

FRIEDBERG MERCANTILE GROUP LTD.

Quarterly Report

Q3
2025

*Friedberg
Mercantile
Group Ltd.*



2025 **Third Quarter Report**

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

The Global-Macro Hedge Fund (GMHF) gained 29.98% for the quarter, while the Friedberg Asset Allocation Fund (AAF) gained 8.95%, bringing year-to-date performance to 74.96% and 39.14% respectively. The strong quarter expanded the already sizeable lead over the broad market as defined by the S&P500 total return index, which is up 14.83% on the year.

It should come as no surprise that gold and gold-related equities contributed more than the entirety of gains. The metal continues to make new all-time highs on a near daily basis and has made its way back again to the front pages of the financial press and into the allocation recommendations of many of the world's largest asset managers. In the GMHF, our leveraged outright long exposure (complemented with call options) added 3,469 basis points (bps) for the quarter and 8,608 bps for the year. In the AAF, an unlevered gold position added 446 bps for the quarter and 1,142 bps for the year, while our exposure to gold miners (the beneficiaries of operating leverage, though not nearly as liquid and therefore less attractive for the larger GMHF) added 1,091 bps for the quarter and 2,853 bps for the year-to-date.

We have discussed at length in previous letters our fundamental case for owning gold, namely the remonetization of the hard asset and the steady demand from global central banks seeking to diversify away from US dollar reserves. More recently, however, the relentless uptrend has attracted new sources of demand from speculators. After years of decline, money has been flowing consistently into gold ETFs around the world. Global ETF holdings have increased by 17% so far this year. The sharp revaluation higher has even earned it some semi-warm words from historical skeptics like JPMorgan's Jamie Dimon, who recently said, "I'm not a gold buyer – it costs 4% to own it. It could easily go to \$5,000, \$10,000 in environments like this. This is one of the few times in my life it's semi-rational to have some in your portfolio."

Morgan Stanley CIO Mike Wilson went a step further, endorsing a 60/20/20 mix, 60% equities, 20% bonds, and 20% gold – a dramatic departure from the traditional 60/40 mix from one of the world's largest wealth managers.

We are monitoring closely the intensity of the speculative behaviour, while holding onto this profitable trend as long as we can.

Beyond the enormous impact of gold on returns, the quarter produced rather paltry results across other positions. Cocoa produced the largest loss, costing 343 bps, and a short position in MSTR (formerly known as MicroStrategy) the largest gain, a mere 177 bps. The former represents the most significant trading blunder for the quarter, where we held onto a long position past the point where the trend seemed to signal a reversal. The stubbornness stemmed from a desire to see actual hard data confirming an improvement in production,

MESSAGE TO OUR INVESTORS CONTINUED

though such data have yet to be reported. We continue to wait for real confirmation before abandoning what has otherwise been a fantastic long position.

With respect to the short position in MSTR (a once-upon-a-time software company that became a pioneer in a practice now known as “bitcoin treasury”), it is not so much a bet against bitcoin and crypto in general but rather a wager that the premium once commanded by the bitcoin-related equity will vanish as more direct methods of investing (like Blackrock’s wildly successful bitcoin ETF) have come to market and as past success has bred a proliferation of copycats. Given the great number of alternatives, there seems to be no logical reason for the steep premium (41% at time of writing) investors have assigned to this stock. As the premium disappears, we expect the bid for bitcoin itself to dry up, as MSTR has been one of the most consistent buyers of large amounts of the original cryptocurrency. Another notable position, still in its infancy, is a short exposure to a handful of large alternative asset managers. We’ve expressed this position via both outright short exposures and deeply out-of-the-money puts, which may pay off handsomely if the recent spate of high-profile bankruptcies proves to be only the tip of the iceberg. During the post pandemic world of ample liquidity and wildly inflated private company valuations (especially in the technology sphere), private equity and debt managers poured billions into deals they are now unable to exit and are relying in large part on so-called continuation funds to provide exit liquidity to investors while maintaining what are likely wildly inflated and unsupportable valuations on their books.

In the AAF, outside gold and related equities, the most notable mover was the Argentinian bonds, where we lost 508 bps for the quarter. This exposure is a bet on the success of the Milei government in fixing an economy long beguiled by out-of-control government deficits and runaway inflation. Recent volatility around election prospects, uncertainty around the peso band, and headlines around a US-backed support package generated significant volatility, but the prospects for this exposure remain very attractive. The bonds pay a 29% coupon in pesos and could pay off handsomely if inflation can be contained and the currency can find stability. Our exposure to Lebanese bonds contributed 184 bps as momentum towards an IMF deal progresses and as the regional and domestic security situation improves.

