

FRIEDBERG MERCANTILE GROUP LTD.

Quarterly Report

Q2
2025

*Friedberg
Mercantile
Group Ltd.*



2025 **Second Quarter Report**

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We are pleased to report to you the financial results of our two hedge funds for the second quarter ended June 30, 2025.

The Global-Macro Hedge Fund (GMHF) gained 9% for the quarter, while the Friedberg Asset Allocation Fund (AAF) gained 12%, boosting year-to-date performance to 34.6% and 27.7% respectively. In both cases, the funds have handily outpaced the S&P500 with its total return of 6.2% for first half of the year.

Continuing a recent trend in these updates, gold and gold-related equities contributed substantially to results (440 basis points for the GMHF and 512 bps for the AAF), though in this most recent quarter, returns can be more broadly attributed to long equity exposure, much of which was acquired in the early weeks of the recovery that followed the post-Liberation Day market crash. Indeed, this quarter began with a sharp decline in all risk assets as growing concern about an unruly tariff policy seemed to be confirmed by a broad-sweeping and unfocused tariff announcement that threatened to bring about the highest average tariff costs in several generations. As the market bounced off panic lows and started to price in a pattern of moderation, deadline extensions, and rate reductions (a phenomenon thereafter exemplified by the acronym TACO, for "Trump always chickens out"), we began nibbling away at the equity indices, eventually shifting the exposure wholly into a handful of Magnificent 7 stocks, most of which went on to close the quarter at new all-time highs. For the GMHF, the index position yielded a return of 460 bps, while the market darlings added a further 470 bps for the period.

Results in the AAF, structurally long by design, were driven by a different selection of equities, many of which we held as we entered the quarter. Our 4.8% exposure to cyber-security-related equities added 88 bps, while a bet on a deal for US Steel added another 128 bps and an 11% exposure to IBM (a technology stalwart with an underappreciated future) contributed 178 bps. On the negative side of the ledger, a brief foray back into US homebuilders cost 51 bps, and our small exposure to Chevron (well run, cutting costs, and paying an attractive dividend) weighed on results to the tune of 77 bps. On the more active side, the trade in US technology shares added 315 bps for the AAF as well.

Notably, the AAF initiated two new exposures in recent weeks, both of which offer unique investment opportunities in markets many might fear to tread. The fund now has a 20% exposure split between the sovereign debt of Lebanon and Argentina, both examples of positive geopolitical and economic developments underpriced in overlooked or hard-to-access bond markets. With respect to Lebanon, progress in negotiations with the International Monetary Fund has improved the prospects of restructuring their defaulted international bonds. In Argentina, the success of Milei's economic reforms has seen recent monthly inflation readings touch lows not seen since 2020, which augers well for falling yields and a stabilization of the peso.

In the GMHF, the only significant point of pain came from trading crude oil. Throughout the quarter we were variously caught wrong-footed on both the short side (costing 140 bps), and the long side (costing 290 bps).

LETTER TO OUR INVESTORS CONTINUED

In the second instance, our long exposure was initiated in the days prior to the escalation of hostilities with Iran. This event, which was not part of our long thesis, introduced a great deal of volatility to oil prices, first turning the trade into a fast profit and later, once the conflict cooled, leading to a sharp decline in oil prices. The episode is a good example of how geopolitical events (especially those of a bellicose variety) can hijack an otherwise sound investment narrative.

Heading into the second half of the year, we have pulled back significantly from the equity market and begun to build a short exposure via puts. Beyond that, we maintain a 21% exposure to cocoa, which, in addition to continued upside potential, offers a roll yield upwards of 35% (based on the Sep-Dec spread, annualized) owing to the sharp backwardation. Finally, gold remains by far our most significant exposure and highest-conviction idea in this challenging market. The trends and forces at play, elucidated at length in prior letters, remain intact, if not strengthened.



ALBERT D. FRIEDBERG



JAIME A. MACRAE

“A god implants the guilty cause in men / when he would utterly destroy a house”— attributed by Plato to Aeschylus. Trump’s tariff “policy” threatens to bring down the house.

