FRIEDBERG MERCANTILE GROUP LTD.

Fourth Quarter Report 2010

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Dear Investor,

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

The Canadian Global Macro Hedge Fund lost 6.5% (in U.S. dollars) and the Cayman fund 6.1% for the quarter but both still managed to show gains for the year of 11.9% and 11.4%, respectively.

The bulk of the losses for the quarter were incurred in the global opportunities and fixed-income spaces, in particular, a short position in S&P 500 futures net of long equity positions (approximately 550 basis points), a substantial long position in the common shares and bonds of the Bank of Ireland (144 basis points), and a long position in TIPS and German Bunds (approximately 900 basis points). The larger gains were made in our long gold futures and options position (approximately 600 basis points) and in the allocation to a long program in commodities futures managed by Covenant (430 basis points). Other minor gains and losses almost balanced each other out and deserve no special mention other than to say that our slimmed down market-neutral equities program finally swung back to the plus column and happily contributed 60 basis points to the bottom line.

For the year as a whole, gains and losses were distributed in about the same way. Profits were made in long gold futures, gold mining shares, and options (1,680 basis points), currency futures (1,330 basis points), and in the long commodities position run by our outside manager (530 basis points). In contrast to last quarter, the long position in German Bunds showed a positive contribution equal to 525 basis points.

On the other side of the ledger, a short equity position, expressed primarily via equity futures and net of a variety of longs like insurance and housing stocks and a special long position in the Bank of Ireland, contributed to losses equal to 1,785 basis points. In addition, mostly leveraged TIPS positions made a negative contribution of 590 basis points to the yearly returns. All of these losses took place in the last quarter of the year. The balance of positions, including long positions in credit default swaps, essentially cancelled one another out.

The Canadian Friedberg Asset Allocation Fund gained 3.3% for the quarter and ended the year showing a gain of 16.6% (in U.S. dollars). The Cayman fund gained 3.37% for the quarter and 16.1% for the year. In great part, these funds mimicked the macro view of the Global Macro Hedge Funds. Constrained by their mandate, however, they fortunately avoided the Macro Hedge Funds' worst pitfalls, that is, the short position in equities and the leveraged long position in TIPS and Bunds.

Having summarily disposed of the historical overview (for more details, see tables on inside pages), I now turn to a discussion of the rationale behind the positioning of the funds and to our outlook for the coming period.

Massive stimulation undertaken by the U.S. and other countries had a positive impact on markets throughout 2010. While the U.S. economy made steady, though slow progress, inflationary pressure was beginning to build around the world, the direct result of too much U.S. money creation. This excess was reflected in the huge buildup of international reserves throughout Asia and Latin America and the consequent expansion of their local money supply. As one dramatic example among many others, broad money in China has grown by 55% over the past two years.

What was mildly stimulative for the U.S. economy, depressed as it was by the continued attempts of economic agents to deleverage, proved to be intoxicating for the rest of the world. The sole exception to this reflationary trend is Europe, where inflationary impulses have been absorbed, for the most part by an upward floating currency, and are being further offset by a tight-fisted central bank posture and the rising demand for money in the depressed periphery.

And so it is that, on the surface, all looks well. The global economy is growing, inflation remains subdued in the developed countries, and booming emerging economies appear to be experiencing some typical cyclical inflationary pressures prompting no-more-than-temporary but typical countercyclical policies. Asset prices are rising, producing a feeling of goodwill bordering on exuberance and certain expectations for continued gains.