Into the final quarter of the year, the focus remains on gold, with small positions in cocoa, MSTR, and alternative asset managers, as well as a small initial bet on resurgent inflation sometime in 2026.

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

The rise in the price of gold has been attributed to a number of factors. When we first identified the trade some years back, we pointed out that something significant was happening at the level of international reserves. A growing number of central banks had been steadily accumulating gold since 2010, reversing the long period of demonetization begun in the early '80s. What was particularly intriguing about this accumulation of gold was that these bankers understood that the precious metal could not satisfy central banks' real needs for foreign currency — the ability to intervene in foreign exchange markets when and if their own currencies came under pressure. Following 1971, the year in which the fixed-rate currency regime initiated at Bretton Woods came to an end and was replaced by a floating currency regime, central banks of developed nations made extensive use of reserves to counter excessive pressure on their currencies and to accumulate reserves when their currencies came under strong upward pressure.

By the 1980s, intracurrency fluctuations began to diminish (perhaps because most developed countries followed similar monetary policies) and the need for reserves diminished as well. Intervention was undertaken only in extremis. This led many developed countries to de-emphasize the value of their international reserves, especially gold, which could not be used to intervene directly in the foreign exchange markets. And so it happened that many developed countries demonetized gold, Canada being an outstanding example. Less developed countries, with more frequent and more acute balance-of-payments problems, found justification for holding a large cushion of reserves, say the equivalent of at least three to six months' worth of imports. But even these countries understood that it was dollars, and perhaps a smattering of euros, yen and sterling, that provided that much needed security. (For a live and dramatic example, note how Argentina has seen a need to borrow dollars from the US using a currency swap to combat heavy selling pressure against the peso.) Gold could not be used in foreign exchange market until it was sold for dollars. That is, gold was not a useful, liquid, and price-stable reserve asset.

To appreciate this shift, note that from 2010 to the first quarter of 2022 central banks around the world purchased an average of 115 tonnes of gold per quarter. The World Gold Council reported that these quantities grew to 365 tonnes in the fourth quarter of 2024 and to 244 tonnes in the first quarter of 2025. For the second quarter of 2025, the quantity fell to 166 tonnes, the lowest quarterly total in volume terms since the third quarter of 2022 . However, in dollar terms (using quarterly average gold prices), the net purchases of around 18 billion have been close to the quarterly average since the third quarter of 2022. As further estimated by JPMorgan (Flows and Liquidity, October 1, 2025), gold share of total central bank reserves has risen to just under 24% in 2025 from less than 10% in 2016.

But if owning currency reserves was no longer critical and if gold was not a useful reserve asset as we suggested earlier, why did central banks start accumulating it in such quantities?

I suggest that central banks, as government dependencies, began to look at gold as a strategic long-term asset with a potentially wide variety of uses. Treasury obligations, whether of the US or other countries, are necessarily subject to the whims of the debtor country. In an increasingly fragmented world, those assets cannot be relied upon. Gold, by contrast, possesses a number of extraordinarily unique features. Here is a list,

LETTER FROM THE MANAGER CONTINUED

suggested by ChatGPT: scarce, durable, divisible and fungible, portable, store of value, liquid, no counterparty risk, safe haven, inflation hedge, tradition, cultural significance.

What made experienced central bankers decide at one and almost same time to begin accumulating gold as a strategic asset? I would like to suggest that it was quantitative easing, begun in November 2008 then extended and amplified over the following seven years. With the collapse of Lehman Brothers in September 2008, the Fed began to monetize the federal debt, buying large quantities of Treasury and mortgage securities. Quantitative easing (QE) as it was then called was supposed to stabilize the financial system, stimulate economic recovery, and prevent deflation. Other developed countries followed suit.

As with many things, and despite appearances, QE was no free lunch. Sophisticated bankers, outside of the QE crowd, saw through it; government debt was being monetized. Eventually, they reasoned, when the debt could no longer be repaid through normal means, i.e., via taxes, debt was going to be “washed away.” Who, then, would want to own this debt if they did not have to do so? And so emerged, in unison but not necessarily in cahoots, a bankers’ campaign to buy gold.