In my last letter I expressed the hope that the tariff obsession would come to an end within six months. I offered three reasons: the emergence of a deep (though short) recession and its political impact just 15 months away from congressional elections; the failure of tariffs to generate the kinds of revenues the administration had hoped for; and legal challenges to the powers of the executive to impose tariffs. Admittedly, a recession has not yet set in, but perhaps it’s a bit too early to tell. Anticipatory buying has muddled the picture. While economic activity is chugging along, some cracks are beginning to appear in the labour market.

In the meantime, the dangers are growing. We have as yet not seen the end of this “guilty cause”; through all of Trump’s huff and puff (and bluff), tariffs are climbing. From what looked like an expected average tariff rate of 10-15%, estimates have already moved up to 20-23%. That’s 10 times what average tariff rates stood at just one year ago. Trump has managed to fool Wall Street by allowing the acronym TACO (standing for Trump always chickens out) to become a respectable and realistic depiction of his actions (have you seen any pushback on Truth Social?), but the joke is on Wall Street. Rates have snuck up slowly, stealthily, and always just a bit short of earlier threats. No one knows what level will kill the patient, but at this point we are playing with fire. Will an economic downturn stop this insanity? It may, but an actual reversal, if one occurs, appears to be very slow in coming. The obsession will not disappear quickly.

One legal challenge has so far been successful in a federal court and now awaits appeal, eventually to go in front of the Supreme Court of the United States. But the president has, unfortunately many recondite ways to manifest his tariff madness. The outlook is not hopeful on this front.

As for revenues, tariff revenues so far are running at an annual rate of \$340 billion, still short of the \$600 billion promised by uber-protectionist Navarro. This explains Trump’s more assertive and more aggressive tone of recent weeks. Encouraged by the fact that tariffs are bringing new revenues — the July budget went into an unexpected \$28 billion surplus last month — he has doubled down. The Laffer curve, however, will soon become operative. Avoidance, evasion, and economic slowdown will conspire to lower revenues, and the administration will find itself running on a treadmill. Will this effect change Trump’s mind? Maybe, but it appears to me, not soon enough.

In short, there is no relief from this insanity anytime soon. The guilty cause will bring down the house. What can we expect then? A domesticated Fed will do Trump’s bidding and begin lowering rates. Commercial reserves will flow out of the Fed’s cage and rush out to buy Treasuries. Massively, as in 2021, money supply

LETTER FROM THE MANAGER CONTINUED

will surge once again, probably three to four months following the first Fed cuts. Inflation will follow, financing the much higher costs induced by tariffs. The year 2027 will see recession and accelerating inflation.

Anticipating this horrendous scenario, stock prices will be heading down sooner than that. Heading down may be too mild a term; I remind readers that we have not experienced a financial crisis, to which our financial system is prone, in almost 16 years (discounting the non-financial recession caused by the pandemic five years ago). We are overdue for one. As in 2007-09, the financial system will stand naked in the middle of the storm. No, not the banks, at least not this time. Instead, it will be the private-equity and private-credit giants that will bear the brunt of the decline, and through them, a good section of corporate America.

What to do?

Gold remains at the top of our list, benefitting from global political and economic fragmentation, easy money, obscene increases in government debt, collapsing confidence, central banks' new love affair with hard and independent money, you name it. Though we are not in the habit of making price predictions, \$5,000/oz. is not an unreasonable expectation. The sky is the limit, however, if the US is not able to reverse the tariff increases in time and if the world is unable to avoid a generalized trade war.

Stock prices will soon be heading into an old-fashioned bear market: two years (at least) of falling prices, led by the famed financial engineers, the new Masters of the Universe.

Regretfully, this is the darkest scenario we have painted since the onset of the global financial crisis, and unlike that one, this one is self-made. Aeschylus, the ancient Greek tragedian, knew a tragedy when he saw it.

Thanking you for your continued 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, 2025

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Asset Allocation Fund Ltd.	2,090.59	12.00%	39.76%	16.87%	8.09%	4.10%
Friedberg Asset Allocation Fund	22.33 ²	12.10%	40.09%	17.29%	8.24%	4.19%
CSFB/Tremont Hedge Fund Index ³		N.A.	7.29%	5.90%	7.82%	4.38%

¹ Net of fees ² NAV adjusted to reflect distributions reinvested in the fund ³ Compounded annual rate of return as of May 2025.

