

FRIEDBERG MERCANTILE GROUP LTD.

Quarterly Report



*Friedberg
Mercantile
Group Ltd.*



2024 **Second Quarter Report**

Message to our Investors	2
Letter from the Manager	3
Friedberg Asset Allocation Funds	5
Friedberg Global-Macro Hedge Funds	7
Closed Funds	10

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.

We are pleased to report to you the financial results of our two hedge funds for the second quarter ended June 30, 2024.

The Global-Macro Hedge Fund lost 4.29% during the three-month period, with the year-to-date change showing a small loss of 0.96%. The Friedberg Asset Allocation Fund posted a small gain of 0.29% and year-to-date performance of 7.18%. By comparison, the broad market (as defined here by the S&P total return) rose 15.3%.

All told it was a quiet quarter, with small changes in most corners of the portfolio. The only notable exceptions were US homebuilders, which cost 537 basis points (bps) in the Global-Macro Hedge Fund and 249 bps in the Friedberg Asset Allocation Fund, and gold and gold miners, which added 362 bps to both funds. In each case, these, our largest positions, have shown strong performance in the early weeks of the third quarter.

The relative outperformance of the Asset Allocation Fund over the more aggressive Global-Macro Fund is impressive and attributable largely to differences in structure and size. For one, the smaller fund was able to concentrate more of its gold exposure in Agnico Eagle Mines rather than bullion itself. This best-in-class gold company staged an impressive rally this year, outperforming gold itself by some 20% year-to-date. Moreover, because the Asset Allocation Fund is unlevered and long-only, it lends itself well to high-conviction but passive long-term positioning. The low turnover has left us with a portfolio substantially unchanged from the last quarter, with 32.4% allocated to gold miners, 23.1% in gold bullion, 22.5% in US homebuilders, 9.8% in tanker stocks, 5.2% in coal miners, and 4.6% in long-term US Treasuries.

The Global-Macro Hedge Fund is exposed to the same array of positions, although it is significantly more concentrated in gold and homebuilders, which represent 120% and 42% respectively. These familiar exposures have been discussed at length in prior letters. A few small exposures to commodities — long cocoa (7.25%), long platinum (2.66%), and short base metals (9.08%) — alongside a small position in equity index puts round out the portfolio, which at 2x notional exposure is considerably less leveraged than is typical of this strategy.



ALBERT D. FRIEDBERG



JAIME A. MACRAE

It's still all about money.

Not much of significance has changed since the end of last quarter. At the time, I noted that "the inevitable economic reckoning predicted so many times in the last two years (crying wolf?) still lies ahead." I still believe that this is the base case, especially now that fiscal spending has moderated somewhat (see our discussion of fiscal spending and velocity in last quarter's letter).

The rate of inflation has subsided considerably, the result of a highly restrictive monetary policy. After attaining its peak in mid-2021, almost 40% higher than the same month two years earlier, the rate of growth of money supply plunged into negative territory in mid-2023 and has remained slightly negative ever since. Measured by this standard, this is the tightest money has been since 1993-1994. Encouragingly, the earlier episode gave rise to a bull market in assets that lasted six to seven years once money growth returned to a positive pace of 10% to 15%.

Many argue that something similar may be expected now, once money growth resumes a positive course. In their view, the present tightening phase should not be seen as bringing on deflation and, subsequently, recession, as we have been arguing. They reason that the present tightening phase was preceded by a far larger rise in money growth than the period preceding 1993; negative money growth now, they say, is simply offsetting the previous surge. The rebalancing, they offer, should bring us back to a Goldilocks path, not too hot, not too cold. Our counter is that the large increase in prices in the 2021-2022 period absorbed most if not all of the higher money balances, leaving us with no *real* excess balances to work off. Consequently, the present restriction is far more severe than the one experienced 30 years ago.

The effects of this historic restriction are already being felt. Following a six- to 12-month period of disinflation, deflation has begun to be felt in various sectors of the US economy and now appears to be spreading. Evercore ISI reports that their recently released third-quarter survey of 47 companies shows a new post-2018 low in pricing power. They also report the lowest diffusion index for wage growth expectations since the survey began (2014) and note that the retail price deflator for June showed roughly zero inflation year-over-year (yoy) for consumer goods. Internationally, China's GDP price deflator in 2Q posted a deflationary -0.7% yoy. This global trend toward deflation is confirmed by the Bloomberg Commodity Index, ex precious metals, which has now resumed its long downtrend and broken to new lows.

As unexpected deflation gathers speed, businesses will be forced to shed labour and the US will almost certainly enter a recession. That moment can't be too far off. We expect the Fed to begin lowering rates no later than September and to continue doing so at every subsequent meeting for at least the next 12 months. Short-term rates should fall well below 3% during this period.

