FRIEDBERG MERCANTILE GROUP LTD.

First Quarter Report 2011

First Quarter Report 2011

Dear Investor,

It gives me great pleasure to report to you the financial activities of our hedge funds for the quarter ended March 31, 2011.

The Friedberg Global Macro-Hedge Fund and the Friedberg Global Macro-Hedge Fund Ltd. lost 4.3% and 4.1% for the quarter respectively but remain up year over year — the former by 11.4% and the latter by 11.5% (all figures in U.S. dollars). The statistics we present below are drawn from the larger Friedberg Global Macro-Hedge Fund Ltd., but the comments below apply equally to the Canadian version.

After exhibiting extreme weakness well into the quarter, our portfolio was showing signs of recovery by the first week of February, and managed to end the quarter on an upbeat note even though returns for the quarter were negative, as noted.

No material changes were made to the portfolio as we became even more persuaded than at the end of last quarter that the outlook dictated a very cautious stance towards the global economy. Stagflation in the months and years ahead is becoming an ever more compelling possibility. Central banks in the U.S. and the U.K. continue to show a pronounced and misguided reticence to return to less accommodative postures even as consumer prices begin to reflect the surging prices of internationally traded raw materials. As we have not tired of saying, these highly sensitive commodities respond quickly to excess money creation, and excess money creation has occurred as a result of maintaining interest rates pegged to the floor, well below inflation rates. This portfolio effect is aggravated by the fact that emerging countries are reluctant to allow their currencies to appreciate in the face of massive dollar inflows, intervening instead to maintain roughly unchanged nominal parities. These countries' enormous accumulations of reserves lead to local money supply surges, which in turn lead to more buying of energy and food commodities. Finally, the financialization of commodities, made easier by a record of historically attractive risk-adjusted returns and low carry costs, adds a further destabilizing element to this scenario.

Importantly, this inflationary episode, which threatens to last as long as the U.S. does not raise nominal interest rates above present rates of inflation (or, more to the point, real rates above the growth rate of the economy), has serious recessionary consequences, especially when wage and salary costs lag prices. In other words, what is being touted as a constructive element, the fact that labour costs are not showing signs of inflation, is reason to believe that the economy will soon be hit by another wave of retrenchments, as consumers are hit by shrinking real paycheques. Recessionary pressures in the U.S., adumbrated by downward revisions to second-quarter GDP forecasts in recent weeks, are being reinforced by economic weakness in the U.K., which is already undergoing a more severe bout of inflation, and the Eurozone (with the exception of Germany), which is in the grips of extremely high unemployment and negative growth per capita and stifled by excessive debt, rising taxes, and, believe it or not, low money supply growth. Consider, too, that most of the emerging markets are engaged in belated and not always conventional forms of monetary tightening in a desperate but ultimately futile hope of reducing inflationary pressures without disrupting real economic growth, and the resulting mix, you might guess, can only spell global economic trouble.

What, then, does a prudent portfolio look like in this threatening scenario? It should be long inflation-linked government securities, for reasons of safety and because of the excess returns that come from inflation in energy and food costs, two leading edges in the recent surge of commodities. To put their attractive features in perspective, the breakevens of the TIPS of February 15th, 2040 express an average inflation expectation for the next 29 years of only 2.73%, modest when one considers that consumer prices in recent months have been running at 5%-6% per annum, just two years after the Great Recession and while unemployment hovers around 9%!

Consider whether you would be willing to entertain a football-type bet that inflation will run at less than the breakeven (the "spread") and soon you will realize that the bet is much too risky, and that you would probably want to add to the spread a *minimum* of 50 to 100 basis points above the breakeven before you were willing to bet that inflation would be contained, in order to protect yourself against the eventual monetization of the impossible-to-repay federal debt. If you agree, then long-term TIPS are indeed too cheap and yields ought to be trading much closer to where five-year TIPS are trading, *minus* 15 basis points; that is, you ought to be paying to receive a negative real return, simply because you have no way to guarantee that a security, any security, will successfully cover the expected rise in the cost of living. In sum, not only are we likely to receive substantial inflation-linked payouts from these instruments, but a move towards substantially lower real yields will also produce very significant capital gains.

