer. More ruminations on inflation and interest rates below.

Finally, we were gratified to see our currency program come to life and gain almost 16% for the quarter. Adjusted by its weight in the fund, currency trading contributed positive 108 basis points to performance.

Net of the occasional balancing trades, profits were made by being long Asian currencies, in particular the Indian rupee and the Indonesian rupiah. We exited the long Polish zloty and the Canadian dollar prematurely but still managed to turn a modest profit in these positions. The Asian theme continues to resonate with us. We have started building up a long position in the Japanese yen, which we feel is seriously undervalued, but have liquidated the long yuan position (taken via call options) as forwards already reflect realistic expectations of a crawling upward valuation.

A brief discussion is now in order with regard to the new Asset Allocation funds. Since these funds have not yet completed their first year of operations, I am unable to issue an unqualified assessment. Nevertheless, I believe that we have had enough experience with this program to allow us to make a few positive remarks: 1) It is manageable; that is, it does not absorb a huge amount of time or resources (admittedly, positive only for the manager). 2) It is towed down, as had been expected, by very modest slippage costs. Changes are slow in making and, with few exceptions, are primarily accomplished via new money inflows. 3) The inability to go short forces the manager to be more certain of his calls, as he is unable to hedge views. In this respect, it reflects faithfully the manager's evolving medium- to long-term views. 4) The inability to leverage also has a salutary effect in that it forces the manager to search for high returns on assets. Often, leverage is a crutch for muddled thinking since it provides an illusion of money-making simply because borrowing is available or borrowing rates are low.

The Asset Allocation Fund Ltd. (Cayman) was up 1.3% for the quarter. The Canadian version was up 2.7%, again benefiting from the Canadian-dollar hedge. Every asset sector contributed positively to the fund. Here, too, we replaced part of our TIPS holdings with a synthetic position in 10-year Bunds. In addition, we upped the fixed-income section to almost 45% of the portfolio and lowered the gold component slightly, to 45% from 55%. U.S. equities were allowed to remain at 10%, reflecting our longer-term bearishness with respect to equities but balanced by considerations of value in three sector ETFs: biotechnology, home builders and life insurance. As well, we retained a long position in a Taiwan ETF, a market nestled within the fastest growing economic powers in Asia. For details, please see the exhibit.

Where do we think things are going and how are we positioning ourselves in relation to this scenario? In my view, we stand at a fascinating crossroad in modern financial history. Massive quantitative easing for the past 18 months, at least in the U.S. and the U.K., has not led to an explosion of money as one would have expected. In effect, the money multiplier has shrunk dramatically; banks have built up record excess reserves and the asset side of their balance sheets has experienced a slight shrinkage, as loans have declined at a precipitous rate and Treasury holdings have only partially offset this decline. Clearly, banks are nervous about extending new credit. The 64-million-dollar question is: will they muster courage at some point in this upward economic cycle to extend credit and expand their balance sheets or will they continue to wait until their (undeclared) losses have been nursed?

On March 31, the Fed stopped acquiring MBSs; thus its balance sheet is likely to contract. If banks continue to hang on to their excess reserves, money supply will begin to drop in accelerated form and bring down with it asset prices and the economy. As it is, MZM (money of zero maturity, a proxy for transaction-type money) has contracted at an annual rate of 6.9% over the past 13 weeks, while broader money (M2) has contracted at a 0.4% rate over the same span. The former measure is down 0.6% on a year ago while the latter is only up 1.5% over the same period. These money contractions are puzzling in that they have occurred during a time when the Fed has made every conceivable effort to expand money in an effort to avoid the consequences of the 1930s. Recall that monetarists like Milton Friedman charged that the 30% contraction of money during the '30s was the principal cause of the depression. At the same time, fiscal profligacy in the U.S., Europe and Japan, is forcing the Treasuries of these countries to retrench in a massive way, implying rising taxes and a freeze on spending for years to come. Markets have been seemingly impervious to all this, in the belief that the economic upswing will cover all problems. However, the monetary drama in play at this time puts the continuation of the upswing in doubt.

Should bank excess reserves, by some small miracle, be put to work in the next six months, the opposite problem — namely, rising interest rates — is likely to put a damper on asset prices. That is to say, the U.S., the U.K., the Eurozone and Japan are delicately poised between two very serious dangers: a once-in-a-generation deflation and an accelerating inflation rate. Either a lack of oxygen or too much of it will kill the patient. We need less than eight weeks to know which it will be. Of course, if banks were to put their immense trove of excess reserves to work, bank balance sheets would begin to expand at a rapid clip, though the Fed may not react immediately to this problem or may react weakly at first. This means that negative effects may be postponed for many months. In the interim, asset prices will keep going up, interest rates will incline upward, leading the Fed but hardly erupting, until accelerating inflation is upon us. In short, the deflationary, and more likely scenario would be deadly, almost right away. The inflationary scenario, on the other hand, would take a huge toll on the developed economies but it would be likely to take some time.

