

FRIEDBERG MERCANTILE GROUP LTD.

Quarterly Report

Q4
2024

*Friedberg
Mercantile
Group Ltd.*



2024 **Fourth Quarter Report**

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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.

We are pleased to report to you the financial results of our two hedge funds for the fourth quarter and full year ended December 31, 2024.

The Global-Macro Hedge Fund (GMHF) lost 7% in the final quarter, ending the year up 19.5%. The Friedberg Asset Allocation Fund (AAF) performed similarly, losing 5.1% in the quarter and ending the year up 17.5%. The broad market, defined as the total return on the S&P500 index, was up 25% for the year, outpacing the funds.

Over the quarter, the focus of the funds narrowed somewhat. Our exposure (and the performance), was dominated by three core exposures: gold, cocoa, and homebuilders. The past few months saw rather extreme volatility in all of these exposures, though most significantly in cocoa, which surged 114% from trough to peak in Q4. Along the way, our exposure grew to nearly 25% before we started pruning the position down to the 15% exposure we ended the year with. This position also netted the largest gain for the period, adding 920 basis points (bps) to performance. Cocoa prices, untethered from typical price ranges, surged to new highs as crop reports continued to disappoint. The volatility also drove away a lot of speculative activity, with hedge funds retreating from the market amidst unmanageable price swings. The impact of declining volumes on market liquidity adds to the setup for a potentially unbounded rally to higher prices yet, akin to the massive surge in some commodity prices (cocoa included) experienced in the latter years of the 1970s.

While not as attention-grabbing as the surge in various speculative pockets of the market (such as bitcoin), the yield curve for US Treasuries has undergone a meaningful and historic shift in the wake of Donald Trump's re-election. Over the quarter, we saw overnight rates come down by 50 bps as the Fed cut rates; at the same time, 30-year yields climbed nearly 70 bps. All together this was a steepening of nearly 120 bps inside three months and a shift from a 70-bp inversion (spot to 30 years) to a 50-bp positively sloped curve.

Rising long-term rates were particularly damaging to our homebuilders, at least in terms of market sentiment if not actual earnings. Throughout December, this group sold off steadily, prompting us to reduce our exposure but not to exit completely. Unfortunately, the shares now trade back where they were in early summer, before a weak turn in employment data signaled an imminent shift in the Fed's policy rates, which prompted a rapid 30% rally in the stocks. Put most simply, we overstayed.

We continue to believe in the long-term prospects for US homebuilders. They continue to take market share from highly fragmented private builders in an undersupplied market that may take a decade or longer to satisfy pent-up demand. We may, however, have to wait for interest rates to stabilize or improve for this theme to contribute positively once again. For the quarter, homebuilders cost the fund 520 bps, and for the year they contributed a meagre 60 bps. At the time of writing, we have exited the position entirely, in part for technical reasons (a breakdown in the uptrend), but also because of disturbing signs in the equity markets generally. Heading into the new year, we have adopted a much more bearish stance towards economic growth and equities generally — more on this in the letter that follows.

MESSAGE TO OUR INVESTORS CONTINUED

Gold remains our largest exposure by far, and it cost the fund 510 bps for the quarter, despite being the primary driver of full-year returns, to which it contributed 1660-bps. Our fundamental case remains unchanged: a re-monetization of the asset and steady demand from central banks as they rebuild gold reserves. Central bank demand has remained strong. In fact, after a hiatus of several months, the Chinese central bank has returned as a buyer. The volatility in gold, which remains in a powerful uptrend despite the weakness during the quarter, is likely attributable to sharp rise in long-term rates and the relentless increase in the value of the US dollar. These forces have some near-term impact on gold prices, as market participants tend to get lost in the noise, but the real signal is demand from central banks, and this theme is alive and well.

We start the new year with a very concentrated portfolio. Gold, our largest exposure, consists of a mix of futures, options, and a small exposure to Agnico Eagle Mines. All together, these positions give us about 140% exposure to the price of gold, which grows naturally as the price increases and our option deltas rise. We have a 15% exposure to cocoa, which while relatively small continues to deliver quite a punch in terms of performance owing to its elevated volatility. Rounding out the commodity-centric portfolio, we have a 10% short exposure to copper, one of the most economically sensitive metals. While we finished 2024 with a 10% residual exposure to US homebuilders, we have since liquidated the entire position. Last, we have been building a portfolio of put options on US equities, which at year end represented a risk to the fund of 1.5% of NAV (based on the value of the premium) and gives us nearly 200% notional exposure to a substantial downdraft in the S&P 500 index.