I spent a great deal of time to get to this point. And the reason is that, aside from the many reasons given for the historic rise of gold, all true to some extent, gold’s rise is truly and essentially due to a justified fear that creditors can no longer trust the obligations, bonds, and notes issued by the developed nations. And if you ask me, why then do 30-year obligations in the developed countries trade to yield less than 5%, I would be forced to answer that it is an institutional phenomenon. Large pension funds have few alternatives, and perhaps this explains the historically high valuations enjoyed by equities. For them, there is no alternative. Bonds must be bought, and if they are properly matched against liabilities, the losers will be the pension beneficiaries not the institutions. Institutional constraints (and the dominating influence of a rate-setting Central Bank) keep long term rates below where they need to be. Only those free of institutional constraints can properly hedge their financial future.

Where does all this leave us? What does it mean for us, as investors? There is no doubt that the rapid rise of gold leaves it vulnerable to significant corrections. These may be triggered by any number of events. But, in my opinion, these corrections will not derail the major trend.

I submit that the major trend has to reverse the same way it came about, but in reverse. When central banks stop accumulating gold, we will know that a top of sorts has been reached. When and if central banks begin to disgorge from all the gold they have bought over the past 15 years, then we will know that financial prudence has returned and that government obligations can once again be trusted. That will be a time to sell our holdings, en masse. Until then, trade as best as you can. Fade the little explosions, and buy the sharp breaks. But be sure never to lose the position.

As always, 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 SEPTEMBER 30, 2025

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Asset Allocation Fund Ltd.	2,283.92	9.25%	32.17%	23.08%	8.17%	5.46%
Friedberg Asset Allocation Fund	24.32 ²	8.91%	32.10%	23.00%	8.27%	5.56%
CSFB/Tremont Hedge Fund Index ³		N.A.	9.18%	8.32%	7.94%	4.38%

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

Capital Allocation of the Friedberg Asset Allocation Fund Ltd.

As of September 30, 2025

INVESTMENT	CURRENT ALLOCATION
EQUITIES	42.51%
International Gold Miners	32.92%
Computer Services	5.46%
Oil and Gas Producers	4.13%
COMMODITIES	36.50%
Gold Futures	33.94%
Cocoa Futures	2.56%
FIXED INCOME	19.60%
Lebanon Bonds	10.89%
Argentina Bonds	8.71%
CASH / MONEY MARKET	1.39%
	100.00%

Quarterly Performance

Based on the Friedberg Asset Allocation Fund

	Q3	YTD
EQUITIES	10.46%	30.51%
International Gold Miners	10.91%	28.53%
Oil and Gas Production	0.40%	0.07%
Steel Production	0.00%	1.54%
Coal Producers	0.00%	-0.55%
U.S. Homebuilders	0.00%	-0.73%
Technology Megacaps	-0.05%	0.53%
Computer Services	-0.80%	1.12%
FIXED INCOME	-3.24%	-3.60%
Lebanon Bonds	1.84%	1.82%
Argentina Bonds	-5.08%	-5.42%
COMMODITIES	3.72%	12.63%
Gold Futures	4.46%	11.42%
U.S. Equity Index Futures	-0.01%	2.56%
Cocoa Futures	-0.73%	-1.35%

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	-3.20	6.65	5.82				39.44
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 SEPTEMBER 30, 2025

	NAV	Quarterly	One Year	Three Years	Five Years	Ten Years
Friedberg Global-Macro Hedge Fund Ltd.	4,998.36	32.29%	64.76%	27.34%	21.34%	3.82%
Friedberg Global-Macro Hedge Fund	29.16 ²	30.18%	62.91%	26.28%	20.66%	3.89%
CSFB/Tremont Hedge Fund Index ³		N.A.	9.18%	8.32%	7.94%	5.32%

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

Sector Performance Based on the Friedberg Global-Macro Hedge Fund

	Q3	YTD
COMMODITIES	31.30%	76.74%
LONG		
Gold Futures and Options	34.69%	86.08%
Brent Crude Futures and Options	0.04%	-2.76%
Platinum Futures	0.00%	1.58%
Cocoa Futures	-3.43%	-4.61%
SHORT		
LME Base Metals Futures	0.00%	-0.42%
Bloomberg Commodities Industrial Metals Index	0.00%	-0.48%
Copper Futures	0.00%	-1.21%
Brent Crude Futures and Options	0.00%	-1.44%
FIXED INCOME	0.76%	1.22%
LONG		
U.S. T-Bills	0.76%	2.29%
Lebanon Bonds	0.00%	0.00%
SOFR Options	0.00%	-0.05%
Ultrabond Futures	0.00%	-1.02%

