FRIEDBERG MERCANTILE GROUP LTD.

Third 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 ended September 30, 2010.

Late gains recouped our losses suffered early in the quarter, leaving the Global Macro Hedge Fund Canada ahead 1.4% and the Global Macro Hedge Fund Cayman ahead 0.6%. Year-to-date, the funds were up 19.6% and 18.6%; more significantly, they showed year-over-year gains of 26.3% and 22.8%, respectively. (All results are in U.S. dollars.)

Gains and losses were narrowly distributed among the four main trading strategies, ranging from a negative contribution of 185 basis points (equity market-neutral) to a positive contribution of 140 basis points (global opportunities). This unremarkable summary hides a great deal of intra-quarter volatility.

Early losses on our long gold position, missteps in trading stock index futures (long as they went down into the August lows and short as they rose up to recent highs), continued losses in the equity market-neutral program, and markdowns in our sovereign European CDS positions — all within the context of dull and flat trading results in other areas — conspired to knock down our NAV as much as 16% from the end of the previous quarter. Fortunately, these setbacks did not dislodge us from our basic posture. Moreover, as the quarter wore on, prospects for a Japanese-style deflation began to recede in our minds. As a result, we gained enough confidence to re-touch our portfolio and re-positioned it more aggressively on the side of inflation. To do this, we utilized the fairly substantial cash reserves built up over the previous six months to press positions. This explains the much higher-than-historical exposure ratios (assets to capital) prevailing at the end of the period (see exhibits).

I now offer a quick review of the various strategies and their successes and failures. For ease of explanation, all statistics refer to performance of the Cayman fund; the numbers for the Canadian fund are broadly similar.

The fixed-income pocket contributed a positive 115 basis points to the hedge fund, all made up by gains in our long positions in long-term U.S. Treasuries (acquired via Barclays 20+ Year Treasury Bond Fund I-shares shares and futures) and synthetically acquired German Bunds. Towards the end of the quarter, we shifted the long Treasury position back to our old favorite, TIPS. Our bet was that rising breakevens in the face of falling overall interest rates — the latter caused by expectations of Fed purchases — would benefit inflation-linked securities most. At this date, we continue to believe that breakevens will expand, nominal rates will be tied down for yet some time by an aggressive Fed, and real rates will fall towards zero. This should portend much higher TIPS prices. At the same time, we have kept our long Bunds position, spiked by a very favorable carry, betting on further disinflation and further credit problems in Europe.

The global opportunities pocket contributed approximately 140 basis points to the hedge fund. The bigger gainers were long positions in the euro, Bunds, and gold, in that order. The euro currency trade was designed to balance our very bearish bet on European credits (Greece, Spain, Portugal) and our generally bearish equity posture. We reasoned that credits and equities would improve if fiscal actions in Europe delayed the moment of reckoning — an entirely plausible scenario — and that the euro had been excessively undervalued by those events given that the failing states represented such a small percentage of the EU. Moreover, we viewed the problem as a fiscal one rather than a monetary one, since the ECB remained the most hawkish central bank in the world. The euro currency bet was essentially a bet on the strength of Germany and a few of its economic satellites, a group of improving economies that had fortuitously been dealt a favorable exchange rate. The bet paid off, as the euro rose from the high 1.20s to its recent 1.40. The glaring undervaluation has now been erased and, consequently, our long position has been drastically reduced. The fiscal nightmare of Europe's peripheral economies is soon to take center stage again as they find themselves unable to grow out of debt. The oversized Bund position, on the other hand, bet on the persistence of deflationary conditions in Europe and flight-to-safety considerations, as we explained in our last letter. This position remains unchanged as of this writing, since we have no indication that the ECB will engage in the type of monetary pyrotechnics hinted at by the Fed.

The main losses in this area were the result of a short position in S&P 500 and Nasdaq futures. Our technical work indicates that real money is exiting the stock market and that stock prices are artificially held up. Low volumes (high-frequency trades represents more than 50% of all trading) confirm this deteriorating picture. It will not take much to push prices sharply lower. A resumption of QE may be favorable to stock prices in the short run, and the market has already responded in this manner, but it is unlikely that equities will outperform commodities and inflation-linked securities under those "inflationary" conditions. Thus, a net short position in stocks acts as a good balance to the inflation bias built into the portfolio.

