

Quarterly Report

*Friedberg
Mercantile
Group Ltd*

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FOURTH QUARTER
2015

FRIEDBERG
MERCANTILE
GROUP LTD.

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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.

MESSAGE TO OUR INVESTORS

Please find below a discussion of our funds' latest performance.

It is with great satisfaction that I present to you the financial results of our investing activities for the last quarter and full year 2015. The Global-Macro Hedge Fund recorded a 15.1% gain for the year, breaking a painful string of three consecutive yearly losses. Another way of looking at these results is to note that, with this year's gains, the fund made up nearly all of its 2014 losses. While we are anxious to make up 2012 and 2013 losses as well, and then some, our objective was, and remains, to outperform the S&P as well as global macro hedge fund peers with only moderately higher daily volatility.

We accomplished this objective over the past 12 months, justifying the confidence placed in us by our investors, who ignored past results and decided to stay put, trusting that the manager was capable of delivering better results than the available investment alternatives.

The past year's performance represented a small win for perseverance, adaptability and discipline. We did not allow losses to cloud our vision nor to demoralize us. On the contrary, we accepted the challenges and used the experience to relearn old and proven investment maxims, innovate approaches to dealing with risk and volatility, and defy accepted industry conventions and beliefs with respect to hedging, hedgeability, the ability and confidence to anticipate future correlations, and the presumed goodness of diversification. We voluntarily imposed a limit on leverage for the twin

The Global-Macro Hedge Fund recorded a 15.1% gain for the year, breaking a painful string of three consecutive yearly losses

purpose of controlling volatility and keeping our portfolio invested exclusively in trades enjoying great (or the greatest) conviction.

None of this is to say that we are guaranteed to make money nor even to outperform our self-imposed benchmarks. That would be quackery. Our ideas and forecasts can and will be off the mark from time to time, and losses can and will accrue. However, what our new modus operandi can guarantee is that the drawdown periods will be a great deal shallower and much less painful than in the past. Even more important, they are likely to give us enough time to recover and move with, or even ahead of, the “wave.” Our new tools and rules have given us more flexibility and are enabling us to respond more speedily.

Let me review the performance. The Global-Macro Hedge Fund gained 3.0% during the final quarter. Our long equities positions, mostly homebuilders and airlines, gained 10.1% for the quarter, handily outperforming the S&P quarterly gain of 6.5% (adjusting for exposure, of course). Our short positions produced losses of 6.8%, and the net gain attributed to equities was 3.2%.

For the year, both longs and shorts (including put options on the S&P) produced positive results, for total net gains of 12.7%. Our short position in crude oil futures yielded gains of 2.2% for the quarter and 9.1% for the year. Fixed income contributed small losses of 0.1% for the quarter and 1.2% for the year, gold made losses of 0.4% and 2.7% respectively, and the commodities portfolio, managed on a technical basis, yielded losses of 0.2% for the quarter and 1.9% for the year. The remainder of the CDSs

brought small losses of 0.2% and 0.3% respectively, with a clear tendency for diminishing losses as positions continued to mature, while foreign exchange trading showed losses of 1.6% for the quarter and 0.6% for the year.

Our investment themes remained fairly constant through the year. We continued to believe in the continuation and intensification of the cyclical recovery in the US and Japan and the consequent strengthening of sectors that would benefit from improving supply and demand. We remained steadfast in our belief that oil prices would head lower, for more reasons than just shale (which had effectively put a \$55-\$60/barrel lid on prices). We found easy pickings on the short side of the market – big companies with outmoded product lines (IBM), companies facing capacity oversupply and collapsing demand (Wynn, in Macau), investment managers facing relentless competition from cheaper and more liquid exchange traded products, Brazilian equities heavily punished by a depression that we anticipated more than two years ago and compounded by a corruption scandal of historic proportions, and deflating Indian equities once the great and unrealistic hopes placed on Modi began to vanish. Dispersion favoured us, as it allowed us to maintain long and short positions simultaneously. I

We voluntarily imposed a limit on leverage for the twin purpose of controlling volatility and keeping our portfolio invested exclusively in trades enjoying great (or greatest) conviction.

believe that a greater degree of dispersion than in past years will continue to exist, both within the US market and across global markets, and should remain a good source of profits for our style of trading.