Capital Allocation of the Friedberg Asset Allocation Fund Ltd.

As of June 30, 2025

INVESTMENT	CURRENT ALLOCATION
EQUITIES	59.12%
International Gold Miners	25.84%
Computer Services	16.12%
U.S. Equity Index Futures	7.66%
Technology Megacaps	5.36%
Oil and Gas Production	4.14%
COMMODITIES	20.46%
Gold Futures	16.75%
Cocoa Futures	3.71%
FIXED INCOME	19.69%
Lebanon Bonds	9.99%
Argentina Bonds	9.70%
CASH / MONEY MARKET	0.73%
	100.00%

Quarterly Performance

Based on the Friedberg Asset Allocation Fund

	Q2	YTD
EQUITIES	6.20%	18.32%
International Gold Miners	2.96%	15.88%
Computer Services	2.66%	1.93%
Steel Production	1.28%	1.54%
Technology Megacaps	0.58%	0.58%
Coal Producers	0.00%	-0.55%
U.S. Homebuilders	-0.51%	-0.73%
Oil and Gas Production	-0.77%	-0.33%
FIXED INCOME	0.60%	-0.38%
Lebanon Bonds	0.96%	-0.02%
Argentina Bonds	-0.36%	-0.36%
COMMODITIES	5.22%	8.60%
U.S. Equity Index Futures	2.57%	2.57%
Gold Futures	2.16%	6.66%
Cocoa Futures	0.49%	-0.63%

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
2025	7.14	0.19	6.17	3.96	3.98	3.61							27.64
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 JUNE 30, 2025

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Global-Macro Hedge Fund Ltd.	3,778.38	9.04%	61.93%	7.17%	19.57%	2.67%
Friedberg Global-Macro Hedge Fund	22.40 ²	9.00%	62.44%	7.03%	19.56%	2.89%
CSFB/Tremont Hedge Fund Index ³		N.A.	7.29%	5.90%	7.82%	4.38%

¹ Net of fees ² NAV adjusted to reflect distributions reinvested in the fund ³ Compounded annual rate of return as of May 2025.

Sector Performance Based on the Friedberg Global-Macro Hedge Fund

	Q2	YTD
COMMODITIES	2.95%	32.16%
LONG		
Gold Futures and Options	4.35%	38.15%
Cocoa Futures	1.75%	-1.22%
Platinum Futures	1.58%	1.58%
Brent Crude Futures and Options	-2.87%	-2.80%
SHORT		
LME Base Metals Futures	-0.42%	-0.42%
Bloomberg Commodities Industrial Metals Index	0.00%	-0.48%
Copper Futures	0.00%	-1.21%
Brent Crude Futures and Options	-1.44%	-1.44%
FIXED INCOME	0.70%	1.47%
LONG		
U.S. T-Bills	0.70%	1.52%
Lebanon Bonds	0.00%	0.00%
SOFR Options	0.00%	-0.05%
Ultrabond Futures	-1.02%	-1.02%

	Q2	YTD
EQUITIES	7.08%	4.51%
LONG		
U.S. Equity Index Futures	4.67%	4.67%
Technology Megacaps	4.64%	4.64%
Gold Miners and Producers	0.00%	1.09%
Computer Services	0.00%	0.98%
Alphabet Inc.	0.00%	0.05%
U.S. Homebuilders	-1.35%	-1.83%
SHORT		
Taiwan Semiconductor Manufacturing Co. Ltd.	0.08%	0.14%
India Equity Index Futures	0.00%	-0.01%
Apple Inc.	-0.78%	-0.78%
Bitcoin Miners and ETFs	-0.14%	-1.02%
U.S. Equity Index Options	-0.04%	-3.43%