The currency pocket continued to shine. Long positions in euro and yen contributed to practically all the gains for the quarter. The strategy achieved a 7.4% return, contributing 53 basis points to the hedge fund (a result of its relatively modest 7% weight). Year-to-date, the currency strategy returned a sizzling 55.4%. Towards the end of the quarter, we took a long position in Asian currencies via the JP Morgan Asia Dollar Index. The index comprises the currencies of 10 countries, namely, China, India, Thailand, Hong Kong, Indonesia, Taiwan, South Korea, Singapore, Malaysia and Philippines. It's to Asia that the wall of U.S. liquidity is flowing; these countries will either have to allow their currencies to rise or accept much higher rates of inflation. At any rate, the index is a convenient way to bet on the broad strength of these currencies without running the risk of, for example, the sudden imposition of capital controls on the part of a single country.

The equity market-neutral program lost 9.3% this quarter and, as indicated earlier, contributed a negative 185 basis points to the hedge fund. At the end of last quarter, we wrote to you about the problems facing this type of program in an environment where the correlation among stocks in the S&P 500 had risen as high as 81%. Under those conditions, effective stock selection was becoming increasingly difficult. To try to remedy the situation, we decided to reduce the number of stocks in the portfolio, on the assumption that the more stocks, the greater the chances of getting caught in the correlation net. In short, the idea was to pick the best trades possible, the ones in which we had the most confidence, in the hope of “walking through the rain drops,” so to speak. As expected, the initial reduction of positions, both long and short, was costly to the program. During July, we lost 7.4%. As the portfolio continued to be trimmed, losses narrowed, with August showing a loss of only 3.1%. Finally, the September gain of 2.2% gave us the first glimmer of hope that the program was back on track. We will continue to monitor this program closely for signs that it can offer, as in the past, significant non-correlated gains vis-à-vis the overall market.

The Friedberg Asset Allocation funds performed extremely well over the quarter. In fact, quarterly gains of 4.6% (Canadian fund) and 5% (Cayman fund) exceeded the gains of the more speculative Global Macro Funds by a wide margin. We remind readers and investors that the Asset Allocation funds distribute capital among four asset categories: commodities, international fixed income, international equities (including real estate companies) and cash/money market. The fund operates with the important constraint that the sum of the value of all positions, including notional derivatives, can never exceed the net assets of the fund. During the quarter, all four allocations contributed positively, with the fixed-income pocket providing 298 gross basis points, gold 247 gross basis points, and international equities 100 gross basis points. The fund did not allocate any money to cash/money market during the quarter. In view of the scenario that we outline below, we are making some slight changes to the current allocation. See exhibit on the inside pages.

We are particularly gratified with the fact that these funds effectively express our macro views but display remarkably low volatility day to day and week to week. No doubt, the primary reason for this smooth performance is the lack of leverage. Nevertheless, performance does not seem to have been affected: year-to-date, the funds are up 13.0% and 12.4% and year-over-year, 17.9% and 16.6% respectively, numbers that compare very favorably with leveraged hedge fund results.

As indicated earlier, we have grown more confident that the U.S. economy won’t fall into deflation in the near future. For one thing, monetary aggregates have begun to grow in an accelerated fashion, with M2 showing annualized rates of growth of 7.4% and 4.5% for the past eight weeks and six months, respectively. For Money of Zero Maturity (MZM), growth has accelerated even more impressively, 11.9% and 3.6%, for the same time periods. While commercial banks continue to reduce credit in the form of loans to the private sector, they have utilized their excess reserves to make considerable additions to their Treasury holdings. While credit may not be growing, money is, almost guaranteeing that deflation is not on the immediate horizon. Moreover, the U.S. dollar has suffered a substantial depreciation over recent months; pass-through inflation via imports will have a modest but positive effect on consumer prices. Finally, futile but massive foreign exchange intervention in Asia raises global liquidity and pushes international raw material prices substantially higher. In recent days, the Commodity Research Bureau index of commodity prices scored a two-year high and is now challenging all-time highs. With some lags, this rise in commodities will have a positive impact on U.S. inflation. In all, the Fed will be fighting a rearguard action in coming months, especially if it decides to institute another round of quantitative easing. To sterilize the enormous amounts of excess reserves already in place, the Fed will need to raise short-term interest rates very quickly and very dramatically. This will be hard to do in a sluggish economy. Our best guess, looking out one year, is that QE1 and QE2 (if implemented) will have to be unwound by the third quarter of 2011. It's too early to tell what damage might be inflicted on the economy by much higher inflation expectations and how high short-term rates would have to be hoisted to rein in the monetary explosion. But we must be prepared for extraordinary volatility.