At this point, and subject to quick review, we have placed a modest amount of chips on the deflation table. Fair-sized long positions in Bunds and gold (becoming a safer international asset by the day) and fair-sized short positions in stock indices express this view. With long, cheap (on assets) insurance stocks and a modest amount of commodities, we partially counter this bet but, on the other hand, hope to capitalize on their upward momentum. Before we settle in a truly serious global macro view, we need a little bit more time to observe the behavior of the monetary aggregates. Nervously, we say we have never relied so heavily on a single indicator. Still, I believe that valuation and technical consideration support this stance; P-E ratios based on long-term earnings indicate that stock prices in the U.S. are at least 15% to 20% overvalued, commodity uptrends are weakening (diffusion is weakening and the CRB index has made no progress since mid-November) and optimism reigns supreme. Moreover, the emergence of new nuclear powers is unlikely to work for confidence and expanding P-E ratios. Emerging markets will be some of the first to suffer from the changed geo-political landscape.

We will need patience and fortitude. The next few weeks will tell.

Thanking you for your continued trust,

Albert D. Friedberg

FRIEDBERG MERCANTILE GROUP LTD.

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FIXED INCOME FUNDS

FRIEDBERG FOREIGN BOND FUND
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

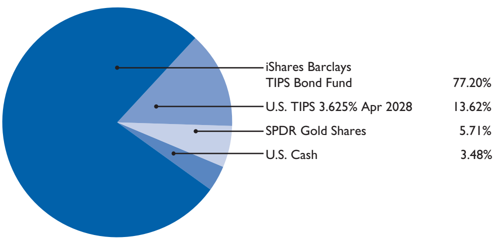
PERFORMANCE[1] as of March 31, 2010

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	23.65[4]	-0.70%	6.71%	15.68%	7.45%	6.86%
Friedberg Total Return Fixed Income Fund L.P.	244.62	-0.03%	13.27%	0.52%	4.12%	5.34%
Benchmark[5]		N.A.	24.14%	5.95%	6.84%	5.71%

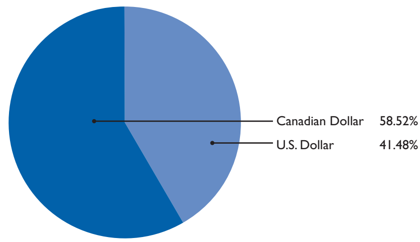
[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2010
[4]NAV adjusted to reflect distributions reinvested in the fund
[5]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Currency Exposure

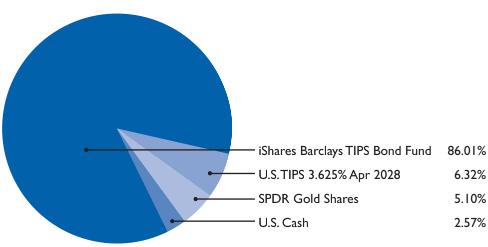


Weighted average yield to maturity	2.73%
Weighted average current yield	2.07%

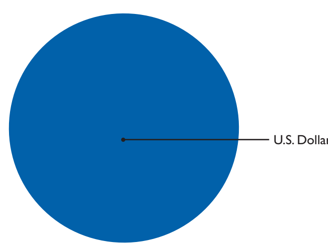
Adjusted modified duration		2.22
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.29%
	Unrated	5.71%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	2.84%
Weighted average current yield	2.03%

Adjusted modified duration		1.94
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.90%
	Unrated	5.10%

FRIEDBERG CURRENCY FUND
FRIEDBERG FOREX L.P.

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

PERFORMANCE[1] as of March 31, 2010

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	12.55	10.09%	-5.93%	-0.97%	2.30%
Friedberg Forex L.P.	10.38	11.13%	-16.57%	-8.53%	-2.30%
Barclay Currency Traders Index		N.A.	1.63%	2.53%	1.78%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2010

OPEN POSITIONS - March 31, 2010

	times dedicated capital
Short Euro Currency	0.99
Long Indonesian Rupiah	0.75
Long Brazilian Real	0.51
Short Turkish Lira	0.50
Long Japanese Yen	0.49
Long Indian Rupee	0.49

total gross leverage at March 31, 2010	3.74 x
maximum gross leverage during quarter	6.54 x

ACTIVITY REPORT - First Quarter 2010

PROFITABLE TRANSACTIONS	profit as percentage of average equity	percentage of total profits
Short Euro Currency	7.45	39.65
Long Indonesian Rupiah	4.44	23.64
Long Indian Rupee	2.11	11.21
Long Canadian Dollar	2.05	10.90
Long Polish Zloty	1.37	7.30
Long Brazilian Real	1.37	7.30

LOSING TRANSACTIONS	loss as percentage of average equity	percentage of total losses
Long Euro Currency	-1.96	41.50
Short Turkish Lira	-1.10	23.24
Long Japanese Yen	-1.04	22.07
Long Chinese Yuan	-0.62	13.18

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

The Fund is a multi-strategy fund that allocates its assets among several investment strategies. The strategies currently consist of a fixed income, currencies, long-short equities and an opportunities strategy.

