FRIEDBERG MERCANTILE GROUP LTD.

Quarterly Report

Q1 2023

FRIEDBERG MERCANTILE GROUP LTD.

2023 First Quarter Report

Message to our investors

FRIEDBERG MERCANTILE GROUP LTD.

We are pleased to report to you the financial results of our two hedge funds for the first quarter ended March 31, 2023.

The Global-Macro Hedge Fund fell 8.27% in the first three months, while the Friedberg Asset Allocation Fund eked out a small gain of 1.54%; neither result compares favourably with a passive position in the S&P, which gained 7.49%.

Our bearish stance on US technology stocks — a holdover from last year — is to blame for the poor performance of the Global-Macro Hedge Fund. Those shorts cost the fund 1,299 basis points (bps) in the opening weeks of the year. While we covered them early on, our overall bearishness persisted, which served the portfolio well when markets careened into a banking scare. The broad market has since recovered from those panic lows, but we remain quite negative about the prospects for the economy, guided by our monetarist interpretation of trends in money supply, which are contracting at an almost unprecedented pace. The coming liquidity crunch has become only more concerning in light of deposit flight from US regional banks, constraining the availability of credit, particularly to small and medium-size businesses. (More on this in the Letter from the Manager.)

Perhaps most acutely, we see a dire situation for REITs specializing in offices. Not only has "work from home" culture persisted, crimping demand and increasing vacancy rates, but these debt-laden property owners face continued upward pressure on funding costs. Portfolios built during more than a decade of ultra-cheap money and rapidly rising property values are struggling to adapt to these new conditions. And now, their primary source of funding, US regional banks — which punch well above their weight in the commercial real estate sector — are pulling back on lending. We hold a short position equal to 26.9% of net assets in a diversified portfolio of these office REITs, which added 62 bps to the Global-Macro Hedge Fund in the first quarter.

Funding cost pressures also affected residential mortgage demand and the affordability of homes. The builders have performed remarkably well and may indeed escape the worst of this credit-and-rate cycle. However, as we are generally uncomfortable with owning any risk assets (with one exception), we stepped aside for the time being, realizing 457 bps in the first quarter. The long-term case for homebuilders has not changed, and we could view a significant selloff as an opportunity.

What remains of our equity exposure consists of short positions in some overseas banking sectors, each for its own specific reason. In India, we have long been concerned about bank balance sheets loaded with bad debt, despite some recent improvements. So when a large and heavily indebted group of companies, with reach into many sectors of the Indian economy, came under attack by activist short sellers — for reasons we were ourselves exploring, anticipating a blow up — we took a short position in the banks, believing we might have found a catalyst for a significant selloff. The selloff didn't occur, the trade cost us 4 bps, and as of the time of writing, we have largely exited the position. In Australia, we took a similar short view, predicated on a potential housing crisis in a country where cheap loans fueled a huge housing boom. Again, the selloff didn't come. We earned 186 bps, and at time of writing, we have covered most of the short. Luckily, we were substantially short banks when the US banking system faced one of its largest failures and sparked serious worries about a cascading contagion, allowing us to escape unscathed the volatility that followed.

Also fortunate, in the weeks preceding the crisis, we became less enthusiastic about our long position in Japanese banks. Kazuo Ueda, the named successor to BOJ Governor Kuroda, is likely to continue with current policy. As a result, the end of YCC — a necessary precondition for a substantial move higher — may take longer than expected. Moreover, we found the position increasingly popular and grew concerned about overcrowding in a less liquid market. We opted to take a partial profit near what turned out to be market highs and took only a small loss when banks came under pressure after the collapse of Silicon Valley Bank (SVB). With the combined impact of the yen and the small exposure to industrial companies, Japan cost us 161 bps and is no longer an exposure in the fund.