The AAF portfolio looks much the same, with 58.8% oriented to various expressions of gold, 5.5% in cocoa, and 4.4% in a selection of Indonesian coal mining companies. In this fund we also entered the year with a 14.6% exposure to US homebuilders, though after subsequently exiting the position we now sit on a cash balance of over 30% — an expression of bearishness for this long-only fund and dry powder to be deployed in the weeks and months to come.

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

This letter is about a re-evaluation of our most recent forecasts — the reasons behind it and the dramatic implications it spells out.

Readers are by now familiar with the way we project inflation and real growth for the period ahead. It is based on the all-too-familiar and axiomatic monetary rule that says that nominal GDP (i.e., total spending in nominal terms) is a function of money growth times the velocity of money. While the formula is quite straightforward, one of its two terms, velocity, is unfortunately known only residually — that is, after the fact. We are generally led to assume that velocity will continue to behave as it has in the recent past — that is, it's a given. This leads us to pay attention exclusively to the growth of money. Since the latter has a lagged effect, we feel reasonably comfortable about predicting the rate of growth of nominal GDP for the period immediately ahead once we determine how fast money has been growing for the past six to 12 months.

This very “primitive” model helped us predict a surge in inflation for 2021 and 2022 and a deceleration over the subsequent two years. In fact, the sharp slowdown in the growth of money from 2022 to mid-2024 led us to think that a recession was in the offing. We concluded that there was just not enough money to finance both inflation of 2% to 3% and real growth. We were wrong. And the reason we were wrong was that we failed to see a large uptick in velocity of money. This uptick was the result of strong credit growth, private and public. Thanks to financial intermediation, one dollar of money was being multiplied several times by its turnover. While it was impossible for us to predict how much private credit would grow in the period ahead (although the financial sector of the economy was experiencing a boom and we should have intuited it), it was our unforgiving unawareness of the explosive growth in public credit that laid our forecast to waste. Federal spending has grown immensely over the past few years, with the credit-financed deficit reaching 7% to 8% of GDP, the highest level of the postwar era. Over the past year alone, the deficit has grown almost 40%!

Having focused on money growth alone, we were blindsided; forecasts for continued disinflation and restrained growth were upended by the sharp rise in velocity. The long end of the bond market did a much better job of foreseeing this problem: while the Fed was lowering interest rates, convinced as we were that nominal GDP was “landing” successfully, long-term rates began to climb. From September's low, the yield on the 10-year Treasury has climbed 100 basis points and now stands close to the highest levels seen since 2008.

Money growth has recently begun to grow at the fastest pace in three years; it is up 3.7% year on year, but it has grown at a 4.8% annualized rate for the last six months. Now paying commercial banks slightly less than the yield on three-year to five-year Treasuries for their \$3 trillion reserves, the Fed will soon be unable to contain a coming explosion in bank credit, and concomitantly, money supply. At the same time, we see little on the horizon to give us hope that private and public credit will decelerate going forward. Thus, nominal GDP is likely to grow at a much faster pace than generally expected in the coming months. This scenario does not augur well for risk assets, equities and bonds in particular. By contrast, this scenario is favourable to commodity prices; a

LETTER FROM THE MANAGER CONTINUED

cursory look at the Bloomberg Commodity index confirms that a bottom has finally been established. It is here that money will be made over the next one to two years.

Happily, bond and commodity markets have not only woken us to the changing environment, but they support our new evaluation. When the “model” and markets are in synch is when we reach the highest degree of conviction. We will be sure to press this advantage.

Thanking you for your trust,



ALBERT D. FRIEDBERG

P.S. I have not taken into account any possible changes in U.S. economic policy. These are sure to come but I did not think it worthwhile to guess what they may end up being. Large increases in tariffs, if and when they come, can have a contractionary effect on global economic growth; they act like an increase in taxes. And we will need to see how the rest of the world reacts to these moves. In a worst case, unilateral tariffs on the part of the U.S. could engulf the world in a trading war that can have nefarious consequences for everyone.

