

Quarterly Report

2

SECOND QUARTER
2020

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.

Second Quarter Report 2020

MESSAGE TO OUR INVESTORS

It is with pleasure that we report to you the financial results of our two hedge funds for the second quarter, ended June 30, 2020. The Global-Macro Hedge Fund gained 40.3%, but remains down 33.3% year-to-date. The Asset Allocation Fund gained 24% and is now down 22.3% year-to-date. When we last wrote to you, at the end of the first quarter, we outlined our approach to recovering from the sharp losses, namely, increasing the liquidity profile of the portfolio and boosting free cash by shifting into more capital-efficient positions in order to maintain our exposure to the market in anticipation of a quick recovery in asset values. We were able to hold to this plan and are encouraged by the positive results.

The gains in the Global-Macro Hedge Fund came primarily from three positions. Our long position in gold yielded a return of 13.1%, while long positions in equity index futures added 22%, and our exposure to US homebuilders added another 12.8%. The short crude oil position discussed in the last letter was closed but added 80 basis points for the quarter, and we re-entered our long commodity basket, which added another 1%. We took losses in Greek equities (-3.6%) and Australian banks (-5.8%). The Asset Allocation Fund benefited as well from the rally in gold, with gold miners contributing 17.1% to returns and gold futures adding 4.5%. Homebuilders and technology stocks added 5.7%, offset by a loss of 3.3% in Greek equities.

Despite our very long held constructive view and long-term position in Greek banks, we decided to exit our position. The decision was reached not because of a change of view on Greece itself, but rather a confluence of factors that made investing in any bank, anywhere, unpalatable. The combination of ultra-low or even negative interest rates proliferating around the world, as well as increasingly restrictive regulations, and the prospect for limited dividends and buybacks going forward, makes banks, globally, an un-investible asset class. These same factors represent a significant tailwind for our short positions in Australian banks.

Gold now represents our largest exposure by far, and we feel we are still in the early stages of a bull market in the precious metal. The case for gold has several pillars of support. For one, real interest rates (adjusted for expected inflation) continue to move even lower as nominal yields are forced down by central banks and inflation expectations creep higher. As real rates go deeper into negative territory, the opportunity cost of holding a zero-yielding asset decreases, and owning gold is ever more attractive. Moreover, while inflation expectations have started to rise in earnest from their March lows, the tremendous growth in money supply, and the fact that fiscal stimulus is being put directly into the hands of individuals with a high propensity to spend, speaks to much higher inflation down the road. Last, demand from investors has been extremely strong, with the total amount of gold held globally in ETFs swelling by 26% since the start of the year. These three factors alone speak to a huge potential move, and at the time of writing gold is within reach of all-time highs after a decade-long base.

As we enter the third quarter, gold represents a 142% exposure, a very concentrated but also extremely liquid position. We are also long a diversified basket of commodities, accounting for another 25% exposure. Both of these positions are set to benefit from the early stages of a resurgence in inflation. Nasdaq futures, the brightest spot in the equity universe, make up a 53.7% exposure and US homebuilders another 37.5%. Altogether, our tilt towards owning risk assets is very high, as the cumulative effects of quantitative easing and fiscal measures to support the economy through the COVID crisis have created a tremendous tailwind. Our sole short positions, discussed in previous letters, are in Australian banks, and these represent a 35% exposure. The Asset Allocation Fund is 35% long gold, 36% long gold miners, 21.6% long US homebuilders, and has a small position in a Greek property developer representing a 3.8% exposure.



ALBERT D. FRIEDBERG



JAIME A. MACRAE

NOTE FROM ALBERT

Humbling is the ex post realization of the ability of one's mind to shut off debate, to smother the yells of danger when infatuated by other thoughts. And humbling is the realization that there is a greater reservoir of strength in one's mind and soul than one ever suspects.

And both of these realizations are the result of what took place in my inner mind over the past six months. I had just written a eureka letter to shareholders in early January. I had come to the conclusion that bear markets were impossible so long as central banks were prepared to print money without constraint.

Born in a different time, when monetary authorities were still groping for an appropriate policy that focused primarily on attaining low inflation, I was late in coming to the realization that governments would not respect any sort of rule or constraint if faced by economic adversity. This realization gained ground towards the end of the nineties when the Fed, under the guidance of Greenspan, the "Maestro," began to use monetary policy in an aggressive manner to stimulate economic growth. ZIRP (zero interest rate policy) and then QE (quantitative easing) destroyed the last illusions that I harboured for the creation of an independent central bank. Central bankers were independent de jure, but de facto they were no better than our politicians. Under the cover of serious academic inquiry and innumerable papers, constraint gave way to rationalization that permitted almost any action as long as inflation was maintained around 2% per annum.