We now have a very focused portfolio, consisting principally of a pairing of gold vs. commodities. The decline of the dollar, caused in part by a steep drop in terminal rate expectations built into forwards, has alleviated pressure on gold. Central banks, meanwhile, continue their streak of purchases, adding 74 tons in January and 52 tons in February — roughly 8.6 billion dollars of bullion — with about half going to China. We have long anticipated a reallocation of Chinese reserves away from dollar assets (subject to sanctions or confiscation), and their continued purchases have the potential to drive gold prices considerably higher. With the financial stability of the US banking sector in question and in anticipation of a descent into recession, we can expect further bouts of risk aversion inviting more retail interest in gold. We have an 86% exposure, entered during this recent breakout. For the quarter, it cost 134 bps.

Given the contraction of money we are witnessing globally and the failure (so far) of the Chinese re-opening to drive demand higher, commodities seem more generally poised to fall as economies around the world lose steam. Much as they behaved as a harbinger of global inflation, they now point to underlying weakness in economic activity, though this may change. Whereas equities may look past such a contraction and react positively to the prospect of lower interest rates, commodities are current assets and will reflect current economic conditions. We have a short position equal to 89% of assets, allocated to a broad basket of commodities excluding precious metals. This position contributed 230 bps to performance.

In our previous letter we discussed our bold option bet on short rates, targeting a Secured Overnight Financing Rate (SOFR) north of 6%. One-year forward SOFR peaked at 5.60% just days before SVB collapsed. Concerned that the coming recession would limit the potential to reach our earlier target, we opted to sell a large portion of our position right before the rate fell more than 150 bps in just a few days — a reaction on par with the advent of the pandemic. We realized a gain of 110 bps for the quarter.

The Friedberg Asset Allocation Fund earned 433 bps in homebuilders but realized small losses on its other exposures. Gold and gold miners cost the fund 146 bps, Japan cost 45 bps, natural gas forwards cost 46 bps, and cannabis cost 33 bps. As we start the second quarter, we are holding an inordinate amount of cash, having liquidated homebuilders and gold miners. This 39% cash allocation provides protection from the anticipated decline in risk assets while bolstering our ability to pursue new opportunities as we find them.

ALBERT D. FRIEDBERG **JAIME A. MACRAE**

FRIEDBERG MERCANTILE GROUP LTD.

Three months ago, we concluded our discussion by noting that the Fed's "erratic monetary policy will continue to play havoc with expectations. Just as the investment community was unprepared for the inflation of 2021-22, it is equally unprepared for the depth of the ongoing recession cum deflation."

Signs of the latter are beginning to pile up daily. The decline in corporate profits is accelerating (usually the single best indicator of recession). Disinflation and even deflation are visible everywhere, with the exception of administered prices, some slow-moving and slow-adjusting services, and inadequately measured services like rents. Unemployment claims have risen by a sufficient enough margin to foreshadow the immediacy of rising unemployment. Credit downgrades have overtaken credit upgrades for the first time in this cycle, bank credit has tightened the most since the pandemic-related recession, commercial real estate prices have fallen dramatically, forcing increasing debt defaults, and so on.

We are not just walking into a coming recession. Rather, we are already sliding into what could turn out to be the worst economic recession since the mid-seventies. Credit stresses, which we discuss below, are likely to cause many more bank failures than seen to date (as in the savings and loan crisis of the late eighties). And while the situation won't pose a threat to the largest too-big-to-fail institutions, it will affect overall lending; in turn, that will lead to further contraction of the money supply. Shrinking money supply will deepen the recession considerably and, what's just as bad, for an indeterminate but prolonged period of time.

For a macro investor, there are three fundamental questions to answer: What's causing this recession to deepen and extend? What's the root cause of this problem? And what signals can we depend on to know that the worst is over?

The answer to the first question is relatively simple: the significant decline in real purchasing power. Aggravating the situation is the fact that money supply growth has turned negative on a year-over-year basis. Private money balances are no longer able to sustain the inflated level of prices. This is another way of saying that real monetary balances have contracted. Kept long enough, this state of affairs has always been a leading cause of economic contraction. The recession that we are in will continue to deepen so long as the Fed fails to restore real monetary balances to where they were prior to the explosion in prices.