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 DECEMBER 31, 2024

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Asset Allocation Fund Ltd.	1,637.87	-5.22%	1713%	-0.55%	-1.88%	1.48%
Friedberg Asset Allocation Fund	17.47 ²	-5.11%	17.48%	-0.31%	-2.01%	1.60%
CSFB/Tremont Hedge Fund Index ³		N.A.	10.64%	6.20%	6.56%	4.42%

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

Capital Allocation of the Friedberg Asset Allocation Fund Ltd.

As of December 31, 2024

INVESTMENT	CURRENT ALLOCATION
EQUITIES	66.03%
International Gold Miners	54.05%
U.S. Homebuilders	7.39%
Coal Producers	4.59%
COMMODITIES	10.77%
Gold Futures	5.45%
Cocoa Futures	5.32%
CASH / MONEY MARKET	23.20%
	100.00%

Quarterly Performance

Based on the Friedberg Asset Allocation Fund

	Q4	YTD
EQUITIES	-6.42%	12.09%
Bitcoin ETFs	0.08%	0.08%
Cannabis Producers and Distributors	0.00%	0.18%
Uranium Producers	0.00%	0.15%
Coal Producers	-0.23%	0.74%
Oil and Gas Transportation Services	-0.83%	-0.05%
International Gold Miners	-1.28%	11.32%
U.S. Homebuilders	-4.16%	-0.33%
COMMODITIES	1.99%	6.50%
Cocoa Futures	2.09%	2.02%
Ultrabond Futures	0.00%	-0.85%
Brent Crude Futures	0.00%	-0.13%
Gold Futures	-0.10%	5.46%

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	10.89	1.48	2.66	0.10	0.46	-5.75	17.13
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 DECEMBER 31, 2024

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Global-Macro Hedge Fund Ltd.	2,837.38	-6.47%	20.65%	2.72%	4.57%	-0.80%
Friedberg Global-Macro Hedge Fund	16.64 ²	-7.04%	19.32%	1.91%	3.86%	-0.68%
CSFB/Tremont Hedge Fund Index ³		N.A.	10.64%	6.20%	6.56%	4.42%

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

Sector Performance Based on the Friedberg Global-Macro Hedge Fund

	Q4	YTD
COMMODITIES	1.41	28.53%
LONG		
Cocoa Futures	9.20%	11.50%
Platinum Futures	0.00%	-0.24%
Silver Futures	-0.77%	-0.77%
Brent Crude Futures	-1.89%	0.10%
Gold Futures	-5.13%	16.62%
SHORT		
BCOM Industrial Metals Index	0.00%	1.32%
Copper Futures	0.00%	0.00%
FIXED INCOME	-0.46%	-2.19%
LONG		
U.S. T-Bills	0.44%	2.18%
Ultrabond Futures	0.00%	-4.52%
U.S. Treasury Notes	0.00%	-0.18%
SOFR Options	-0.90%	0.33%

	Q4	YTD
EQUITIES	-5.86%	-1.82%
LONG		
Apple Inc.	1.21%	1.21%
Vista Energy SAB de CV	0.29%	0.29%
U.S. Equity Index Options	0.20%	0.20%
Cannabis Producers and Distributers	0.00%	0.36%
Micron Technology Inc.	0.00%	1.00%
Advanced Micro Devices Inc.	0.00%	-0.16%
Coal Producers	0.00%	-0.86%
Alphabet Inc.	-0.11%	-0.11%
Teck Resources Ltd.	-0.23%	-0.23%
Bitcoin Miners and ETFs	-0.24%	-0.24%
Gold Companies	-0.64%	1.07%
Oil and Gas Transportation Services	-0.82%	-0.68%
U.S. Homebuilders	-5.15%	0.61%
SHORT		
SPDR S&P Regional Banking ETF	0.00%	-0.09%
U.S. Real Estate Investment Trusts	0.00%	-0.22%
Alphabet Inc.	0.00%	-0.27%
Apple Inc.	0.00%	-0.44%
U.S. Equity Index Options	-0.37%	-3.26%

