FRIEDBERG MERCANTILE GROUP LTD.

Second Quarter Report 2010

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Dear Investor,

It gives me pleasure to present to you a discussion of the financial performance of our funds for the quarter ended June 30, 2010.

The Global Macro Hedge Fund Canada was up 21.9% for the quarter while the Global Macro Hedge Fund Ltd. Cayman was up 23.1% for the same period. Year-over-year performance for the two funds remains solidly on the plus side at 52.9% and 43.1%, respectively. (All results are in U.S. dollars.) We again offer the same caveat as we offered last quarter: 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.

It is worthwhile here to digress a bit further and inform you that, after a great deal of thought, we have decided to ignore henceforth the impact of Canadian-dollar fluctuations on the Canadian Global Macro Hedge Fund. While we are happy to say that our past hedging efforts added value to the Canadian-dollar-based investor, we are no longer prepared to do so. The disparity in returns that it causes with regard to the offshore fund and the unnecessary distraction caused by having to deal with this problem are some of the reasons why we have decided to abandon the hedging attempts. This means that the Canadian investor must treat his investment in the fund *as if it were an investment in a U.S.-dollar-based fund*. In effect, we are transferring that responsibility directly onto his shoulders. Henceforth, were you, the Canadian-dollar-based investor, to become concerned about an appreciating Canadian dollar and its negative impact on the value of the fund, you would need to deal with this problem by either re-balancing your personal portfolio or by entering into a direct currency hedge.

By attribution, by far the largest contributor to the fund's gains was the sector allocated to global opportunities, represented by a relatively loose amalgam of trades that express one or various themes not addressed by the other sectors. This sector also contains hedges and balancing transactions within itself and with other parts of the overall portfolio. These global opportunities returned 111.06% on employed capital and contributed a gross 2,196 basis points (bp) to the fund's performance, in effect accounting for almost all of its gross profit.

Making up this 2,196 bp were a variety of trades, the largest being a long gold position and its accompanying hedges (890 bp), a short position in S&P 500 futures and options and FTSE 100 futures (553 bp) and a leveraged long position in Bunds (457 bp), a position discussed in our last quarterly letter.

While the long position in commodity futures was gradually reduced during the quarter, it nevertheless contributed negatively to performance. It is worth noting that the manager is long only about one third of his maximum exposure, a posture that clearly reflects increased caution and an ambiguous inflation/deflation scenario. In addition to the intrinsic worth derived from having a manager select and monitor commodity movements using a very robust technical system, we also derive an indirect benefit. The extent of his long exposure signals to us the type of economic climate that is likely to prevail over the next few months and serves to support or contradict our own fundamentally derived views. This "canary in the coal mine" continues to warn of serious deflationary pressures ahead, as we discuss below.

The unleveraged fixed-income sector posted an excellent 7.27% return for the quarter and contributed a significant 240 bp to the fund's performance. At the end of the quarter, the portfolio was composed of 53% Bunds (a synthetic position, achieved via futures), 40.5% in U.S. Treasury 30-year bonds, via a NYSE-traded ETF and futures contracts, and 6.5% cash. Because we used Eurex futures to trade Bunds, we were not materially exposed to the falling euro. Yields have continued to fall, in some cases to historic lows, decreasing the chances for further significant gains. The dearth of interesting investable securities has us concerned. Inflation-linked securities have underperformed, as we had anticipated, as disinflationary and deflationary forces have become more noticeable and more pronounced. At some point in the near future, however, as breakevens overcompensate for deflationary prospects, TIPS will once again become attractive investment vehicles and help us fill the opportunity gap.

Also making a positive contribution was the currency program. It earned a 25.2% return for the quarter and contributed 179 bp to the fund's performance. The currency program has achieved relatively good returns since its inception, but the overall record has been marred by a series of brief but sharp losses. The most important such event was the savage losses taken in 2001/2002 on a bet that the currency board would permit Argentina to withstand the onslaught of currency speculators. That was not to be (for solely political reasons), and the program suffered a devastating fall of 70% as a result. Fortunately, over the past 10 years we have managed to recover most, if not all, of the losses suffered at the time. The lessons of the Argentinean fiasco have been thoroughly rehashed and results seem to confirm them. Returns for the past one, three and five years have handily exceeded industry benchmarks, showing annualized gains of 51.32%, 13.15% and 5.05%, respectively. Trade details can be found in the exhibits presented in the inside pages. As at this writing, the program is long Japanese yen (carrying over a profitable position from last quarter) and Chinese yuan and short the New Zealand dollar.