What is causing real monetary balances to shrink? To combat overheating and inflation, the Fed chose, in the past, to raise interest rates — generally above the rate of inflation. Experience and the Taylor rule or some modified version of it supported this modus operandi. The last such occasion was 2006, when the Fed raised rates to 5.25%, 285 basis points above the running rate of inflation. Last year was different. The Fed chose to ignore this rule, perhaps fearing that it would be too drastic a rise off a zero floor (at one point, the Taylor rule "recommended" a 9% Fed Funds rate). Instead, the Fed raised rates by between 25 and 75 basis points, incrementally, to arrive at the present 4.9%. Compared against the last 12 months' rate of inflation (as measured by the Consumer Price Index), Fed Funds are still slightly negative, though the comparison is more favourable against the past three or six months' rate of inflation. It appears that the Fed has decided for now to aim at a rate that is only slightly above the rate of inflation. Well and good if it could remain like that forever and ever.

How then did inflation rates fall when interest rates, for most of the past year, remained well below the rate of inflation? The answer lies in the behaviour of money. Because the Fed had begun to pay interest on commercial bank reserves, and because this privilege became meaningful once rates lifted off the zero level, banks began to choose risk-free deposits (which can be drawn down on a moment's notice) over Treasuries. While loans continued to increase, bank credit (made up of loans plus holdings of Treasuries and Agencies) slowed to a crawl.

As a result, money creation — deposits in the hands of non-bank owners — slowed to a crawl, too. For all of 2022, money supply (M2) declined by 1%. For the second half of 2022, money supply declined at an annualized rate of 3.1%. For the past six months, it has declined at an annualized rate of 5.3%.

The policy of paying interest rates on reserves (IOER) was first implemented in 2008-09 to stop growing bank reserves — a product of quantitative easing — from interfering with the Fed's efforts to maintain a steady Funds rate. For most of the past decade, this policy allowed some risk-averse banks to maintain reserves at the Fed at minimal returns while other banks expanded their credit. The net result was that deposits grew at a relatively modest pace.

Subsequently, multiple rounds of QE swelled bank reserves. By 2020-21, banks began to draw reserves on a massive scale, purchasing Treasuries to earn returns over and above the meagre Fed Funds rate and to profit from prospective capital gains on longer-duration bonds. In a spectacular demonstration of the power of the monetary base to create new private deposits (the monetary-base-to-bank-deposits multiplier effect), deposits in the hands of the non-bank public soared. Money supply exploded, and inflation took off.

This story began to reverse as soon as the Fed raised rates in earnest, increasing the incentive for banks to keep their reserves at the Fed. Bank purchases of Treasuries slowed first, and by the end of last year, bank holdings of Treasuries ceased to grow altogether. In effect, the inverted yield curve turned IOER into the most attractive investment option for banks anywhere. Since year end, Treasury holdings of banks have been falling, and bank credit expansion has had to depend entirely on increases in loans. As the economy weakens, however, loans will weaken, too. Unless banks resume purchasing Treasuries, money supply will continue to shrink, perhaps even at an accelerated pace.

Engaging in QE was fun while it happened. Rates were repressed, and every asset in the world rose in price. Money was being created out of thin air, seemingly at no cost. Did the Fed really realize the risk it was taking? The consequent increase in bank reserves created a serious and almost intractable problem. How was the Fed going to stop banks from creating too much money on the back of this huge level of reserves? If rates were kept too low (as happened in 2020-21), profit-maximizing banks would use these reserves and dramatically expand bank credit and its counterpart, money supply. This, as explained above, is precisely what happened in those years. If, on the contrary, rates were raised or kept high, banks would likely choose to maintain reserves at the Fed and bank credit would eventually stop growing (as has been happening since mid 2022).