This essay is not about the damage these policies have done; I have written enough about that in previous communications. No, it's about telling you how I finally convinced myself that there was no need to worry about a serious bear market as long as "the Fed" could print money. Little did I know at the time how true those forebodings were. The pandemic has caused the Fed to give up any semblance of control over the production (printing) of money. At this time, money is growing at 28% to 30% per annum, its highest rate of growth since the Fed was founded in 1913.

But here lies the tragic irony. I became aware of the dangers of an epidemic in February and followed (with perhaps detached interest) its spread in China. By late February, markets had not only taken note of the gathering danger but had begun to signal serious trouble. A one-year long uptrend was broken. As someone who used to look at and pay attention to chart patterns and trends, I should have moved aside or taken refuge in hedges. But my newly acquired belief, that bear markets could not occur so long as central banks could act with impunity, softened, or rather smothered, the signs of danger and blinded me to the flashing red lights.

At first, I imagined the sense of danger to be overdone, overdramatized. This surely did not justify massive portfolio liquidations. Despite being highly leveraged, I thought only of trimming some holdings to put us in a stronger position when the recovery took place. But the decline accelerated, and brokers were threatening to bring the entire portfolio down. Excess margin became my single and only focus; I had to maintain a reasonable degree of margin at all costs.

My colleagues and I began computing excess margin every hour. But just as my mind had played a nasty trick on me and silenced the calls for taking refuge and escaping danger, that same mind and that same conviction gave me unsuspecting strength. Not only did it stop me from vomiting out our positions at their lows, but it sustained my belief that the initial premise was correct — that the Fed would save the day — and that all I had to do was preserve sufficient punch for the inevitable recovery. Sufficient punch meant preserving the same 3-to-1 leverage that we carried on the way down, without getting that fatal margin call. Positions that required heavy financing were exchanged for easier-to-carry-futures, sometimes at the cost of the potential for slightly better profits. Synthetic positions and derivatives were used to lighten the cash burden. Excess margin began to inch up.

As a result, the portfolio retained, almost miraculously, the same basic profile and character that it had prior to the onset of the decline. During the debacle, I saw an unusual opportunity to take advantage of a trade that could only, so I estimated, go our way, regardless of where the global economy was heading. The short oil trade was profitable and morale-building; we were fighting back and succeeding.

I regret that I missed the severity of the onrushing pandemic. The debacle left us just about 30% poorer. But the mind that misbehaved earlier on behaved marvellously well in the recovery – with conviction, clarity, and discipline. We now have the wherewithal to play a winning hand. That, readers, is humbling.

Thanking you for your continued trust,



ALBERT D. FRIEDBERG

*Friedberg
Mercantile*

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Group Ltd

Friedberg Asset Allocation Funds



Friedberg Asset Allocation Funds

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.

Performance¹ as of June 30, 2020

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Asset Allocation Fund Ltd.	1,417.04	24.45%	-15.54%	-3.88%	0.25%	1.86%
Friedberg Asset Allocation Fund	15.03 ²	23.97%	-16.76%	-3.94%	0.29%	1.82%
CSFB/Tremont Hedge Fund Index ³		N.A.	0.92%	1.57%	1.05%	3.62%

¹ Net of fees

² NAV adjusted to reflect distributions reinvested in the fund

³ Compounded annual rate of return through May 2020

2020 Attributions

Based on the Friedberg Asset Allocation Fund

	Q2	YTD
EQUITIES	19.50%	(27.50%)
Housing	4.20%	3.60%
Gold Stocks	17.10%	4.10%
Greece	(3.30%)	(21.20%)
Alphabet Inc A	0.60%	0.50%
Brazil	0.00%	(15.00%)
Indexes (EMINI NSDQ / EMINI S&P)	0.90%	0.50%
COMMODITIES	4.50%	5.20%
Gold	4.50%	5.20%
TOTAL	24.00%	(22.30%)

**Capital allocation of the Friedberg Asset Allocation Fund Ltd.
as of June 30, 2020 is as follows:**

INVESTMENT		CURRENT ALLOCATION	TARGET
EQUITIES		60.20%	60.00%
<i>U.S. and Australian Gold Miners</i>	35.30%		
<i>Greek Banks</i>	3.73%		
<i>U.S. Equities</i>	21.17%		
COMMODITIES		39.82%	40.00%
<i>August Gold Futures</i>	35.11%		
<i>September Mini-Nasdaq Futures</i>	4.71%		
CASH / MONEY MARKET		-0.02%	0.00%
		100.00%	100.00%