Will falling rates and expectations of continuing falling rates cause bank credit (and money supply) to grow at rates that will permit deflation to end and economic activity to recover? How soon will relief come? That will

depend on whether commercial banks will be willing to exchange their well remunerated reserve balances at the Fed for long-term Treasuries and the possibility of earning capital gains. The sooner they shift to buying bonds, the sooner bank credit and thus money supply will begin to grow. Working against immediate results is the existence of a steeply inverted yield curve. Commercial banks will need to accept much lower rates than those they are currently receiving for maintaining balances at the Fed. To encourage the shift, the Fed will need to act swiftly to lower Fed Funds well below the yields on five- to 10-year maturities.

Will the bullish impact on equity prices from lower rates overcome the bearish impact that comes from shrinking earnings? We are agnostic for now on this point but firmly believe that our two principal positions will, on net, be affected very favourably. Gold responds almost unequivocally to lower interest rates and is not affected by falling economic activity. Homebuilders, for their part, stand to benefit from lower rates and an accumulated housing deficit of nearly seven million units.

Last but not least, ugly geopolitical events are rearing their heads; world peace hangs by a very thin thread. That at least one of a number of ongoing conflicts can escalate into a major war, even a world war, represents a non-trivial probability. Here, too, our portfolio should offer good initial protection, at least in conditions that are short of outright catastrophe.

Since we hate to end comments on this dark note, we direct our readers and unitholders to go back and read our penultimate paragraph. We look forward to a very profitable second half.

Thanking you for your trust,



ALBERT D. FRIEDBERG

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.

PERFORMANCE¹ AS OF JUNE 30, 2024

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Asset Allocation Fund Ltd.	1,495.82	-0.20%	11.98%	-1.49%	-2.27%	0.15%
Friedberg Asset Allocation Fund	15.94 ²	0.31%	12.02%	-1.34%	-2.46%	0.24%
CSFB/Tremont Hedge Fund Index ³		N.A.	11.05%	5.30%	6.20%	4.26%

¹ Net of fees ² NAV adjusted to reflect distributions reinvested in the fund ³ Compounded annual rate of return through June 2024

Capital Allocation of the Friedberg Asset Allocation Fund Ltd.

INVESTMENT	CURRENT ALLOCATION
EQUITIES	84.78%
International Gold Miners	50.32%
U.S. Homebuilders	22.53%
Oil Tankers	7.00%
Cannabis Producers and Distributors	3.33%
Coal Producers	1.60%
COMMODITIES	9.45%
Gold Futures	5.25%
Ultrabond Futures	4.20%
CASH / MONEY MARKET	5.77%
	100.00%

Quarterly Performance

Based on the Friedberg Asset Allocation Fund

	Q2	YTD
EQUITIES	0.35%	6.54%
International Gold Miners	2.68%	6.02%
Tankers	1.19%	2.11%
Uranium Producers	0.00%	0.15%
Coal Producers	-0.44%	-0.32%
Cannabis Producers and Distributors	-0.59%	0.17%
U.S. Homebuilders	-2.49%	-1.59%
COMMODITIES	0.49%	1.27%
Gold Futures	0.94%	2.56%
Ultrabond Futures	-0.07%	-1.16%
Brent Crude Futures	-0.38%	-0.13%

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	-0.28	-2.68	10.45	0.13	3.02	-3.25							6.97
2023	7.94	-6.09	-0.45	0.71	-3.10	0.09	2.29	0.49	-3.79	-1.65	5.20	2.32	3.19
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 Global-Macro Hedge Fund Ltd. Friedberg Global-Macro Hedge Fund

A multi-strategy fund. Allocations are reviewed periodically.

PERFORMANCE¹ AS OF JUNE 30, 2024

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Global-Macro Hedge Fund Ltd.	2,333.39	-3.96%	-11.55%	-1.72%	-0.01%	-3.25%
Friedberg Global-Macro Hedge Fund	13.79 ²	-3.97%	-12.06%	-1.97%	-0.33%	-3.11%
CSFB/Tremont Hedge Fund Index ³		N.A.	11.05%	5.30%	6.20%	4.26%

¹ Net of fees ² NAV adjusted to reflect distributions reinvested in the fund ³ Compounded annual rate of return through June 2024

Sector Performance Based on the Friedberg Global-Macro Hedge Fund

	Q2	YTD		Q2	YTD
COMMODITIES	1.88%	9.23%	EQUITIES	-5.84%	-3.08%
LONG			LONG		
Gold Futures	2.61%	6.20%	Gold Companies	1.01%	1.34%
Cocoa Futures	0.03%	0.03%	Micron Technology Inc.	0.64%	1.00%
Brent Crude Futures	-0.98%	2.03%	Oil Tankers	0.58%	0.77%
SHORT			Coal Producers	-0.10%	-0.49%
BCOM Industrial Metals Index	0.22%	0.97%	Advanced Micro Devices Inc.	-0.16%	-0.16%
FIXED INCOME	1.03%	-4.75%	Cannabis Producers and Distributers	-0.71%	0.36%
LONG			U.S. Homebuilders	-5.37%	-3.27%
Ultrabond Futures	0.65%	-5.02%	SHORT		
U.S. T-Bills	0.39%	1.29%	SPDR S&P Regional Banking ETF	0.00%	-0.09%
U.S. Treasury Notes	0.00%	-0.18%	U.S. Real Estate Investment Trusts	0.00%	-0.22%
SOFR Options	-0.01%	-0.84%	Alphabet Inc.	0.00%	-0.24%
			U.S. Equity Index Options	-0.57%	-1.65%
			Apple Inc.	-1.16%	-0.43%