The Fed realized that the longer-term solution was to undo the QE madness and to reabsorb these reserves by a reverse QE. Dubbed Quantitative Tapering (QT), this operation commenced in mid 2022. The Fed was going to allow its investment portfolio to run off at a rate of 95 billion dollars per month. QT was designed to withdraw all the excess reserves created by QE over a period of three to four years. (It would still allow a larger-than-normal level of funds in the system so as not to choke liquidity.) While the Fed began QT in mid-2022, it has not yet made a dent in reserves, mostly because the Fed has simultaneously been offsetting withdrawals of reserves by providing new reserves to banks that find themselves in need of liquidity (through the Discount Window and the newly established emergency lending facility against Treasuries).

The three to four trillion dollars of excess reserves will continue to create serious headaches in monetary policy. Rates that are kept too low (especially by restoring a positive yield curve at the short end) will unleash a dramatic multiplication of deposits via new Treasury purchases and loans. The result will be a new and even more serious bout of inflation. Contrarily, keeping rates attractive enough for banks to prefer them over other investments will flatten the growth of bank credit and its counterpart, private deposits, with negative effects on economic activity.

Over and above a worsening of the ongoing economic recession, we are facing a financial crisis, also a product of the Fed's erratic policies. To absorb the huge amounts of money sloshing around aside from bank reserves, the Fed has offered reverse repurchase agreement facilities to non banks (mainly money market funds and certain institutions) at 10 basis points below the Fed Funds rate. This attractive risk-free facility has allowed low-cost money market funds to lure investors away from small and medium-size banks by offering much higher rates of interest. Depositors are flocking to money market funds, causing a painful dis-intermediation. In addition, large non-insured depositors, aware that many small and medium-size banks are threatened by falling commercial real estate prices and by the negative effect of rising rates on their securities and general loan portfolios, have begun to withdraw their money from these banks and move it to liquid money market funds. The combination of shrinking margins, rate competition, impaired assets, and withdrawals will lead to many more failures like those of Silicon Valley Bank and Signature Bank. The ongoing recession will certainly be aggravated by this financial crisis.

The way out is complicated, at best. Of course, lower rates will eventually stop the leakage of deposits. But as discussed earlier, it's not enough simply for the overall level of rates to fall. The yield curve also has to steepen. And as noted earlier, if not conducted with the utmost care, lowering rates could cause a new explosion in the quantity of money, given the still huge level of bank reserves. Lower rates, at least initially, should help real estate prices recover (by way, for example, of lower cap rates) and will almost certainly lift equity prices. But persistent and re-accelerating inflation will cut short this recovery.

What the Fed does to deal with its almost unmanageable level of reserves is key to monetary policy in coming years and, by derivation, to inflation and economic activity.

Thanking you for your continued trust,

ALBERT D. FRIEDBERG

Friedberg Asset Allocation Funds

FRIEDBERG MERCANTILE GROUP LTD.

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.

PERFORMANCE[1] AS OF MARCH 31, 2023

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Asset Allocation Fund Ltd.	1,367.52	0.91%	-10.42%	6.30%	-4.28%	-0.84%
Friedberg Asset Allocation Fund	14.61[2]	1.43%	-9.40%	6.42%	-4.29%	-0.72%
CSFB/Tremont Hedge Fund Index[3]		N.A.	0.89%	8.58%	4.18%	3.89%

[1] Net of fees [2] NAV adjusted to reflect distributions reinvested in the fund [3] Compounded annual rate of return through March 2023

Capital Allocation of the Friedberg Asset Allocation Fund Ltd.

Investment		Current Allocation
EQUITIES		21.81%
International Gold Miners	10.65%	
Global Natural Resources	8.87%	
Cannabis Producers & Distributors	2.29%	
COMMODITIES		35.04%
Gold Futures	30.89%	
Natural Gas Futures	4.15%	
CASH / MONEY MARKET		43.15%
		100.00%

Quarterly Performance
Based on the Friedberg Asset Allocation Fund

EQUITIES	**2.60%**
U.S. Homebuilders	4.33%
International Gold Miners	-0.98%
Cannabis Producers and Distributors	-0.33%
Global Natural Resources	0.02%
Japanese Banks Topix Index Futures* **Denominated in Japanese Yen*	0.28%
Japanese Yen	-0.73%
COMMODITIES	**-0.90%**
Gold	-0.44%
Natural Gas	-0.46%