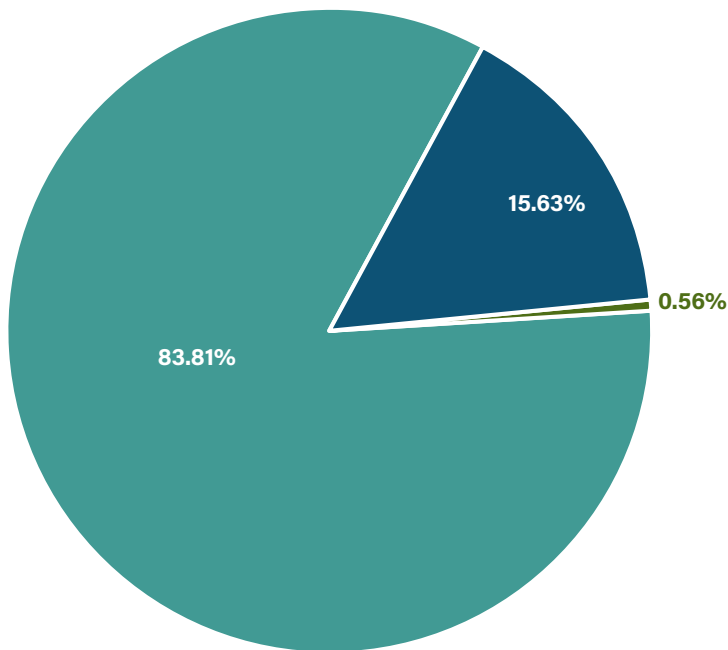
AS OF JUNE 30, 2025

Percentages of Total Assets

Percentages of Total Net Assets

- ▶ **Commodities (Long) 83.81%**
Gold, Brent Crude, Cocoa
As a % of Net Assets: 121.64%
- ▶ **Equities (Long) 15.63%**
Equities: Homebuilders,
Technology, Miscellaneous
As a % of Net Assets: 22.68%
- ▶ **Equities (Short) 0.56%**
SPY puts, Technology puts
As a % of Net Assets: 0.82%

Total Assets to Net Assets: 145.13%



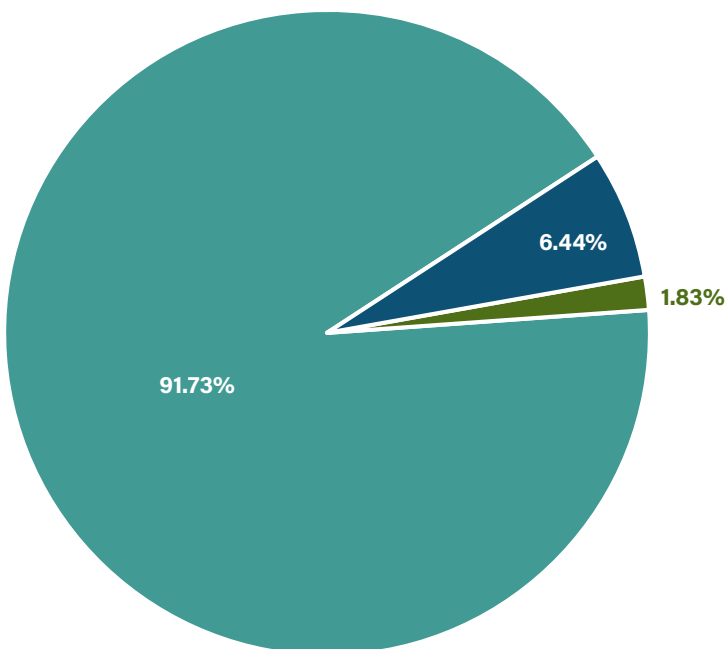
AS OF MARCH 31, 2025

Percentages of Total Assets

Percentages of Total Net Assets

- ▶ **Commodities (Long) 74.56%**
Gold, Brent Crude, Cocoa
As a % of Net Assets: 231.52%
- ▶ **Equities (Long) 10.83%**
Equities: Homebuilders,
Miscellaneous
As a % of Net Assets: 16.26%
- ▶ **Equities (Short) 9.94%**
Technology
As a % of Net Assets: 4.61%

Total Assets to Net Assets: 252.39%



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
2025	7.85	-0.50	13.81	6.16	0.85	1.84							33.16
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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