The overall portfolio is positioned to bet on higher inflation and certainly on higher inflation expectations accompanied by weak economic growth and shrinking corporate profit margins in the U.S., on higher inflation and rising foreign exchange values in Asia, and on continued disinflation and sovereign defaults in Europe. We confess that some of these trades have become crowded in recent weeks, ever since Fed officials allowed that a second quantitative easing package was possible. In fact, we may be coming close to an important intermediate inflexion point. Nevertheless, there is nothing on the horizon to make us believe that we will avoid the worst consequences of the policies that have been put in place over the past two years and that are currently being contemplated. To our way of thinking, the scenario outlined above is almost cast in stone. This perspective calls for no more than an agile trading posture, one that can protect positions from sharp setbacks that are sure to occur from time to time.

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 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: Absolute returns

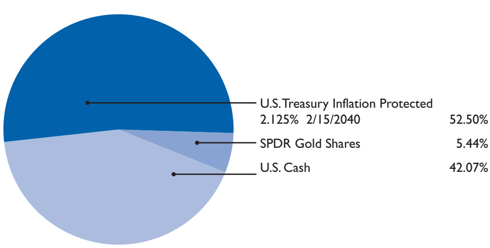
PERFORMANCE[1] as of September 30, 2010

	NAV	Quarter	Year over Year[2]	Two Years[2]	Three Years[2]	Five Years[2]
Friedberg Total Return Fixed Income Fund L.P.	278.81	3.15%	22.04%	10.21%	8.48%	7.82%
Benchmark[3]		N.A.	10.04%	9.23%	8.02%	6.68%

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

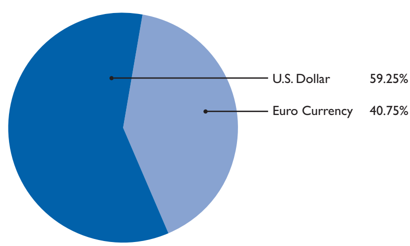
FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Weighted average yield to maturity	1.27%
Weighted average current yield	1.42%

Currency Exposure



Adjusted modified duration		5.22
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.56%
	Unrated	5.44%

FRIEDBERG CURRENCY FUND
FRIEDBERG FOREX L.P.

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

PERFORMANCE[1] as of September 30, 2010

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	16.38	6.09%	43.59%	8.66%	6.03%
Friedberg Forex L.P.	13.17	5.53%	42.67%	-4.14%	0.78%
Barclay Currency Traders Index		N.A.	2.95%	2.76%	1.97%

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

OPEN POSITIONS - September 30, 2010

	times dedicated capital
Long Asia Dollar Index	2.81
Long Euro Currency	1.49
Short Swedish Krona	0.49
total gross leverage	4.79 x
maximum gross leverage during quarter	4.80 x

ACTIVITY REPORT - Third Quarter 2010

PROFITABLE TRANSACTIONS	profit as percentage of average equity	percentage of total profits
Long Euro Currency	7.70	49.30
Long Japanese Yen	6.22	39.82
Long Asia Dollar Index	1.69	10.83
Long Indonesian Rupiah	0.01	0.06

LOSING TRANSACTIONS	loss as percentage of average equity	percentage of total losses
Short Hungarian Forint	-3.76	44.84
Short New Zealand Dollar	-3.31	39.44
Short Swedish Krona	-0.63	7.45
Long Chinese Yuan	-0.40	4.81
Short Canadian Dollar	-0.29	3.46

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

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

Fair to high risk: Absolute return.