But almost none of these appearances are real. The abundance of cheap money is causing a once-in-a-generation bubble in commodity prices, driving food, energy, and metals prices close to new historic peaks, at a rate that far exceeds the growth of global income. The contractionary effects of such a dramatic rise should not be underestimated. Moreover, tightening monetary policies in the largest emerging countries should not be viewed as transitory phenomena. The explosive growth of money in Asia and Latin America will be extraordinarily difficult to reverse if these nations persist in defending their nominal rates of exchange. Couple this refusal to let their currencies appreciate with the fact that emerging countries' interest rates are deeply negative in real terms, and one can appreciate that we are facing not the transitory phase of a tightening cycle but rather a long battle that has just barely begun. While the effects that we are witnessing in the emerging markets are inflationary, the *process* is highly deflationary. Adding to this deflationary scenario is the financially sordid state of affairs displayed by most of the members of the E.U. A substantial percentage of what represents the E.U. economy is today unable to grow out of its debts because, with respect to them, the euro is overvalued by anywhere between 10% and 40% while fiscal and monetary policies have turned highly contractionary.

The E.U. attempt to rescue the periphery, led by Germany and the hard money core of the European zone, has managed only to pile more debt on the debtors, to the point of suffocation. Sooner or later, and I think sooner rather than later, one and then more of the debtors will realize that they must escape this debt trap; a generalized default and exit of the euro corset for these debtors will follow. Commercial banks — mostly European and not American, one hopes — will once again be forced to the wall. Because governments exhausted most of their debt-taking capacity, financial solvency and integrity in the last crisis, they are unlikely to be as generous, if generous at all, as they were in 2008. The banking crisis to come could make the Lehman crisis of 2008 look like child's play. The devaluation cum default will pressure Europe and the global economy just as the cycle of tightening in the emerging markets makes itself felt.

It is only in North America that the picture is a bit brighter, yet one cannot help but wonder whether it is strong enough to resist the downward economic and financial pressure that will emanate from the rest of the globe. Accelerating money growth in the second half of 2010 supported better economic growth. Since then, money growth has slowed to an annual rate of just 4.0%, exhibiting a surprising lack of expansion in the money multiplier despite strenuous Fed action. Banks may be bumping against capital constraints and therefore unable to expand their balance sheets in line with the growth of their excess reserves. Whatever the reason, slow money growth portends an economic slowdown for the months ahead.

To this worrisome development one must add a weakening in the pace of fiscal stimulus, slowly starting to become a drag rather than a positive force, and the awful condition of state and municipal finances, where debt service is certain to force huge labor cutbacks in coming months. In fact, with rates on municipal bonds reaching early 2009 levels, one can state that a domestic debt crisis has already begun, leaving in its wake perhaps hundreds of billions of dollars in defaults. It is still too early to tell what these defaults will do to the U.S. domestic banking sector, but a general picture of the extent of the problem should begin to emerge in the next few weeks.

All told, we have painted for you, dear reader, an ominous picture, the perfect background for a relatively long and deep bear market in global equities, followed by a collapse in commodity prices and another global recession. Because markets are good discounting mechanisms, we expect this unfavorable scenario to begin fairly soon, taking stock prices down first and then commodity prices. In our opinion, only gold and excellent credit will escape unscathed the coming onslaught; real interest rates in the developed markets could fall towards zero even at the longest maturities, pressured by safe-haven considerations, more central banks' quantitative easing moves, and the lagged effects of the rise in commodity prices on consumer price inflation. In such a scenario, inflation-linked securities issued by the U.S. Treasury should provide a good opportunity for excellent capital gains. Sadly, as counterparty risk rears its ugly head once again, new investment concerns will come to the fore. In this area, one should expect the unexpected.

Our portfolio is structured to take advantage of — or shall we say to take protection from? — the scenario outlined above. We own at this time significant amounts of gold, TIPS, Bunds, and commodities (based on momentum), such as soybeans, wheat, corn, silver, petroleum, and cocoa. These represent as much as 88%, 100%, 107%, and 24% respectively of our capital. We also have sizeable amounts of protection via credit swaps on European sovereigns, Brazil, and Venezuela (risking a maximum of 7% of capital over the next three years). We are also short equity markets around the globe, primarily India, Brazil, China, Australia (banks), and Europe (banks), for a total exposure of 48% of capital.