Friedberg Asset Allocation Fund Ltd.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	-3.85%	-16.37%	-21.36%	15.06	4.50	3.51							-21.31%
2019	2.63%	2.38%	-0.18%	1.19%	4.04%	3.11%	1.03%	-2.03%	-1.29%	5.06%	-1.62%	6.28%	22.19%
2018	3.62%	-6.33%	0.31%	-0.68	-6.06%	-2.29%	0.24%	-3.36%	-1.34%	-3.33%	0.07%	2.75%	-15.69%
2017	6.57%	2.07%	-0.54%	-1.54%	-1.12%	3.55%	1.31%	1.99%	-0.39%	1.38%	2.60%	2.32%	19.48%
2016	-3.94%	5.15%	3.28%	8.82%	-4.95%	7.51%	4.24%	-3.87%	1.15%	-4.46%	-5.46%	0.90%	7.18%
2015	3.45%	0.31%	-1.31%	-0.74%	-1.03%	-1.67%	0.74%	-2.21%	-2.67%	3.79%	0.91%	-2.86%	-3.49%
2014	3.55%	3.30%	-1.58%	0.25%	0.32%	3.29%	-2.41%	2.93%	-5.79%	-1.39%	2.06%	0.78%	4.94%
2013	0.91%	-1.21%	0.89%	1.47%	-5.07%	-7.09%	1.98%	-0.95%	1.22%	1.99%	-0.80%	-2.20%	-8.94%
2012	5.10%	-0.08%	-2.83%	-0.77%	-3.22%	1.21%	0.40%	0.72%	1.43%	1.24%	2.83%	-1.16%	4.70%
2011	-4.11%	4.18%	1.11%	5.56%	-1.67%	-1.98%	4.65%	5.15%	-2.86%	3.31%	-1.05%	-1.58%	10.52%
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%	16.14%
2009						0.38%	2.62%	0.09%	2.91%	0.53%	7.15%	-3.63%	10.13%

*** PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS ***

Friedberg
Mercantile
Group Ltd

Friedberg Global-Macro Hedge Funds



Friedberg Global-Macro Hedge Funds

Friedberg Global-Macro Hedge Fund Ltd. Friedberg Global-Macro Hedge Fund

A multi-strategy fund. Allocations are reviewed periodically.

Performance¹ as of June 30, 2020

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Global-Macro Hedge Fund Ltd.	1,545.85	41.48%	-33.79%	-20.51%	-11.85%	-10.08%
Friedberg Global-Macro Hedge Fund	9.17 ²	40.82%	-34.57%	-19.96%	-11.45%	-10.22%
CSFB/Tremont Hedge Fund Index ³		N.A.	0.92%	1.57%	1.05%	3.62%

¹Net of fees

²NAV adjusted to reflect distributions reinvested in the fund

³Compounded annual rate of return through May 2020

2020 Attributions

Based on the Friedberg Global-Macro Hedge Fund

	Q2	YTD
CURRENCY	(0.10%)	(-0.10%)
China	0.00%	0.10%
South Africa	(0.10%)	(0.20%)
COMMODITIES	14.90%	13.70%
Gold	13.10%	14.00%
Crude	0.80%	5.50%
Commodity Indices	1.00%	(5.80%)
FIXED INCOME	0.00%	1.10%
Ultrabonds	0.00%	1.00%
High Yield Corporate Bonds	0.00%	0.10%
EQUITIES	25.40%	(48.10%)
LONG		
Greece	(3.60%)	(24.30%)
Brazil	0.00%	(23.70%)
U.S.		
<i>Home Builders</i>	12.80%	(19.30%)
<i>CRISPR</i>	0.00%	(1.40%)
<i>Alphabet</i>	0.00%	(0.70%)
<i>Tesla</i>	0.00%	(1.30%)
<i>Pharmaceuticals</i>	0.00%	(1.50%)
<i>Amazon</i>	0.00%	(1.20%)
<i>S&P/Nasdaq</i>	22.00%	18.50%
SHORT		
India	0.00%	15.40%
U.S.		
<i>S&P / Nasdaq</i>	0.00%	(0.10%)
Australia	(5.80%)	(7.10%)
MONEY MARKET	0.00%	0.10%
TOTAL	40.30%	(33.30%)

Friedberg Global-Macro Hedge Funds

Friedberg Global-Macro Hedge Fund Ltd.