Through the Global Opportunities sector we have acquired, via repo's (at a cost of one quarter percent per annum), a significant amount of TIPS, adding to those already held in the fixed-income sector and bringing total TIPS exposure to 104% of the fund's capital. The market has finally begun to take a less sanguine view of inflation in recent weeks, with the result that breakevens have climbed and real yields have begun to fall, taking inflation-linked long bond prices well off the lows reached on February 10th, 2011.

The prudent portfolio should also be long gold, for reasons that we have explained so many times in the past, namely, the return of gold to the monetary system. Not only are Asian central banks inevitably seen adding to their meager holdings but now it turns out that individuals worldwide, by continuing to add gold to their portfolios, are *de facto* turning gold into legal tender. We note with interest that Utah has recently passed legislation to make gold legal tender in the state and that other states are preparing such legislation.

Traders understand very well that increased supply in the hands of the public eventually creates a market that is liquid, deep, and competitive. The more gold circulates, the greater its chances of becoming accepted as money. This is a stealthy, totally unexpected and highly significant phenomenon, one that promises to erupt onto the financial scene with dramatic force over the next few years. More than 70% of our portfolio is exposed to gold; fluctuations in its price understandably have a significant impact on our NAV.

We continue to maintain a substantial long position in Bunds, the 10-year German bond, equal to approximately 94% of the fund's capital, notwithstanding the fact that the trade has been a disappointment so far. Yields climbed to 3.35% from 3.15% during the first quarter, continuing an upward trend begun September 2010, as the belief gained ground that Germany was writing a blank cheque to bail out the weak members of the Eurozone, an event that would clearly damage its good credit standing. In recent weeks, the German electorate has given strong signals that it is not willing to provide support over and above the Merkel government's initial commitment, that it will not back a joint Eurobond and further dilute its credit standing, and that it will insist on extracting meaningful austerity measures and drastic fiscal reforms from sovereign Eurozone borrowers — demands that, in all likelihood, will not be agreed upon by these debtors and will certainly never be met. It is almost a mathematical certainty that debtor countries will not be able to grow out from under their debt unless they can effect a real devaluation, i.e. deflation, to the tune of 25% to 40% vis-à-vis their hard-currency northern neighbours of Germany, Netherlands, Austria, and Finland — an almost impossible and unreasonable expectation. In our opinion, we are very close to a total breakdown of the painfully constructed bailout package put in place by the E.U. early last year. It is a matter of months if not weeks before Greece and/or Portugal unilaterally bolt out of the E.U., unable to grow out of their debt, unwilling to endure more austerity measures, and despondent over not seeing an end to their debt servitude. Given this scenario, Bunds are likely to regain much of the ground they have lost.

A second reason for the recent rise in yields has to do with the worsening outlook for inflation in the Eurozone, to which the ECB has responded by raising the lending rate by 25 basis points. This problem has us unconcerned, firmly convinced that inflation will neither be validated nor become entrenched in the Eurozone because of the low rate of growth in broad money over the past 18 months. In sum, we believe that (synthetic) Bunds, stripped of euro exposure, continue to represent excellent investment value, all the more so when funded with short rates, as we have done.

Two other major areas of concentration deserve special comment. The portfolio is short equities in line with the idea that stagflation will be detrimental to corporate fortunes. Our short bets are focused on Brazil, India, the U.K., Spain (via a single stock, Banco Santander SA), and Australia (via National Australia Bank Ltd. and Westpac Banking Corp.). These bearish bets are partially offset by long positions in Ireland (via a single stock, Bank of Ireland), the U.S. housing sector (via two ETFs), the U.S. energy sector (via a single stock, Newfield Exploration Co.), and the Japanese Nikkei index, a very recent, post-earthquake, acquisition. Net of the long position, short bets represented 59% of the fund's capital, a reduction from its exposure at the beginning of the quarter. A heavy long position in Credit Default Swaps (CDS) on

