FRIEDBERG MERCANTILE GROUP LTD.

Third Quarter Report 2009

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It gives me great pleasure to present to you a discussion of the financial performance of our funds for the third quarter of 2009.

Results for the quarter were strongly positive, reflecting the ongoing global reflation of assets. Expressed in U.S. dollars, the Friedberg Global-Macro Fund (Canada) was up 22.8% for the quarter and stands currently 39.4% higher than last year at this time. A portion of these gains can be attributed to a long Canadian-dollar hedge that we put on to protect Canadian-based investors from the anticipated weakness of the U.S. dollar (500 basis points last quarter alone). The Friedberg Global-Macro Hedge Fund Ltd. (Cayman) was up 17.2% for the quarter and currently stands 28% higher than a year ago.

As we have stated on more than one occasion, we consider the year-on-year measure to be the most significant yardstick for a fund of this nature. Year-on-year rolling returns give investors a better window on the risks they are taking and at the same time provide the manager with just enough time to re-orient the portfolio to true north if it has lost direction. This view is based on the fact that investment predictions of more than one year contain too much variability to be of any practical value. Consequently, an investment manager is best to concentrate on forecasting what markets are likely to do in the next three to 12 months. By the same token, a manager should not allow a portfolio to move out of synch with the markets for longer than 12 months on the assumption that the long-term view will provide a bailout. This little piece of investment philosophy is as much about letting you know how we operate as about reminding ourselves of what we need to do.

With the exception of the market-neutral allocation, all our investment pockets produced positive results. Far and away the largest contributor to the funds' positive results was the Global Opportunities pocket, which contributed 1,736 basis points (gross). The principal contributors to this gain were a gain in commodities trading, which includes gold, long LME metal options and the portfolio managed by Covenant, for a total of 693 basis points; securities gains, principally Hong Kong "H" shares, for a total of 463 basis points; and gains on two U.S. insurers, Hartford Financial Services Group (by way of call options) and Lincoln National Corp., for a total of 716 basis points. Offsetting these gains were small losses recorded in long credit protections on Venezuela, Iceland and MBIA. Few changes were made to these positions during the quarter. We are particularly pleased with our exposure to commodities, which we believe are in the initial stages of a powerful bull market.

China's international reserves continue to grow and have now surpassed $2.1 trillion. This enormous reserve accumulation carries momentous implications for the price of gold. Gold is fast coming into view as a necessary component of international reserves. The relatively small size of the bullion market militates against its immediate inclusion in central bank reserves of Asian countries. At the same time, a continuous rise in the price of gold will facilitate its own re-monetization: at higher prices, trading volume measured in dollars grows and makes possible the acquisition of more substantial quantities. Moreover, the persistent rise is certain to convince all-too-human central bankers of the benefits of owning an appreciating asset. We may be only months away from the initial purchase of gold by central banks for their monetary reserves.

Another obvious implication of this unsustainable rise in international reserves is China's inevitable march towards making the yuan a major reserve currency, if not globally, at least throughout the Asian continent. This will necessitate a full opening of the capital account. As we so often have said, the opening of China's capital account will handsomely benefit "H" shares, which still trade at a (narrowing) discount to their mainland China counterpart "A" shares. In the interim, "H" shares have joined the global bandwagon and are making a significant positive contribution to our results.

In our fixed-income portfolio, we continue to hold TIPS for safety, liquidity and reasonable returns. This pocket contributed 133 basis points to the funds' gross returns for the quarter. Breakevens continue to trade at reasonable levels — 1.785% for 10 years and 2.03% for 20 years. Therefore, we see no reason to abandon the position. Note, however, that a dollar crisis could force interest rates sharply higher in the U.S., with most or all the increases representing increases in *real* rates. This event would have a negative impact on TIPS. We remain attentive to this possibility, although the Fed has so far given no indication of being overly concerned with the sliding dollar.

The above comment leads us directly into a discussion of the funds' currency trading. In my last letter to you I indicated that we were going to take a break from dollar-based trades and concentrate instead on crosses with interesting potential as well as ongoing long emerging currencies that appear undervalued in relation to their prospects.

Well, one aspect of that decision did not last very long — namely, staying out of dollar-based trades. No longer convinced that valuation considerations would play a role in a world where the U.S. was experiencing an adjustment while the rest of the world was recovering rapidly, we insisted on taking advantage of what we saw as an inevitable fall of the dollar. And we are happy we did, as these trades yielded excellent results. We expressed this sentiment by going long euros and Czech korunas and increased our bear bet on the dollar by going long an emerging country currency, the Indonesian rupiah. The rupiah combined a number of favorable features: a strongly positive carry and attractive government policies designed to increase domestic and foreign investments and stamp out long-festering corruption. Rounding up the book was our long-time favorite, long Aussie/short sterling cross trade.