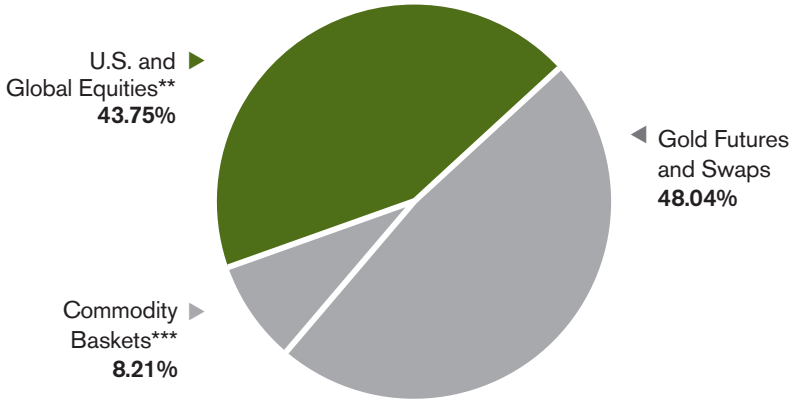
Monthly Performance (%) Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	-8.55%	-19.41%	-34.68%	26.35%	6.78%	4.88%							-31.89%
2019	-10.24%	-7.93%	1.86%	-1.68%	4.57%	-6.40%	-4.54%	6.83%	-2.08%	-3.45%	-3.89%	4.91%	-21.26%
2018	4.82%	-18.57%	4.07%	-3.39%	-13.97%	-5.66%	0.28%	-7.53%	0.32%	7.40%	-4.06%	6.31%	-29.03%
2017	0.23%	3.14%	-0.44%	-1.76%	1.05%	1.22%	-2.39%	2.14%	-0.77%	10.58%	15.85%	4.13%	36.47%
2016	4.54%	9.86%	-9.79%	0.72%	-3.39%	1.30%	3.67%	-6.83%	-1.93%	-10.13%	-3.70%	0.49%	-15.94%
2015	4.75%	-1.16%	2.73%	-14.00%	3.14%	0.08%	11.12%	6.69%	-0.21%	0.16%	5.70%	-2.68%	15.09%
2014	17.06%	0.30%	-17.58%	-3.84%	-3.35%	1.27%	-12.07%	5.19%	-4.38%	-1.53%	7.09%	1.60%	-13.70%
2013	7.65%	-3.74%	3.04%	-1.90%	-5.62%	-13.17%	-14.23%	-1.28%	-11.27%	-4.80%	4.84%	1.87%	-34.43%
2012	-15.04%	-5.20%	1.64%	8.84%	11.22%	-2.12%	-0.69%	1.00%	0.84%	0.70%	-2.43%	-5.29%	-8.72%
2011	-10.28%	7.67%	-0.71%	9.53%	-5.06%	-3.23%	15.96%	16.22%	18.69%	-21.76%	11.47%	4.60%	40.86%
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%	14.97%	-7.85%	9.47%	1.97%	5.02%	-2.21%	9.56%	-3.34%	12.02%
2008	7.18%	9.57%	-1.04%	-6.48%	4.51%	8.58%	-0.24%	-6.85%	4.18%	-5.96%	5.85%	19.06%	41.52%
2007	-1.01%	1.07%	-3.44%	-1.28%	-0.80%	1.57%	10.06%	2.80%	-1.33%	5.89%	7.91%	3.00%	26.27%
2006	1.88%	1.06%	-1.81%	2.07%	-0.75%	1.27%	2.04%	-0.09%	-0.56%	3.10%	2.43%	0.54%	11.64%
2005	1.04%	0.84%	-1.13%	1.31%	1.06%	2.47%	0.08%	0.95%	2.75%	-1.38%	2.56%	2.20%	13.41%
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%	13.09%
2003	3.11%	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%	0.32%	7.56%	21.17%
2001											0.00	-0.40%	-0.40%

*** PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS ***

Global-Macro Hedge Fund Ltd. (Cayman)

**Breakdown as a Percentage of Total Assets
AS OF JUNE 30, 2020**



Total Exposure per dollar of capital: 2.96x

Contains long/short positions *Bloomberg Commodity Index & MS Commodity Index

**Breakdown as a Percentage of Total Assets
AS OF MARCH 31, 2020**



Total Exposure per dollar of capital: 2.84x

**Contains long/short positions

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%
Friedberg Total Return Fixed Income Fund L.P.	19-Feb-97	100.00	28-Dec-11	325.47	\$11,776,462	8.27%
Friedberg Forex L.P.	13-Jun-91	10.00	28-Dec-11	11.78	\$2,558,382	2.66%
Friedberg Currency Fund	3-Jan-95	10.00	30-June-13	8.41	\$1,932,936	-0.93%

Friedberg
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