Portugal, Spain, Italy, Brazil, and Venezuela rounds out our largest commitment. I should note that CDSs and a short position in Fed Funds, hedging against a rise in interest rates, represent as much as 2.2x exposure out of a total exposure of 6.88x (see inside exhibit). Maximum losses on these positions can be ascertained in advance and do not carry the risks usually associated with leverage. The portfolio's leverage is only barely higher than it was at the end of last quarter and, for all practical purposes, is not much higher than average. On the other hand, favourable outcomes hold significant capital gains potential.

Reviewing actual results for the past quarter, we note that the Global Opportunities sector contributed close to 95% of the fund's quarterly loss. In that pocket, the leveraged position in Bunds represented the largest single loss, followed closely by the long position in CDSs, gold (essentially the cost of carry and the decay on the long call position), the short positions in the Australian banks, Banco Santander SA, and S&P 500 futures, and the long position in Bank of Ireland. The Fixed Income sector and the Currency sector contributed modest losses, though these were pretty much offset by gains made through our long commodities exposure, managed by Covenant and augmented/complemented by us. The market-neutral U.S. equities program managed for the second consecutive quarter to overcome the low-dispersion/high-correlation phenomena and produced a respectable gain.

The Friedberg Asset Allocation Fund and the Friedberg Asset Allocation Fund Ltd gained 1.1% and 1% for the quarter and are up 14.8% and 15.8% year on year, respectively (in U.S. dollars). Here, too, positions did not vary much, if at all, from the end of December, with gold representing approximately 55% at quarter-end, Bunds 9.80%, TIPS 21%, equities 9.40%, and commodities (crude oil) 5.30%. We are satisfied that these funds broadly replicate our macro views while being able to operate in deep and extremely liquid markets. Self-imposed restrictions on short-selling and leverage lower volatility and risk, though likely at the expense of dramatic returns. The risk/return profile of these funds suits many of our more mature clients and, consequently, these funds have been very well received, with combined assets reaching $114,000,000 as at the end of March.

Besides those unimaginable “unknown unknowns,” the coming months will also see a good quota of “known unknowns,” a fact that you would not appreciate simply by observing the complacent behaviour of default swaps, global stocks, and options. This complacency itself is perhaps reason enough to believe that we are about to face a very troubling quarter.

Thanking you for your continued trust,

Albert D. Friedberg

FRIEDBERG MERCANTILE GROUP LTD.

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All statements made herein, while not guaranteed, are based on information considered reliable and are believed by us to be accurate. Futures and options trading is speculative and involves risk of loss. Past trading results are not indicative of future profits.

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

A single manager multi-strategy fund.
Allocations are reviewed periodically.

PERFORMANCE[1] as of March 31, 2011

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	4,055.06	-4.08%	4.09%	13.24%	18.48%
Friedberg Global-Macro Hedge Fund	24.46[3]	-4.30%	4.90%	17.23%	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	12.30%	2.78%	6.10%

[1]Net of fees
[2]Compounded annual rate of return through February 2011
[3]NAV adjusted to reflect distributions reinvested in the fund

Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of March 31, 2011 is as follows:

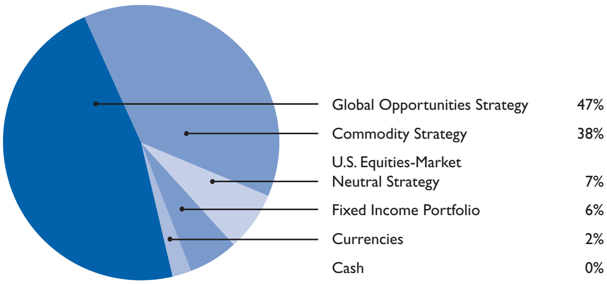
FUND	CURRENT ALLOCATION	TARGET
Fixed Income	39.01%	38.00%
U.S. Equities – Market Neutral Strategy	14.99%	15.00%
Currency Program	7.17%	7.00%
Global Opportunities	38.78%	40.00%
Cash	0.04%	0.00%
	100.00%	100.00%