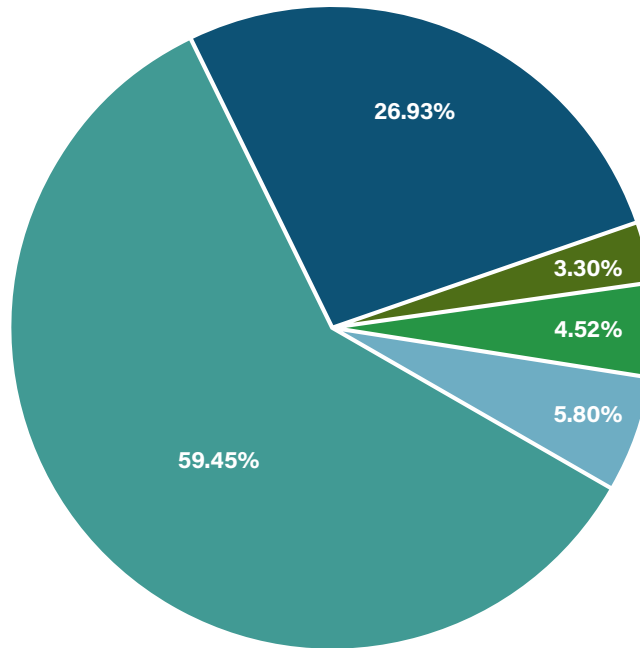
AS OF JUNE 30, 2024

Percentages of Total Assets

Percentages of Total Net Assets

- ▶ **Commodities (Long) 59.45%**
Gold, Platinum and Cocoa
As a % of Net Assets: 119.41%
- ▶ **Equities (Long) 26.93%**,
Equities: Homebuilders, Gold Miners,
Tankers, Coal Swaps and Miscellaneous
As a % of Net Assets: 54.10%
- ▶ **Fixed Income (Long) 5.80%**
Derivatives: SOFR Options
As a % of Net Assets: 11.65%
- ▶ **Commodities (Short) 4.52%**
BCOM Industrials
As a % of Net Assets: 9.08%
- ▶ **Equities (Short) 3.30%**
Equities: SPY Options and Russell Options
As a % of Net Assets: 6.63%

Total Assets to Net Assets: 200.87%



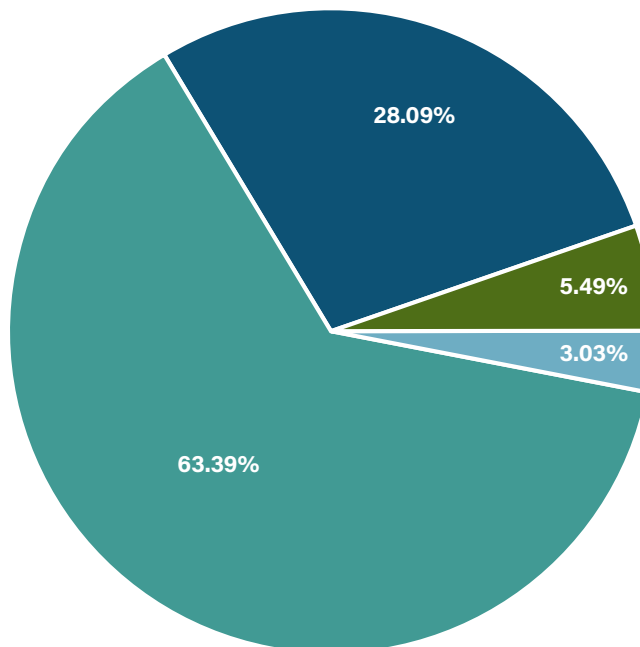
AS OF MARCH 31, 2024

Percentages of Total Assets

Percentages of Total Net Assets

- ▶ **Commodities (Long) 63.39%**
Gold, Brent Futures and Options
As a % of Net Assets: 153.90%
- ▶ **Equities (Long) 28.09%**,
Equities: Homebuilders, Gold Miners,
Tankers, Coal Swaps and Miscellaneous
As a % of Net Assets: 68.20%
- ▶ **Equities (Short) 5.49%**
Equities: US Tech and SPY Options
As a % of Net Assets: 13.32%
- ▶ **Fixed Income (Long) 3.03%**
Ultra Bonds
As a % of Net Assets: 7.37%

Total Assets to Net Assets: 242.79%



Monthly Performance

Based on the Friedberg Global-Macro Hedge Fund Ltd.

(%) Net of Fees

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	-6.27	-5.75	16.95	-0.26	2.16	-5.75							-0.78
2023	-0.97	-6.57	-1.17	0.52	2.26	-16.63	-10.95	0.52	-9.74	2.62	1.83	5.58	-30.15
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.

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%

FRIEDBERG
MERCANTILE
GROUP LTD.