The currency pocket earned a respectable 21.3% return on capital but contributed only 171 basis points to the funds' gross performance because we had allocated only 5% of the funds' net assets (down from 9.75% as recently as last April 2009) to this strategy. This is not only ironic but proves that managers can be caught by surprise as readily as investors when it comes to guessing what will be "hot" next quarter. In what appears to be a case of chasing performance, we have decided to increase our allocation to currency trading to 7% from 5%. In reality, however, this decision is being taken because we believe that the dollar's decline is gathering steam, offering interesting opportunities to trend followers.

Lack of significant dispersion continues to affect negatively our market-neutral equity strategy. The allocation showed a negative return of 0.92% for the quarter and contributed negative 26 basis points to the funds' gross returns. The portfolios representing the long and the short side went up by approximately 26% and 27% respectively, handily beating the 15% rise of the S&P 500. At the very least, this shows that our short side would have been better served had we simply mimicked the S&P 500. (Had we done so, the market-neutral strategy would have shown a gain of 11% instead of a loss of 0.92%.) This market is momentum-driven, with valuation counting for a lot less credit than we have given it. This situation should begin to change in the very near future since the vastly oversold condition of most stocks has now been cured. In the interim, we are making a small change in allocation, reducing this pocket to 25% from 30%, partly to make room for the increased currency allocation. Details of what we have done and what we own at quarter's end are available in the inside pages.

Our newest funds, the Friedberg Asset Allocation Fund (Canada) and Friedberg Asset Allocation Fund Ltd. (Cayman), began operations on June 1 and June 23, respectively. As you recall, these funds are designed to be long only (except for short selling for purposes of hedging) and to operate without the use of overall leverage. From a strategic point of view, they are designed to take advantage of our macro-economic views without incurring the volatility (risk) inherent in the highly leveraged Global-Macro Hedge Funds. Of course, the lower risk implies lower returns. Our initial assessment is that they have performed as expected: up 10.6% and 5.7% for the period since inception, and clearly showing lower volatility than their cousins. We highly recommend these two new funds to investors who may have trouble sleeping at night because of the markets' extreme volatility. In the inside pages you will find details of their portfolios.

Cheap money continues to drive global markets higher, whether they consist of stocks, bonds or commodities. This state of affairs cannot be extrapolated too far in the future. If central bankers and, in particular, the Fed, the Bank of England and the ECB, stay the course for many more months, soaring commodity prices will begin to affect consumer prices and put an end to this period of moderate interest rates. This will negatively affect bonds and stocks. Moreover, if the Fed alone stays at zero interest rates for much longer, the dollar decline will turn into a rout, which will add further fuel to soaring commodity prices. Note also that U.S. dollar outflows are stoking the fires of Asian inflation. Intervention from Asian central banks has caused broad money to increase at high double-digit rates.

Frankly, at this point we cannot see an easy way out of this predicament. The Fed and other central banks clearly have brought rates down too far. They have fallen into a trap of their own making, and we cannot see how they can restore rates to more normal levels given present economic conditions. Raising them here would be widely misunderstood as tightening and would carry the risk of crashing down assets one more time. As a result, rates are not likely to be increased anytime soon. A far better combination would have been to have provided liquidity liberally and generously throughout last year's crisis ***but at substantially higher rates***.

As is evident from the above remarks, our views remain focused solely on monetary policy. Economic news represents a mere distraction in our opinion, noise that needs to be filtered out before we can determine where asset prices are going. This is because economic recovery is a given, in particular in the developing world. Of more importance is the direction of profit margins in North America, Europe and Japan and, of course, the discount rate that will be applied to future profits — itself a function of interest rates. Political and military events, on the other hand, are likely to have a greater impact on the course of asset prices. Of special concern is the situation in Iran. Military action against its nuclear facilities, a non-trivial possibility, would have a significant effect on oil prices, and through them, commodity prices in general and economic activity throughout the world. This is an event that needs to be taken into account in structuring any type of portfolio — and has been taken into account in our portfolios.

During the coming quarter, we plan to reduce our equity exposure, principally our insurance play, in line with our feeling that soaring commodity prices will soon shatter the present complacency. At the same time we are starting to build a hedge against rising rates, fully cognizant of the costs of such a hedge.