We continue to experience problems with our equity hedge program, a market-neutral strategy applied to U.S. stocks. For many years a successful program, earning above-average returns that were totally uncorrelated to S&P 500 returns, the program has repeatedly disappointed us in the most recent past, losing money in *each* of the past five quarters.

This persistence of unfavourable outcomes is a totally unique event in the 19-year history of the program. To boot, the cumulative loss for this five-quarter period, at 18.45%, has materially affected the fund's performance. A rough estimate, taking into account the average allocation given to this program, puts this effect at approximately 500 basis points. What is noteworthy is that this has occurred despite the fact that we have not changed any of our procedures, neither the selection process nor the hedging formulas.

For some time we have speculated that the results have been affected by the lack of, and perhaps growing lack of, dispersion among stocks. A recent article in *The Wall Street Journal*, entitled "The Herd Instinct Takes Over" (July 12), fully confirms this suspicion. The sub-title of the article is: "Component stocks' correlation to S&P 500 at highest level since '87 crash," and the article goes on to say that the correlation has recently hit 83%, a remarkable number when one considers that it has averaged 44% since 1980. The growing popularity of exchange-traded funds, among other things, has leveled the returns of individual stocks and sectors. By maintaining (or freezing) over- and undervaluations, this phenomenon has become a nightmare for stock and sector pickers. And, while it is true that this phenomenon raises hopes that, at some point in the future, large profits will be able to be made by exploiting these inefficiencies, such may not be the case for quite some time. In fact, structural changes such as the proliferation of exchange-traded funds and super-rapid computer-based bloc trading, activities that are totally unconcerned with valuation metrics and/or long-term trends, are still taking place and there is little or no prospect of this development coming to an early end.

As a result, we have temporarily decided to downscale the program, reducing the allocation by 10 percentage points. Simultaneously, we have decided to reduce the number of stocks in the program to approximately 25 from 45 to 50. With the greater concentration, we hope to ensure a more robust selection, one perhaps capable of overcoming the leveling effect of indexing. The future of this program will be decided towards the end of this quarter, after we have had a chance to assess results.

The Asset Allocation Fund (Canada) was up 5.3% for the quarter and 8% year to date, while the Asset Allocation Fund Ltd. (Cayman) was up 5.7% for the quarter and 7% year to date. The funds continue to perform as expected, being toned-down versions of the Global Macro Hedge Fund. They faithfully reflect our macro views without the latter's volatility. Allocation changes are generally minor and at the margin.

The quarter's solid results have been marred by the subsequent drawdown (at this writing, we are up only 6.40% for the year to date) occasioned by rising global equity markets, softer bullion markets and range-trading bond prices. Still, very little has changed over the past few months. Deflationary pressures continue to make themselves felt, monetary aggregates stagnate and Treasuries the world over have begun to design and implement fiscal cutbacks, mostly based on anti-growth tax increases. The market has granted governments some temporary reprieve in the hope that they can muddle through, but, in the absence of strong growth, this is unrealistic. As personal and government debts rise in relation to incomes, credit creation stalls and then moves into reverse. Money ceases to grow and asset prices give ground. The best analogy is, without doubt, the Japanese experience of the past 20 years. Consider that commercial land prices in the Land of the Rising Sun are at their lowest level in 36 years!!

We are currently in the midst of a glacially slow contraction. The apparent stability is likely to be jolted from time to time by a major default of a government, or a bank. It is elementary that the contraction cannot come to an end until the debt overhang is dealt with, either by growing out of it or by default. Rising tax burdens, and excruciatingly slow money growth the developed world over, put the probabilities of growing out of the debt quagmire at close to nil. Under the alternative, and more probable, scenario, blue-chip credits will continue to be sought and weak credits will tend to get worse and eventually be restructured or face defaults. Higher interest rates are illusory as they don't begin to reflect genuine risks. Gold will continue to rise, until such time as all central banks find themselves comfortable enough to buy it. Then gold will, once again, move back from private hands to official hands. Equities will be supported by reasonable valuations and improving corporate liquidity (a result of little spending on capital expenditures) and pressured by slow growth, consumer deleveraging and an anti-business, anti-capitalist environment in almost all developed nations. The secular downtrend in equities is likely to be punctuated by sharp bull moves, a pattern similar to what the Nikkei has been tracing for the past 20 years.