I anticipate that events will not take too long to confirm my expectations, perhaps no more than two or three months. The ride has been rocky of late, and I caution that it is likely to continue to be so for at least that amount of time. I am quite conscious of risk control since, for the first time in a long time, we are navigating in a fully exposed manner, that is, without a significant cover or hedge. The reason is that I have been unable to find cheap enough cover, as I did in 2007-2008, for example. Having said that, I would submit that the long commodities position, held now as a momentum trade, also acts as a partial hedge to our bearish economic view. Other, perhaps less volatile trades, may suggest themselves in the coming days and weeks.

Thanking you again for your 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.

Fair to high risk: Absolute return.

PERFORMANCE[1] as of December 31, 2010

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	4,227.61	-6.11%	14.71%	24.67%	22.07%
Friedberg Global-Macro Hedge Fund	25.56[3]	-6.51%	16.62%	29.74%	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	8.77%	1.30%	6.14%

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

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

FUND	CURRENT ALLOCATION	TARGET
Fixed Income	37.84%	38.00%
U.S. Equities – Market Neutral Strategy	17.40%	15.00%
Currency Program	6.89%	7.00%
Global Opportunities	37.69%	40.00%
Cash	0.18%	0.00%
	100.00%	100.00%

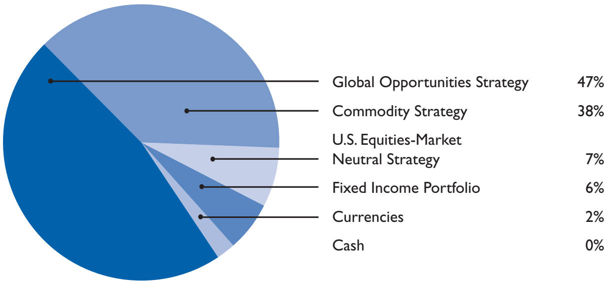
FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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%	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%

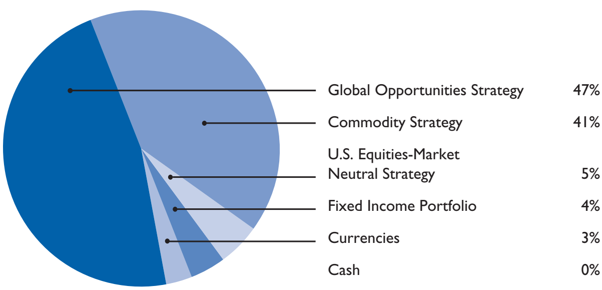
Past Performance is not indicative of future results

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



Total Exposure per dollar of capital: 6.70x

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



Total Exposure per dollar of capital: 6.66x

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 December 31, 2010

	NAV (notional)	Quarter
U.S. Equities – Market Neutral Strategy of the Global-Macro Hedge Fund	1,208.87	4.02%

INVESTMENT ALLOCATION

	30-Sep-10	31-Oct-10	30-Nov-10	31-Dec-10
LONGS	49.28%	49.45%	49.64%	49.08%
SHORTS	50.72%	50.55%	50.36%	50.92%
TOTAL GROSS LEVERAGE	3.33x	2.81x	2.18x	2.67x

LARGEST SECTORS (LONGS)

Semiconductors	7.72%
IT Consulting & Other Services	4.92%
Oil & Gas Equipment & Services	4.63%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	25.23%
Property & Casualty Insurance	4.81%
Data Processing & Outsourced Services	4.53%

LARGEST LONG POSITIONS

Atmel Corp.
International Business Machines Corp.
McDermott International Inc.
Time Warner Inc.
International Exchange Inc.