	Q3	YTD
EQUITIES	-1.53%	-0.45%
LONG		
U.S. Homebuilders	0.32%	-1.51%
Gold Miners and Producers	0.00%	1.09%
Computer Services	0.00%	0.98%
Alphabet Inc.	0.00%	0.05%
U.S. Equity Index Futures	-0.04%	4.63%
Oil and Gas Producers	-0.07%	-0.07%
Technology Megacaps	-0.85%	3.75%
SHORT		
Bitcoin Miners and ETFs	1.77%	0.73%
Taiwan Semiconductor Manufacturing Co. Ltd.	0.00%	0.13%
India Equity Index Futures	0.00%	-0.01%
Apple Inc.	-0.03%	-0.81%
Private Equity and Credit	-0.05%	-0.05%
U.S. Equity Index Options	-1.29%	-4.68%

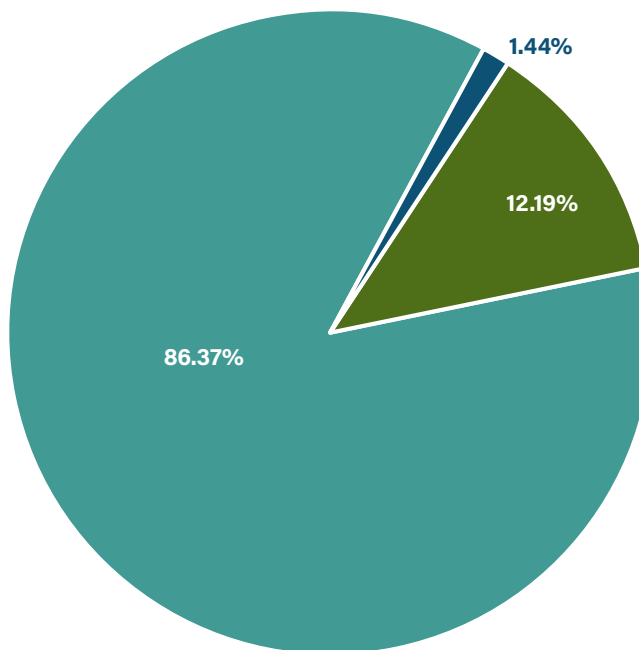
AS OF SEPTEMBER 30, 2025

Percentages of Total Assets

Percentages of Total Net Assets

- ▶ **Commodities (Long)** **86.37%**
Gold, Cocoa
As a % of Net Assets: 227.05%
- ▶ **Equities (Short)** **12.19%**
Private Equity and Credit
sponsors. S&P 500 (via options),
Strategy Inc.
As a % of Net Assets: 32.04%
- ▶ **Equities (Long)** **1.44%**
Energy, Miscellaneous
As a % of Net Assets: 3.79%

Total Assets to Net Assets: 271.76%



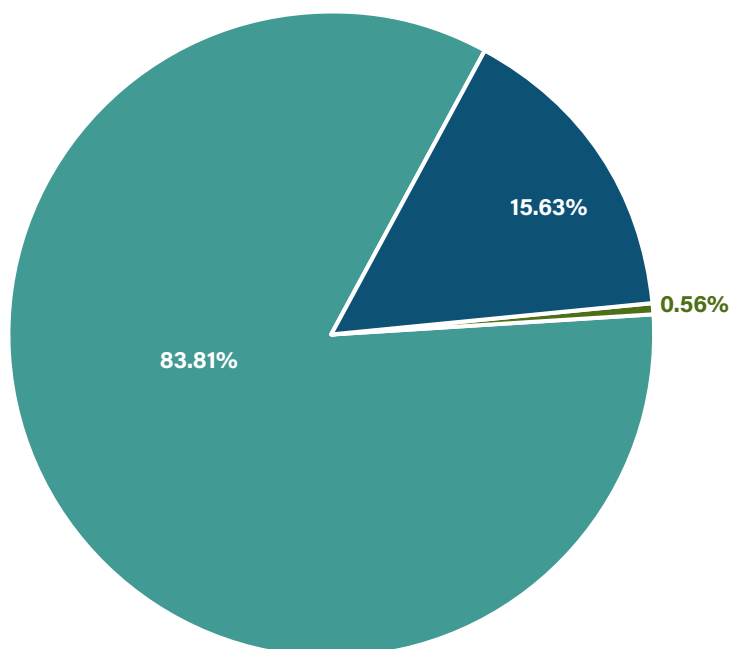
AS OF JUNE 30, 2025

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%**
S&P 500 (via options), Technology puts
As a % of Net Assets: 0.82%

Total Assets to Net Assets: 145.13%



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	-5.69	13.62	23.45				76.16
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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