While we fervently pray for a peaceful resolution of the conflicts that currently afflict the world and for the attainment of economic activity that can gainfully employ idle resources, we must prepare for the worst outcomes. It's a delicate act indeed to set your mind at the opposite end of your heart.

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

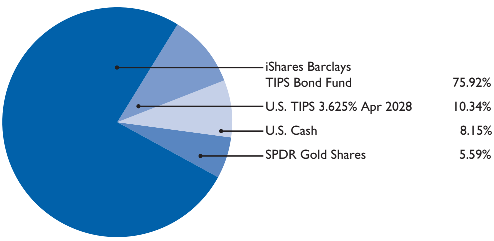
PERFORMANCE[1] As of September 30, 2009

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	23.59[4]	0.21%	21.34%	14.21%	7.78%	6.78%
Friedberg Total Return Fixed Income Fund L.P.	240.51	2.81%	-0.48%	2.28%	2.58%	6.43%
Benchmark[5]		N.A.	8.43%	7.03%	6.69%	6.25%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through August 2009
[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)

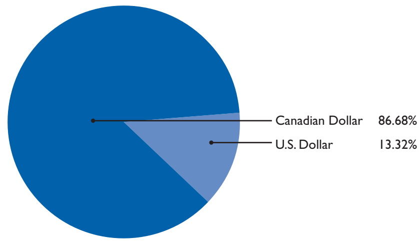
FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Weighted average yield to maturity	2.51%
Weighted average current yield	2.06%

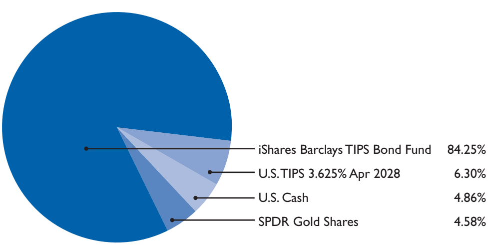
Currency Exposure



Adjusted modified duration		1.07
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.41%
	Unrated	5.59%

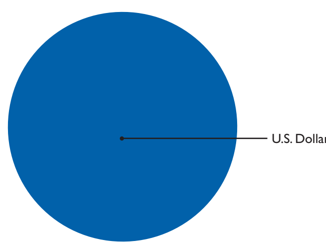
FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Weighted average yield to maturity	2.62%
Weighted average current yield	2.09%

Currency Exposure



Adjusted modified duration		1.52
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	95.42%
	Unrated	4.58%

FRIEDBERG CURRENCY FUND
THE FIRST MERCANTILE CURRENCY FUND
FRIEDBERG FOREX L.P.

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

PERFORMANCE[1] As of September 30, 2009

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	11.23	23.81%	-6.85%	-6.70%	3.79%
The First Mercantile Currency Fund[2]	8.40	32.49%	-31.41%	-12.24%	-1.31%
Friedberg Forex L.P.	9.18	23.22%	-35.65%	-15.08%	0.54%
Barclay Currency Traders Index		N.A.	2.60%	2.39%	2.45%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through August 2009

OPEN POSITIONS - September 30, 2009

	times dedicated capital
Long Chinese Yuan (via options)	2.16
Long Australia / Short British Pound	1.75
Long Indonesia Rupiah	0.80
Long Czech Koruna	0.79
Long Euro Currency	0.78
total gross leverage	6.28 x
maximum gross leverage during quarter	8.98 x

ACTIVITY REPORT - Third Quarter 2009

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Australia / Short British Pound	19.70	55.60
Long Indonesia Rupiah	7.51	21.20
Long Czech Koruna	4.80	13.56
Long Euro Currency	3.42	9.64

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Chinese Yuan (via options)	0.25	100.00

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 September 30, 2009

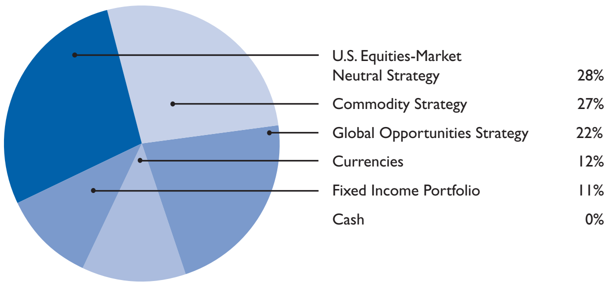
	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	3,665.66	17.23%	27.18%	24.79%	20.58%
Friedberg Global-Macro Hedge Fund Trust[3]	21.52	22.76%	40.78%	N.A.	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	-6.39%	2.49%	5.85%