Monthly Performance (%) Net of Fees
Based on the Friedberg Asset Allocation Fund Ltd.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	7.94	-6.09	-0.45										**0.91**
2022	-9.29	2.32	-1.25	-3.57	-0.51	-10.58	4.85	-4.10	-6.97	2.50	8.61	-0.62	**-18.62**
2021	-1.57	-2.81	5.00	6.74	4.83	-6.42	2.51	-3.29	-4.95	6.09	0.42	6.02	**11.94**
2020	-3.85	-16.37	-21.36	15.06	4.50	3.51	11.99	0.52	-3.31	-4.58	-1.87	3.01	**-17.38**
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 Fund Ltd.
Friedberg Global-Macro Hedge Fund

A multi-strategy fund. Allocations are reviewed periodically.

PERFORMANCE[1] AS OF MARCH 31, 2023

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Global-Macro Hedge Fund Ltd.	3,078.49	-8.56%	-12.27%	41.24%	-3.12%	-6.14%
Friedberg Global-Macro Hedge Fund	18.31[2]	-8.45%	-12.03%	41.15%	-3.10%	-6.12%
CSFB/Tremont Hedge Fund Index[3]		N.A.	0.89%	8.58%	4.18%	3.89%

[1] Net of fees [2] NAV adjusted to reflect distributions reinvested in the fund [3] Compounded annual rate of return through March 2023

Quarterly Performance
Based on the Friedberg Global-Macro Hedge Fund

COMMODITIES	**0.31%**
LONG	
Gold	-1.34%
Sugar	-0.11%
Crude	0.06%
SHORT	
Crude	-0.60%
Commodity Indices	2.30%
FIXED INCOME	**1.26%**
LONG	
U.S. Treasuries	0.16%
SHORT	
SOFR Options	1.10%
EQUITIES	**-8.96%**
LONG	
Japan	
Japanese Banks Topix Index Futures* **Denominated in Japanese Yen*	1.48%
Japanese Industrials	0.15%
Japanese Yen	-3.24%
Japan Total	**-1.61%**
U.S. Homebuilders	4.55%
Cannabis Producers & Distributors	-0.39%
Newmont Corp.	-0.99%
SHORT	
Australian Banks	1.86%
U.S. Equity Index Futures	-0.71%
Amazon.com Inc.	-1.34%
Nvidia Corp.	-3.30%
Tesla Inc.	-4.65%
Salesforce Inc.	-2.08%
Apple Inc.	-0.90%
U.S. REITs	0.62%
India	
Indian Banks	-0.08%
Indian Rupee	0.04%
India Total	**-0.04%**

Monthly Performance (%) Net of Fees
Based on the Friedberg Global-Macro Hedge Fund Ltd.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	-0.97	-6.57	-1.17										**-8.56**
2022	3.22	28.55	1.02	3.35	-0.04	-15.33	0.49	-11.22	-11.60	13.49	9.81	11.60	**28.59**
2021	0.56	7.91	4.43	7.41	9.42	-8.65	3.45	-9.85	1.95	-0.33	0.29	12.09	**29.60**
2020	-8.55	-19.41	-34.68	26.35	6.78	4.88	30.59	4.78	-10.18	-9.35	8.90	7.70	**-10.99**
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.

Friedberg Global-Macro Hedge Funds

FRIEDBERG MERCANTILE GROUP LTD.