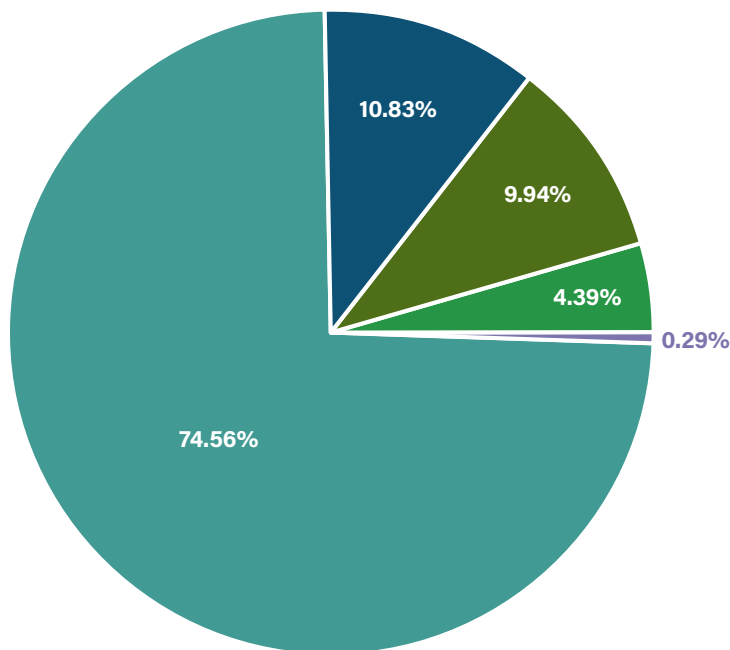
AS OF DECEMBER 31, 2024

Percentages of Total Assets

Percentages of Total Net Assets

- ▶ **Commodities (Long)** **74.56%**
Gold and Cocoa
As a % of Net Assets: 134.87%
- ▶ **Equities (Long)** **10.83%**,
Equities: Homebuilders,
Gold Miners, Miscellaneous
As a % of Net Assets: 19.60%
- ▶ **Equities (Short)** **9.94%**
SPY Put Options
As a % of Net Assets: 17.97%
- ▶ **Commodities (Short)** **4.39%**
Base Metals
As a % of Net Assets: 7.94%
- ▶ **Long SOFR** **0.29%**
Rates via derivatives
As a % of Net Assets: 0.52%

Total Assets to Net Assets: 180.90%



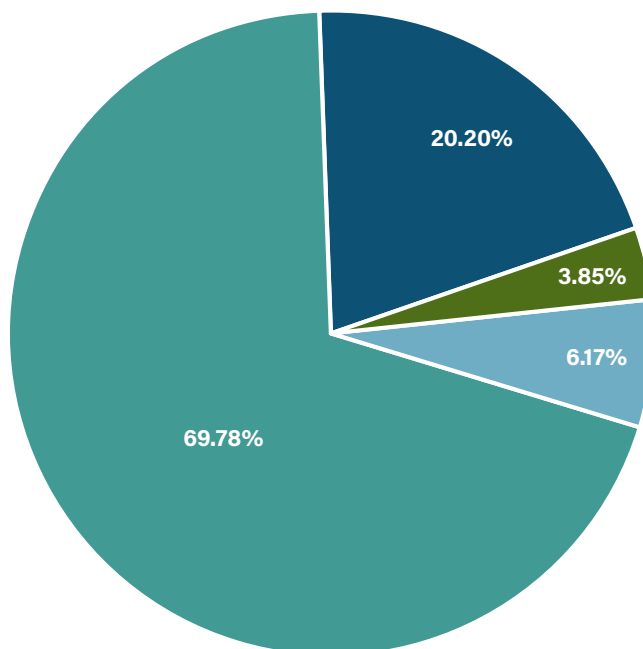
AS OF SEPTEMBER 30, 2024

Percentages of Total Assets

Percentages of Total Net Assets

- ▶ **Commodities (Long)** **69.78%**
Gold and Cocoa
As a % of Net Assets: 157.69%
- ▶ **Equities (Long)** **20.20%**,
Equities: Homebuilders, Tankers,
Gold Producers and Miscellaneous
As a % of Net Assets: 45.65%
- ▶ **Fixed Income (Long)** **6.17%**
Derivatives: SOFR Options
As a % of Net Assets: 13.94%
- ▶ **Equities (Short)** **3.85%**
Equities: SPY Options and
Nasdaq Options
As a % of Net Assets: 8.70%

Total Assets to Net Assets: 225.98%



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	14.48	3.81	9.40	0.34	-1.96	-4.93	20.65
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

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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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