PERFORMANCE[1] as of September 30, 2010

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	4,502.64	0.65%	18.22%	26.01%	20.87%
Friedberg Global-Macro Hedge Fund Trust	27.34[3]	1.41%	24.89%	30.95%	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	8.89%	1.12%	5.41%

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

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

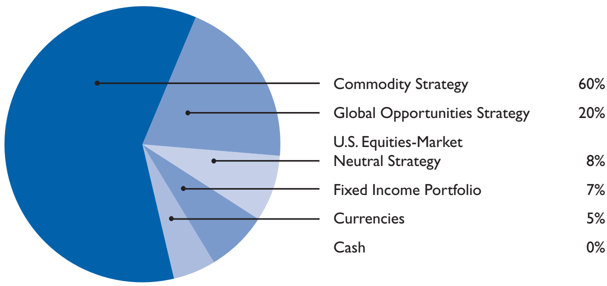
FUND	CURRENT ALLOCATION	TARGET
Fixed Income	37.02%	38.00%
U.S. Equities - Market Neutral Strategy	13.37%	15.00%
Currency Program	7.02%	7.00%
Global Opportunities	42.10%	40.00%
Cash	0.49%	0.00%
	100.00%	100.00%

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%**				**18.61%**
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%**

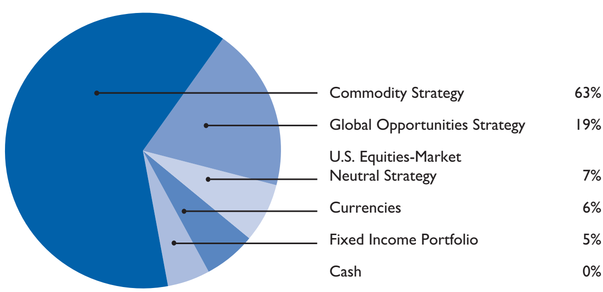
Past Performance is not indicative of future results

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



Total Exposure per dollar of capital: 5.42x

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



Total Exposure per dollar of capital: 5.35x

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, 2010

	NAV (notional)	Quarter
U.S. Equities - Market Neutral Strategy of the Global-Macro Hedge Fund	1,162.15	-9.36%

INVESTMENT ALLOCATION

	30-Jun-10	31-Jul-10	31-Aug-10	30-Sep-10
LONGS	46.97%	50.99%	51.15%	49.28%
SHORTS	53.03%	49.01%	48.85%	50.72%
TOTAL GROSS LEVERAGE	2.17x	3.09x	2.97x	3.33x

LARGEST SECTORS (LONGS)

Utilities Select Sector SPDR	5.98%
Financial Select Sector SPDR	5.72%
Semiconductors	5.09%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	23.39%
Diversified Banks	5.35%
Data Processing & Outsourced Services	4.43%

LARGEST LONG POSITIONS

Utilities Select Sector SPDR
Financial Select Sector SPDR
Atmel Corp.
EMC Co.
International Business Machines Corp.

LARGEST SHORT POSITIONS

S&P 500 Futures
Wells Fargo & Co.
Visa Inc.
Moody's Corp.
People's United Financial

BEST QUARTERLY PERFORMANCE

	LONGS
Atmel Corp.	65.83%
McDermott International Inc.	32.20%
Regeneron Pharmaceuticals Inc.	22.76%

	SHORTS
Wells Fargo & Co.	5.89%
People's United Financial	3.04%
UMB Financial Corp.	-1.59%

WORST QUARTERLY PERFORMANCE

	LONGS
Legg Mason Inc.	-10.10%
Genworth Financial Inc.	-7.47%
Intercontinental Exchange Inc.	-7.35%

	SHORTS
Mosaic Co.	-50.02%
United States Steel Co.	-29.85%
Ford Motor Co.	-26.89%

FRIEDBERG ASSET ALLOCATION FUNDS

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

The Fund is a multi-strategy non-leveraged 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 September 30, 2010

	NAV	Quarterly	Year over Year[3]
Friedberg Asset Allocation Fund Ltd.	1,237,49	5.00%	15.51%
Friedberg Asset Allocation Fund L.P.	13.12[2]	4.54%	19.53%
CSFB/Tremont Hedge Fund Index		N.A.	8.89%

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

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

INVESTMENT	CURRENT ALLOCATION	TARGET
U.S. TIPS	11.90%	10.00%
Euro Bunds	27.40%	25.00%
U.S. Equities	4.90%	5.00%
Foreign Equities	5.80%	5.00%
Gold	49.50%	55.00%
T-Bills and Deposits	0.50%	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.
Friedberg Foreign Bond fund	19-Aug-96	10.00	30-Jul-10	9.84	$13,336,465	6.91%

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