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**
2011	**-10.28%**	**7.67%**	**-0.71%**										**-4.08%**
2010	**2.99%**	**0.36%**	**-7.34%**	**3.76%**	**13.22%**	**4.75%**	**-13.76%**	**6.95%**	**9.11%**	**1.69%**	**-1.61%**	**-6.16%**	**11.36%**
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%**

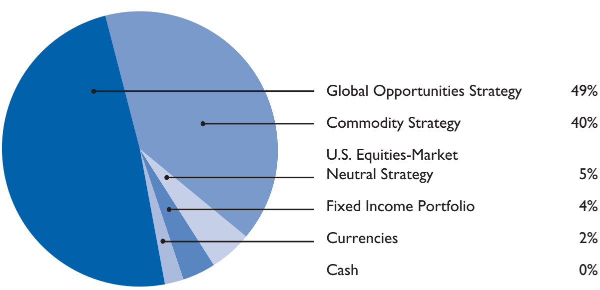
Past Performance is not indicative of future results

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



Total Exposure per dollar of capital: 6.88x

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



Total Exposure per dollar of capital: 6.93x

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, 2011

	NAV (notional)	Quarter
U.S. Equities – Market Neutral Strategy of the Global-Macro Hedge Fund	1,302.50	9.34%

INVESTMENT ALLOCATION

	31-Dec-10	31-Jan-11	28-Feb-11	31-Mar-11
LONGS	49.08%	50.88%	49.77%	49.58%
SHORTS	50.92%	49.12%	50.23%	50.42%
TOTAL GROSS LEVERAGE	2.67x	2.49x	2.63x	3.02x

LARGEST SECTORS (LONGS)

Semiconductors	6.82%
Oil & Gas Equipment & Services	6.13%
Biotechnology	6.13%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	11.28%
Computer & Electronics Retail	6.94%
Internet Retail	6.72%

LARGEST LONG POSITIONS

Atmel Corp.
McDermott International Inc.
Regeneron Pharmaceuticals
International Business Machines Corp.
Time Warner Inc.

LARGEST SHORT POSITIONS

S&P 500 Futures
Radioshack Corp.
Amazon.Com Inc.
General Motors Co.
Bank of America Corp.

BEST QUARTERLY PERFORMANCE

LONGS	
Regeneron Pharmaceuticals	36.89%
McDermott International Inc.	22.72%
EMC Corp.	15.94%

SHORTS	
MBIA Inc.	16.26%
People's United Financial	10.21%
Radioshack Corp.	5.50%

WORST QUARTERLY PERFORMANCE

LONGS	
Standard Pacific Corp.	-18.91%
Sigma-Aldrich	-7.31%
Bed Bath and Beyond Inc.	-6.84%

SHORTS	
Sotheby's	-30.86%
Lender Processing Services	-15.14%
Digital Realty Trust Inc.	-12.97%

FRIEDBERG ASSET ALLOCATION FUND LTD.
FRIEDBERG ASSET ALLOCATION FUND

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, 2011

	NAV	Quarterly	Year over Year[2]
Friedberg Asset Allocation Fund Ltd.	1,291.97	1.03%	15.20%
Friedberg Asset Allocation Fund	13.70[3]	1.11%	15.42%
CSFB/Tremont Hedge Fund Index		N.A.	12.30%

[1]Net of fees
[2]Compounded annual rate of return through February 2011
[3]NAV adjusted to reflect distributions reinvested in the fund

Capital allocation of the Friedberg Asset Allocation Fund Ltd. as of March 31, 2011 is as follows:

INVESTMENT			**CURRENT ALLOCATION**	**TARGET**
FIXED INCOME			30.50%	35.00%
	U.S. TIPS	*20.80 %*		
	Euro Bunds	*9.7%*		
EQUITIES			9.30%	5.00%
	U.S. Equities	*5.0%*		
	Foreign Equities	*4.3%*		
GOLD			55.00%	55.00%
CRUDE OIL			5.20%	5.00%
T-BILLS AND DEPOSITS			0.00%	0.00%
			100.00%	100.00%

FRIEDBERG ASSET ALLOCATION FUND LTD.