The Asset Allocation Fund gained 1.7% for the quarter and lost 3.5% for the year. These results are not as disappointing as they may seem at first glance as they faithfully reflect the trajectory of a broad mix of investment assets. For example, US equities (as represented by a broad, equal-weighted index), US fixed income (a mix of high- and low-quality issues), and commodity prices all fell for the year. Foreign equities and bonds also declined, even more so when these assets were translated back into US dollars.

It is important that we measure performance against the fund's objectives, namely, "to seek significant total investment returns, consisting of a combination of interest income, dividend income, *currency gains*, and capital appreciation." By making the correct currency decision — that is, by maintaining exposure to US dollars at virtually all times — the fund escaped the extraordinary capital impairment caused by the fall of the euro, Canadian and Australian dollars, South American currencies, and most Asian currencies.

For the year, fixed income (mostly Treasury Inflation Protected Securities, or TIPS as they are commonly called, and sometimes German Bunds, via futures) contributed a negative 3.4% and commodities a negative 1.5%, while equities made a positive contribution of 1.5%.

We enter the new year in a relatively defensive mode with fixed income holdings at 40.0% of assets, US Treasuries representing 88.0% of that category; US homebuilders and airline shares 47.0%, gold mining shares 6.0% and commodities 5.0%.

I hesitate to make a forecast for the coming year as I believe that too many “unknown unknown” events are likely to occur. These events will have a great impact on our markets given their high degree of vulnerability. Balance sheets have become incredibly stretched. Thanks to cheap money, capital has been badly allocated. Thanks to cheap money, governments have failed to reform, to spend less, to promote growth, to liberalize labour laws, to privatize. Asset prices in some sectors no longer bear a rational relation to income and risk. Emerging economies, choking on debt, stand at the border of default. While quantitative easing (QE) was originally conceived by the Chicago monetarist school as a method for speeding up the growth of monetary balances and avoiding deflation, it has never worked quite that way. Instead, QE has operated in an almost closed investment loop. Its only effect has been to force investment returns lower and lower, until they reach zero. I am convinced that this harebrained experiment will cause a financial upheaval and end in tears.

Given this background, a very strong emphasis on liquidity, value, and momentum, the judicious use of options, a high degree of flexibility, and, most of all, a good dosage of contrarian thinking, will once again be essential ingredients if we are to offer competitive returns for this coming year. I look forward to discussing specific trading ideas on our upcoming investment conference call.

Thank you for your continuing trust.



ALBERT D. FRIEDBERG

Friedberg Global-Macro Hedge Funds

Friedberg Global-Macro Hedge Fund Ltd. Friedberg Global-Macro Hedge Fund

A multi-strategy fund. Allocations are reviewed periodically.

Performance¹ as of December 31, 2015

	NAV	Quarterly	Year over Year	Three Years	Five Years	Ten Years
Friedberg Global-Macro Hedge Fund Ltd.	3,539.86	3.03%	15.09%	-13.32%	-3.49%	7.61%
Friedberg Global-Macro Hedge Fund	20.50 ²	2.96%	15.20%	-14.16%	-4.39%	N.A.
CSFB/Tremont Hedge Fund Index ³		N.A.	0.16%	5.11%	4.33%	5.23%

¹Net of fees

²NAV adjusted to reflect distributions reinvested in the fund

³Compounded annual rate of return through December 2015

Friedberg Global-Macro Hedge Funds

Friedberg Global-Macro Hedge Fund Ltd.