[1]Net of fees
[2]Compounded annual rate of return through August 2009
[3]NAV adjusted to reflect distributions reinvested in the fund

Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of September 30, 2009 is as follows:

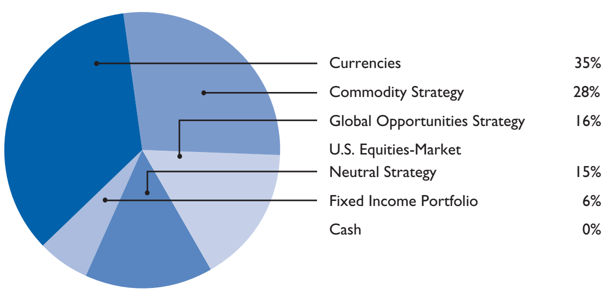
FUND	CURRENT ALLOCATION	TARGET
Fixed Income	37.47%	38.00%
U.S. Equities – Market Neutral Strategy	28.14%	25.00%
Currency Program	5.49%	7.00%
Global Opportunities	30.33%	30.00%
Cash	-1.42%	0.00%
	100.00%	100.00%

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



Total Exposure per dollar of capital: 3.44x

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



Total Exposure per dollar of capital: 3.78x

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 September 30, 2009

	NAV (notional)	Quarter
U.S. Equities – Market Neutral Strategy of the Global-Macro Hedge Fund	1,512.98	-0.87%

INVESTMENT ALLOCATION

	30-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09
LONGS	45.51%	47.71%	46.32%	42.11%
SHORTS	54.49%	52.29%	53.68%	57.89%
TOTAL GROSS LEVERAGE	2.88x	3.15x	3.16x	3.42x

LARGEST SECTORS (LONGS)

Homebuilding	5.34%
Biotechnology	4.72%
Asset Management & Custody Banks	4.53%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	33.04%
Pharmaceuticals	3.74%
Computer Hardware	3.60%

LARGEST LONG POSITIONS

SPDR KBW Insurance ETF
Legg Mason Inc.
McDermott International Inc.
UBS AG
EMC Corp.
CME Group Inc.
Intercontinental Exchange Inc.
Watson Pharmaceuticals Inc.
Northern Trust Corp.
Onyx Pharmaceuticals Inc.

LARGEST SHORT POSITIONS

S&P 500 Futures
PPG Industries Inc.
Eli Lilly & Co.
Apple Inc.
Google Inc.
Darden Restaurants Inc.
Kroger Co.
Kimberly-Clark Corp.
Johnson & Johnson
Procter & Gamble Co.

BEST QUARTERLY PERFORMANCE

	LONGS
Standard Pacific Corp.	81.77%
UBS AG	49.96%
AMR Corp.	47.44%

	SHORTS
Con-Way Inc.	15.30%
Kroger Co.	6.39%
First Solar Inc.	5.76%

WORST QUARTERLY PERFORMANCE

	LONGS
Sprint Nextel Corp.	-16.56%
Intercontinental Exchange Inc.	-14.92%
The Nasdaq OMX Group	-10.31%

	SHORTS
Great Atlantic & Pacific Tea Co.	-64.23%
General Electric Co.	-58.59%
Kansas City Southern	-37.19%

FRIEDBERG ASSET ALLOCATION FUNDS

FRIEDBERG ASSET ALLOCATION FUND LTD.
FRIEDBERG ASSET ALLOCATION FUND LP

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.

	NAV	Quarterly
Friedberg Asset Allocation Fund Ltd.	1,061.06	5.70%
Friedberg Asset Allocation Fund LP	11.08	10.58%

Capital allocation of the Friedberg Asset Allocation Fund Ltd. as of September 30, 2009 is as follows:

INVESTMENT	**CURRENT ALLOCATION**	**TARGET**
Bonds	24.00%	25.00%
Biotechnology ETFs	4.80%	5.00%
U.S. Homebuilders ETFs	4.60%	5.00%
China ETFs	4.60%	5.00%
Taiwan ETF	2.50%	2.50%
Japan ETFs	2.30%	2.50%
Gold	54.60%	55.00%
Cash	2.60%	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%

FRIEDBERG
MERCANTILE
GROUP LTD.

FRIEDBERG MERCANTILE GROUP LTD.

Brookfield Place, 181 Bay Street, Suite 250
Toronto, Ontario M5J 2T3
Tel.: (416) 364-2700
Fax: (416) 364-0572
www.friedberg.ca
e-mail: funds@friedberg.ca