PERFORMANCE[1] as of March 31, 2010

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	3,635.68	-4.23%	27.94%	27.40%	20.78%
Friedberg Global-Macro Hedge Fund Trust	22.05[3]	-3.30%	42.94%	31.72%	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	19.34%	2.19%	5.71%

[1]Net of fees
[2]Compounded annual rate of return through February 2010
[3]NAV adjusted to reflect distributions reinvested in the fund

Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of March 31, 2010 is as follows:

FUND	**CURRENT ALLOCATION**	**TARGET**
Fixed Income	36.99%	38.00%
U.S. Equities – Market Neutral Strategy	25.01%	25.00%
Currency Program	7.98%	7.00%
Global Opportunities	28.63%	30.00%
Cash	1.40%	0.00%
	100.00%	100.00%

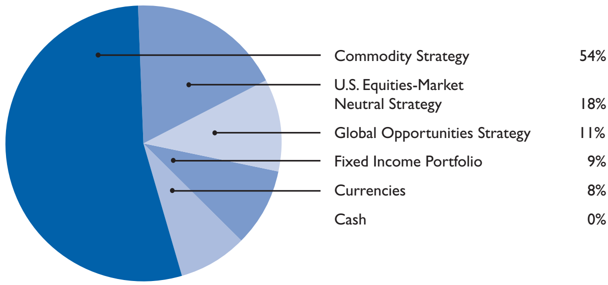
FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

Monthly Performance (%) Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2010	2.99%	0.36%	-7.34%										-4.23%
2009	-5.85%	-3.88%	3.65%	-7.15%	14.90%	-7.85%	9.47%	1.97%	5.02%	-2.21%	9.56%	-3.34%	12.02%
2008	7.37%	9.57%	-1.04%	-6.48%	4.51%	8.58%	-0.24%	-6.85%	4.18%	-5.96%	5.85%	19.06%	41.77%
2007	-1.01%	1.07%	-3.44%	-1.28%	-0.80%	1.57%	10.06%	2.80%	-1.33%	5.89%	7.91%	2.82%	26.04%
2006	1.94%	1.06%	-1.81%	2.07%	-0.75%	1.27%	2.04%	-0.09%	-0.56%	3.10%	2.43%	0.54%	11.70%
2005	1.05%	0.84%	-1.13%	1.31%	1.06%	2.47%	0.08%	0.95%	2.75%	-1.38%	2.56%	2.14%	13.35%
2004	4.03%	3.44%	1.36%	-7.84%	-0.39%	0.27%	1.02%	1.90%	1.45%	1.67%	2.76%	3.24%	13.07%
2003	3.10%	3.06%	-4.58%	-1.15%	9.26%	-3.77%	-8.04%	2.91%	5.49%	1.69%	1.49%	1.10%	9.76%
2002	-1.46%	2.04%	-2.22%	4.41%	5.41%	6.16%	-2.42%	4.45%	2.80%	-6.70%	3.30%	7.57%	21.18%
2001										0.00%	0.00%	-0.40%	-0.40%

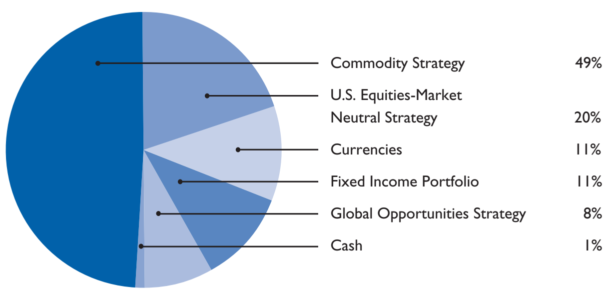
Past Performance is not indicative of future results

GLOBAL-MACRO HEDGE FUND LTD. (CAYMAN)
Breakdown by Total Gross Exposure



Total Exposure per dollar of capital: 3.92x

GLOBAL-MACRO HEDGE FUND TRUST (CANADA)
Breakdown by Total Gross Exposure



Total Exposure per dollar of capital: 2.71x

U.S. EQUITIES – MARKET NEUTRAL STRATEGY

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

PERFORMANCE as of March 31, 2010

	NAV (notional)	Quarter
U.S. Equities – Market Neutral Strategy of the Global-Macro Hedge Fund	1,309.98	-4.77%