LARGEST SHORT POSITIONS

S&P 500 Futures
MBIA Inc.
Lender Processing Services
People's United Financial
Digital Realty Trust Inc.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Atmel Corp.	47.24%	Visa Inc.	9.02%
McDermott International Inc.	39.99%	Digital Realty Trust Inc.	-0.87%
Watson Pharmaceuticals Inc.	22.08%	Commerical Metals Co.	-1.08%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
BMC Software Inc.	-2.09%	Monsato Co.	-45.30%
Mattel Inc.	-1.12%	Medco Health Solutions Inc.	-21.92%
Sigma-Aldrich	-0.70%	Whirlpool Corp.	-20.29%

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 December 31, 2010

	NAV	Quarterly	Year over Year[3]
Friedberg Asset Allocation Fund Ltd.	1,279.15	3.37%	11.00%
Friedberg Asset Allocation Fund	13.55[2]	3.28%	11.81%
CSFB/Tremont Hedge Fund Index		N.A.	8.77%

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

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

INVESTMENT			CURRENT ALLOCATION	TARGET
Fixed Income			29.80%	30.00%
	U.S. TIPS	20.00%		
	Euro Bunds	9.80%		
Equities			8.10%	10.00%
	U.S. Equities	3.90%		
	Foreign Equities	4.30%		
Gold			55.70%	55.00%
Crude Oil			5.10%	5.00%
T-Bills and Deposits			1.30%	0.00%
			100.00%	100.00%

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

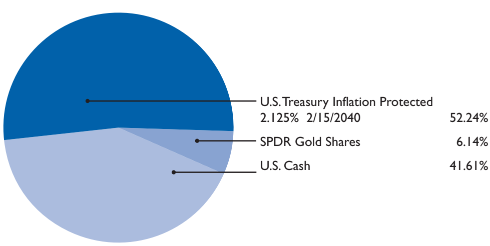
PERFORMANCE[1] as of December 31, 2010

	NAV	Quarter	Year over Year[2]	Two Years[2]	Three Years[2]	Five Years[2]
Friedberg Total Return Fixed Income Fund L.P.	268.04	-3.86%	10.18%	14.62%	5.80%	6.57%
Benchmark[3]		N.A.	4.12%	16.18%	6.55%	7.43%

[1]Net of fees
[2]Compounded annual rate of return through November 2010
[3]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

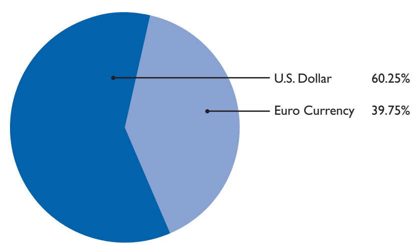
FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Weighted average yield to maturity	1.29%
Weighted average current yield	1.36%

Currency Exposure



Adjusted modified duration		5.08
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	93.86%
	Unrated	6.14%

FRIEDBERG CURRENCY FUND
FRIEDBERG FOREX L.P.

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

PERFORMANCE[1] as of December 31, 2010

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	15.50	-5.37%	37.59%	11.22%	6.46%
Friedberg Forex L.P.	12.81	-2.73%	36.71%	-3.89%	1.03%
Barclay Currency Traders Index		N.A.	2.28%	2.26%	1.66%

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

OPEN POSITIONS – December 31, 2010

	times dedicated capital
Long Asia Dollar Index	1.98
Short Swedish Krona	1.57
Long Euro Currency	1.52
Short New Zealand Dollar	0.88
Short British Pound	0.80
Short Hungarian Forint	0.50
total gross leverage	7.25 x
maximum gross leverage during quarter	9.04 x

ACTIVITY REPORT – Fourth Quarter 2010

PROFITABLE TRANSACTIONS	profit as percentage of average equity	percentage of total profits
Long Asia Dollar Index	3.83	2,754.06
Short Hungarian Forint	0.27	196.51

LOSING TRANSACTIONS	loss as percentage of average equity	percentage of total losses
Long Euro Currency	-3.21	39.05
Short British Pound	-2.47	30.05
Short New Zealand Dollar	-2.42	29.41
Short Swedish Krona	-0.12	1.49

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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