Monthly Performance (%) Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011	**-4.11%**	**4.18%**	**1.11%**										**1.01%**
2010	**-0.27%**	**0.99%**	**0.56%**	**3.47%**	**1.10%**	**0.99%**	**-2.23%**	**3.36%**	**3.91%**	**2.57%**	**-0.06%**	**0.83%**	**16.13%**
2009						**0.38%**	**2.62%**	**0.09%**	**2.91%**	**0.53%**	**7.15%**	**-3.63%**	**10.14%**

Past Performance is not indicative of future results

FIXED INCOME 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

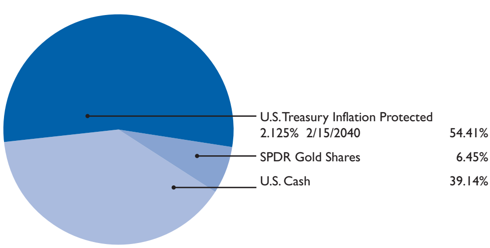
PERFORMANCE[1] as of March 31, 2011

	NAV	Quarter	Year over Year[2]	Two Years[2]	Three Years[2]	Five Years[2]
Friedberg Total Return Fixed Income Fund L.P.	266.25	-0.67%	8.06%	10.63%	2.97%	4.75%
Benchmark[3]		N.A.	8.47%	16.04%	6.79%	7.47%

[1]Net of fees
[2]Compounded annual rate of return through February 2011
[3]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

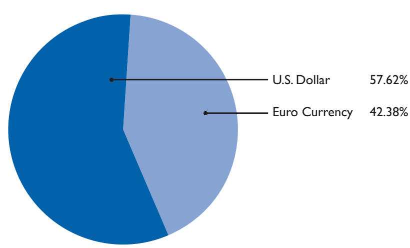
FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Weighted average yield to maturity 1.32%
Weighted average current yield 1.39%

Currency Exposure



Adjusted modified duration 5.27
Approximate overall credit rating AAA

Bond rating breakdown: AAA 93.55%
Unrated 6.45%

FRIEDBERG CURRENCY FUND
FRIEDBERG FOREX L.P.

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

PERFORMANCE[1] as of March 31, 2011

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	12.80	-17.42%	-2.02%	2.56%	0.86%
Friedberg Forex L.P.	11.08	-13.51%	4.92%	-9.93%	0.66%
Barclay Currency Traders Index		N.A.	2.28%	2.12%	2.07%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2011

OPEN POSITIONS - March 31, 2011

	times dedicated capital
Long Asia Dollar Index / Short British Pound	3.32
Short Swedish Krona	1.05
Long Canadian Dollar / Short Mexican Peso	1.04
Short New Zealand Dollar	0.90
total gross leverage	6.31 x
maximum gross leverage during quarter	9.71 x

ACTIVITY REPORT - First Quarter 2011

PROFITABLE TRANSACTIONS	profit as percentage of average equity	percentage of total profits
Long Euro Currency	4.86	100.00

LOSING TRANSACTIONS	profit as percentage of average equity	percentage of total losses
Short Swedish Krona	-11.25	48.39
Long Asia Dollar Index / Short British Pound	-5.87	25.24
Short Japanese Yen	-3.14	13.50
Short Hungarian Forint	-1.95	8.37
Short New Zealand Dollar	-0.85	3.65
Long Canadian Dollar / Short Mexican Peso	-0.20	0.84

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.
Friedberg Foreign Bond Fund	19-Aug-96	10.00	30-Jul-10	9.84	$13,336,465	6.91%

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