INVESTMENT ALLOCATION

	31-Dec-09	31-Jan-10	28-Feb-10	31-Mar-10
LONGS	48.12%	48.04%	48.13%	47.91%
SHORTS	51.88%	51.96%	51.87%	52.09%
TOTAL GROSS LEVERAGE	2.72x	2.66x	2.69x	2.88x

LARGEST SECTORS (LONGS)

Biotechnology	7.23%
Homebuilding	7.03%
Specialized Finance	6.15%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	30.92%
Automotive Retail	3.48%
Food Retail	2.68%

LARGEST LONG POSITIONS

Intercontinental Exchange Inc.
CME Group Inc.
Watson Pharmaceuticals Inc.
Newfield Exploration Co.
Onyx Pharmaceuticals Inc.
Regeneron Pharmaceuticals Inc.
McDermott International Inc.
EMC Corp.
Standard Pacific Corp.
Assured Guaranty Ltd.

LARGEST SHORT POSITIONS

S&P 500 Futures
Kroger Co.
First Solar Inc.
Coinstar Inc.
Autonation Inc.
Penske Auto Group Inc.
Con-Way Inc.
Kimberly-Clark Corp.
Amazon.Com Inc.
Capital One Financial Corp.

BEST QUARTERLY PERFORMANCE

	LONGS		SHORTS
Lennar Corp.	34.77%	First Solar Inc.	9.42%
Standard Pacific Corp.	20.86%	Autonation Inc.	5.59%
Priceline.Com Inc.	16.75%	Penske Auto Group Inc.	5.01%

WORST QUARTERLY PERFORMANCE

	LONGS		SHORTS
Cubic Corp.	-13.02%	SunTrust Banks Inc.	-29.78%
UBS AG	-12.33%	Brinker International Inc.	-26.19%
Consol Energy Inc.	-7.81%	General Electric Co.	-18.85%

FRIEDBERG ASSET ALLOCATION FUNDS

FRIEDBERG ASSET ALLOCATION FUND LTD.
FRIEDBERG ASSET ALLOCATION FUND L.P.

The Fund is a multi-strategy fund whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, dividend income, currency gains and capital appreciation. Allocations are reviewed periodically.

Modest risk: Absolute return.

PERFORMANCE[1] as of March 31, 2010

	NAV	Quarterly
Friedberg Asset Allocation Fund Ltd.	1,115.42	1.28%
Friedberg Asset Allocation Fund L.P.	11.91[2]	2.58%

[1]Net of fees
[2]NAV adjusted to reflect distributions reinvested in the fund

Capital allocation of the Friedberg Asset Allocation Fund Ltd. as of March 31, 2010 is as follows:

INVESTMENT	CURRENT ALLOCATION	TARGET
U.S. Bonds	17.80%	20.00%
Euro Bunds	25.60%	25.00%
Biotechnology ETF	2.40%	2.50%
U.S. Homebuilders ETF	2.40%	2.50%
Taiwan ETF	2.60%	2.50%
Insurance ETF	2.60%	2.50%
Gold	45.60%	45.00%
T-Bills and Cash	1.00%	0.00%
	100.00%	100.00%

CLOSED FUNDS

Fund	Inception Date	Inception NAV	Liquidation Date	Liquidation NAV	Size of Fund at Liquidation	Annual % Rate of Return
Friedberg Diversified Fund	13-Sep-96	10.00	31-Oct-06	48.43	$4,642,228	16.90%
Friedberg Global Opportunities Fund Ltd.	13-May-97	1000.00	28-Feb-05	501.89	$5,700,000	-8.46%
Friedberg Equity Hedge Fund L.P.	15-Feb-98	10.00	31-Oct-06	22.12	$6,784,836	9.50%
Friedberg International Securities Fund	31-Mar-98	10.00	30-Nov-05	11.49	$4,500,000	1.83%
Friedberg Futures Fund	8-May-98	10.00	31-Oct-06	19.59	$1,126,409	8.10%
Friedberg Global Macro Hedge Fund L.P.	31-May-02	10.00	31-Oct-06	19.00	$30,691,202	15.64%
Friedberg Equity Hedge Fund Ltd.	16-Oct-96	1000.00	30-Apr-07	2951.78	$31,540,284	10.81%
Friedberg Currency Fund II Ltd.	6-Mar-97	1000.00	30-Jun-08	1019.23	$35,599,879	0.17%
Friedberg Total Return Fixed Income Fund Ltd.	2-Oct-96	1000.00	31-Jul-09	2155.93	$94,686,020	6.17%
First Mercantile Currency Fund	7-Sep-85	10.00	30-Dec-09	8.29	$848,443	N.A.

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