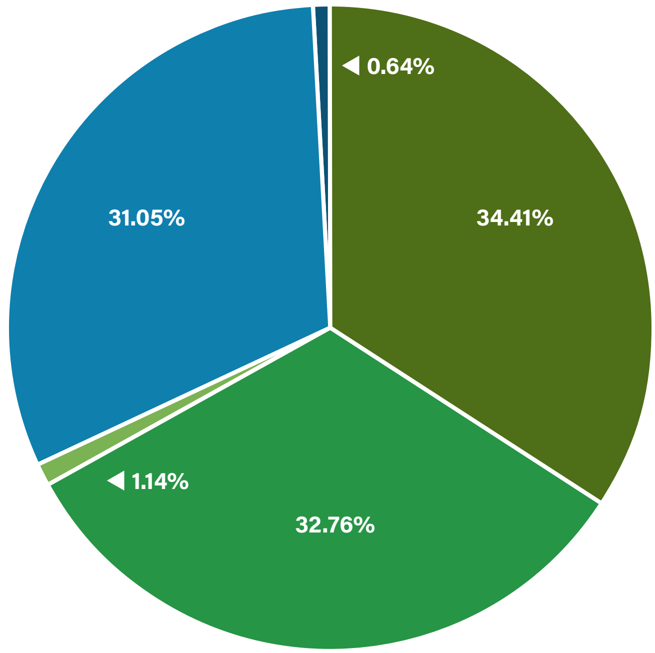
AS OF MARCH 31, 2023

Percentages of Total Assets

Percentages of Total Net Assets

- **Equities (Short)** **34.41%**
  Tesla, US Reits, Austrailian Banks, Indian Banks
  As a % of Net Assets: 95.33%
- **Commodities** **32.76%**
  BCOM (exP-M, Base Metals) (Short), Brent Crude Call Options (Long)
  As a % of Net Assets: 90.78%
- **Gold (Long)** **31.05%**
  As a % of Net Assets: 86.03%
- **Fixed Income (Short)** **1.14%**
  As a % of Net Assets: 3.16%
- **Equities (Long)** **0.64%,**
  Miscellaneous
  As a % of Net Assets: 1.77%

Total Assets to Net Assets: 277.06%



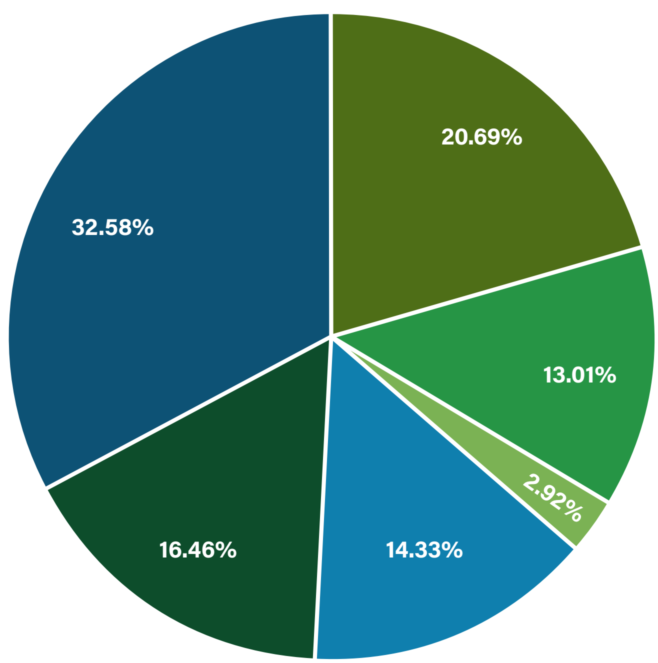
AS OF DECEMBER 31, 2022

Percentages of Total Assets

Percentages of Total Net Assets

- **Equities (Long)** **32.58%**
  Japan Topix Banks and Industrials
  (Denominated in Japanese Yen),
  Miscellaneous
  As a % of Net Assets: 83.06%
- **Equities (Short)** **20.69%**
  US Tech Companies
  As a % of Net Assets: 52.75%
- **Equities (Long)** **16.46%**
  US Homebuilders
  As a % of Net Assets: 41.96%
- **Gold (Long)** **14.33%**
  As a % of Net Assets: 36.52%
- **Commodities** **13.01%**
  Sugar (Long), Brent Crude (Short)
  As a % of Net Assets: 33.15%
- **Fixed Income (Short)** **2.92%**
  As a % of Net Assets: 7.45%

Total Assets to Net Assets: 254.90%



Closed Funds

FRIEDBERG MERCANTILE GROUP LTD.

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%

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