Monthly Performance (%) Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
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

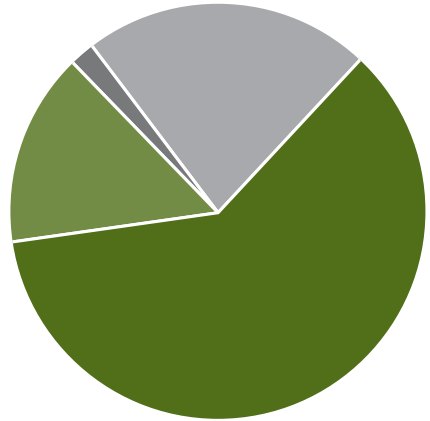
Global-Macro Hedge Fund Ltd. (Cayman)

Breakdown by Total Gross Exposure
AS OF DECEMBER 31, 2015

● U.S. and Global Equities*	61%
● Commodities	15%
● Fixed Income	2%
● Currencies	22%

Total Exposure per dollar of capital: 2.91x

* Contains international long/short equities



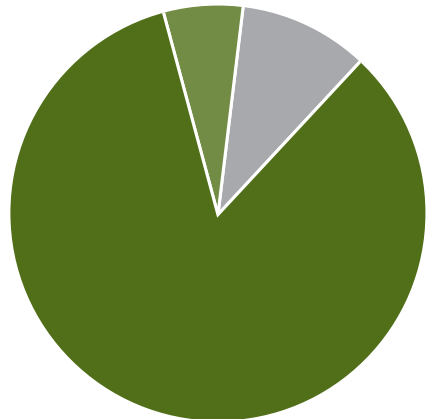
Global-Macro Hedge Fund Ltd. (Cayman)

Breakdown by Total Gross Exposure
AS OF SEPTEMBER 30, 2015

● U.S. and Global Equities*	84%
● Commodities	6%
● Fixed Income	0%
● Currencies	10%

Total Exposure per dollar of capital: 2.45x

* Contains international long/short equities



Friedberg Asset Allocation Funds

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.

MODEST RISK: Absolute return.

Performance¹ as of December 31, 2015

	NAV	Quarterly	Year over Year	Two Years	Three Years	Five Years
Friedberg Asset Allocation Fund Ltd.	1,364.96	1.74%	-3.49%	0.64%	-2.66%	1.31%
Friedberg Asset Allocation Fund	14.40 ²	1.69%	-3.36%	0.63%	-2.67%	1.22%
CSFB/Tremont Hedge Fund Index ³		N.A.	0.16%	2.73%	5.11%	4.33%

¹Net of fees

²NAV adjusted to reflect distributions reinvested in the fund

³Compounded annual rate of return through December 2015

Friedberg Asset Allocation Funds

**Capital allocation of the Friedberg Asset Allocation Fund Ltd.
as of December 31, 2015 is as follows:**

INVESTMENT		CURRENT ALLOCATION	TARGET
FIXED INCOME		39.60%	40.00%
<i>U.S. TIPS 2.125% Feb. 15/40</i>	31.40%		
<i>Brazilian NTN F 10% Jan. 1/25</i>	5.10%		
<i>U.S. Ultra Bond Futures</i>	3.10%		
EQUITIES		55.20%	55.00%
<i>U.S. Homebuilders</i>	40.40%		
<i>U.S. and Australian Gold</i>	5.70%		
<i>U.S. Airlines</i>	7.20%		
<i>Japanese Nikkei Futures</i>	1.90%		
FUTURES		5.00%	5.00%
<i>Cocoa</i>	2.40%		
<i>Sugar</i>	2.60%		
CASH / MONEY MARKET		0.20%	0.00%
		100.00%	100.00%

Friedberg Asset Allocation Fund Ltd.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
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 ***

Closed Funds

Fund	Inception Date	Inception NAV	Liquidation Date	Liquidation NAV	Size of Fund at Liquidation	Annual % Rate of Return
Friedberg Global Opportunities Fund Ltd.	13-May-97	1000.00	28-Feb-05	501.89	\$5,700,000	-8.46%
Friedberg International Securities Fund	31-Mar-98	10.00	30-Nov-05	11.49	\$4,500,000	1.83%
Friedberg Diversified Fund	13-Sep-96	10.00	31-Oct-06	48.43	\$4,642,228	16.90%
Friedberg Equity Hedge Fund L.P.	15-Feb-98	10.00	31-Oct-06	22.12	\$6,784,836	9.50%
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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