The temptation will be to ignore this big picture and trade the moves. We pray to be saved from temptation.

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 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

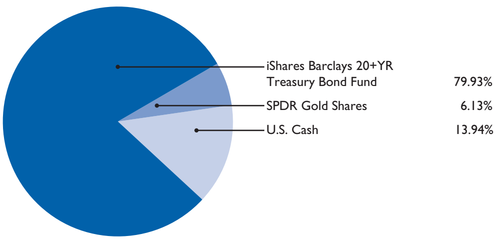
PERFORMANCE[1] as of June 30, 2010

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	26.53[4]	12.18%	10.72%	19.42%	12.99%	7.22%
Friedberg Total Return Fixed Income Fund L.P.	270.30	10.50%	10.20%	4.46%	6.41%	6.00%
Benchmark[5]		N.A.	10.02%	4.77%	6.15%	5.67%

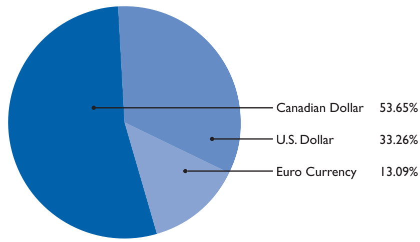
[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through May 2010
[4]NAV adjusted to reflect distributions reinvested in the fund
[5]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Currency Exposure

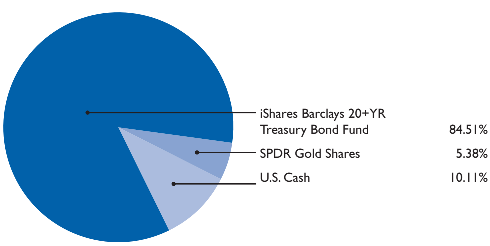


Weighted average yield to maturity	3.40%
Weighted average current yield	3.64%

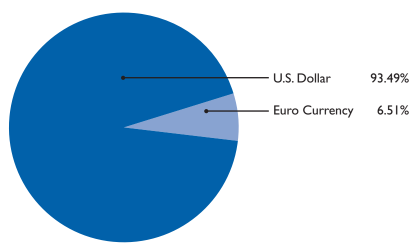
Adjusted modified duration		5.57
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	93.87%
	Unrated	6.13%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	3.55%
Weighted average current yield	3.80%

Adjusted modified duration		5.89
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.62%
	Unrated	5.38%

FRIEDBERG CURRENCY FUND
FRIEDBERG FOREX L.P.

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

PERFORMANCE[1] as of June 30, 2010

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	15.44	26.04%	51.32%	13.15%	5.05%
Friedberg Forex L.P.	12.48	20.23%	50.91%	0.93%	0.94%
Barclay Currency Traders Index		N.A.	3.15%	3.07%	2.11%

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

OPEN POSITIONS - June 30, 2010

	times dedicated capital
Short Hungarian Forint	0.70
Long Indonesian Rupiah	0.62
Short New Zealand Dollar	0.47
Long Japanese Yen	0.42
total gross leverage	2.21 x
maximum gross leverage during quarter	3.88 x

ACTIVITY REPORT - Second Quarter 2010

PROFITABLE TRANSACTIONS	profit as percentage of average equity	percentage of total profits
Short Hungarian Forint	17.27	71.83
Long Japanese Yen	2.42	10.06
Short New Zealand Dollar	1.51	6.27
Long Indonesian Rupiah	1.39	5.79
Long Euro Currency	1.06	4.42
Short Euro Currency	0.39	1.62

LOSING TRANSACTIONS	loss as percentage of average equity	percentage of total losses
Long Indian Rupee	-1.37	63.41
Short Turkish Lira	-0.59	27.19
Long Brazilian Real	-0.20	9.40

FRIEDBERG GLOBAL-MACRO HEDGE FUNDS

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

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

PERFORMANCE[1] as of June 30, 2010

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	4,473.73	23.05%	25.86%	33.51%	22.55%
Friedberg Global-Macro Hedge Fund Trust	26.96[3]	21.94%	32.90%	38.67%	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	12.76%	0.54%	6.07%

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

Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of June 30, 2010 is as follows:

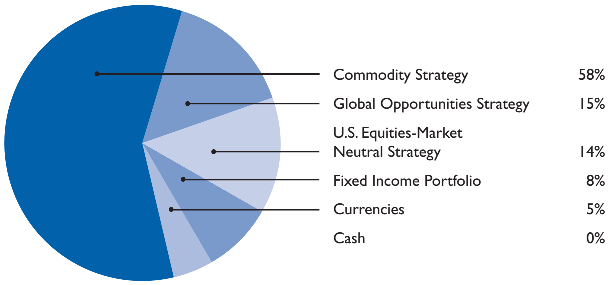
FUND	CURRENT ALLOCATION	TARGET
Fixed Income	31.75%	38.00%
U.S. Equities - Market Neutral Strategy	24.41%	15.00%
Currency Program	8.01%	7.00%
Global Opportunities	37.46%	40.00%
Cash	-1.63%	0.00%
	100.00%	100.00%

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%							17.86%
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%

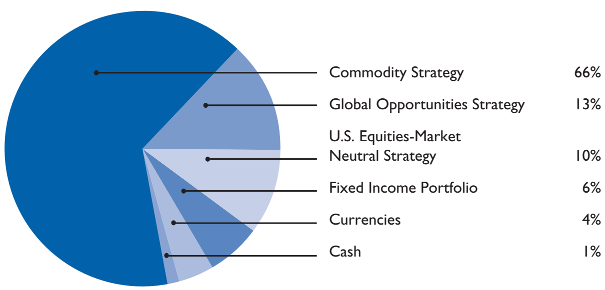
Past Performance is not indicative of future results

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



Total Exposure per dollar of capital: 3.81x

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



Total Exposure per dollar of capital: 3.72x

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 June 30, 2010

	NAV (notional)	Quarter
U.S. Equities - Market Neutral Strategy of the Global-Macro Hedge Fund	1,267.44	-3.24%

INVESTMENT ALLOCATION

	31-Mar-10	30-Apr-10	31-May-10	30-Jun-10
LONGS	47.91%	49.13%	45.06%	46.97%
SHORTS	52.09%	50.87%	54.94%	53.03%
TOTAL GROSS LEVERAGE	2.88x	3.26x	2.51x	2.17x

LARGEST SECTORS (LONGS)

Specialized Finance	6.38%
Homebuilding	5.20%
Life & Health Insurance	4.24%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	15.51%
Steel	6.67%
Fertilizers & Agricultural Chemicals	3.74%

LARGEST LONG POSITIONS

Intercontinental Exchange Inc.
International Business Machines Co.
Time Warner Inc.
Newfield Exploration Co.
CME Group Inc.
EMC Co.
Watson Pharmaceuticals Inc.
Regeneron Pharmaceuticals Inc.
McDermott International Inc.
Prudential Financial Inc.

LARGEST SHORT POSITIONS

S&P 500 Futures
Moody's Co.
Kroger Co.
Whirlpool Co.
United States Steel Co.
First Solar Inc.
Kimberly-Clark Co.
Citigroup Inc.
Wallgreen Co.
People's United Financial

BEST QUARTERLY PERFORMANCE

	LONGS		SHORTS
Legg Mason Inc.	-2.23%	Mosaic Co.	20.65%
Intercontinental Exchange Inc.	0.76%	Penske Auto Group Inc.	21.22%
EMC Co.	1.44%	Monsanto Co.	23.92%

WORST QUARTERLY PERFORMANCE

	LONGS		SHORTS
Onyx Pharmaceuticals Inc.	-28.70%	Coinstar Inc.	-56.49%
Standard Pacific Co.	-26.33%	Autonation Inc.	-14.08%
Assured Guaranty Ltd.	-24.32%	Harley-Davidson Inc.	-13.55%

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 June 30, 2010

	NAV	Quarterly	Year over Year[3]
Friedberg Asset Allocation Fund Ltd.	1,178.51	5.66%	16.69%
Friedberg Asset Allocation Fund L.P.	12.78[2]	7.30%	24.20%

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

Capital allocation of the Friedberg Asset Allocation Fund Ltd. as of June 30, 2010 is as follows:

INVESTMENT	CURRENT ALLOCATION	TARGET
U.S. Bonds	15.00%	15.00%
Euro Bunds	26.90%	30.00%
Biotechnology ETF	1.85%	1.25%
U.S. Homebuilders ETF	1.80%	1.25%
Taiwan ETF	2.10%	1.25%
Insurance ETF	1.95%	1.25%
Gold	50.60%	50.00%
T-Bills and Cash	-0.20%	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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