

# Quarterly Report

*Friedberg  
Mercantile  
Group Ltd*

# 3

THIRD QUARTER  
**2014**

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.

# Third Quarter Report 2014

## MESSAGE TO OUR INVESTORS

Please find below a brief discussion of our funds' activities for the third quarter of 2014. The Global Macro Hedge Funds produced losses of 11.6% for the quarter and 19.4% for the year to date. The Asset Allocation Funds gave back some gains, falling 5.4% during the quarter, but maintain a year-to-date gain of 3.5%.

Given the turbulent market conditions of recent days, I withheld comments hoping for a quick resolution. This led to an almost unacceptable delay in the publication of our quarterly letter. In the end, and in the interest of meeting deadlines, I settled for a somewhat lighter treatment than usual, with the hope of deepening the discussion at our forthcoming conference call. I have asked David, our moderator, to allow for an additional half hour to accommodate as many questions from participants as possible.

We have coped well in the recent disturbances, not only gaining ground but also seeing volatility fall below that of the index. We have continued to deleverage and simplify the positions. Most importantly, we reduced long commodity exposure (after taking a 500-basis-point hit) to 3.0% of overall assets from 22.0%, which constitutes the single most significant portfolio change. Gold holdings were eliminated at an average price of

US\$1,260 with a view to reacquiring the position where good support has been found for the past 16 months, specifically, near the 1200 level. This we did in early October.

Global economic conditions have deteriorated further. Europe continues to stagnate while debt burdens march on, inexorably, to levels that will become impossible to service once rates normalize. As it stands, real interest rates, as measured against nominal GDP growth, are already high enough to ensure the inevitable debt debacle. The Russian situation – sanctions and counter-sanctions – promises to aggravate the European depression. The Russian corporate sector is unable to roll over significant amounts of maturing debt, a crunch that will become evident over the next few weeks.

Japan's QE has proven totally ineffective. Money growth has fallen back to 3 percent (annualized) after a brief spurt above 6 percent. Swamped by a huge amount of bad credit, China's economic activity has slowed down dramatically – witness the extraordinary falloff in the demand for raw materials.

In the U.S., employment growth has accelerated, but this may simply be the result of a dramatic slowdown in productivity gains. If rapid employment gains persist, wages will begin to climb and corporate margins will shrink.

Problems aside, we remain extremely bullish on the U.S. home builders sector. Activity is gaining slowly, characteristic of early cyclical recoveries. A significant stock market setback can, and probably will, partially abort the recovery, but we remain convinced that home builders are about to embark on a long and profitable path. (The possible market downside is being at least partially protected via index options.) Credit conditions are improving, which should soon help first-time buyers. This, in turn, should benefit potential buyers higher up the entire chain.

While the changes we made reduced volatility in a significant way, opportunities for potential gains have not been impaired, as the past four weeks demonstrate. I remain highly confident that we are positioned to outperform standard benchmarks and the great majority of global macro hedge funds.

I look forward to describing and explaining positions in much greater detail in the upcoming conference call.

Thanking you for your 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.

### Performance<sup>1</sup> as of September 30, 2014

	NAV	Quarterly	Year over Year <sup>2</sup>	Three Years <sup>2</sup>	Five Years <sup>2</sup>
Friedberg Global-Macro Hedge Fund Ltd.	2,870.79	-11.56%	-24.00%	-18.27%	-2.97%
Friedberg Global-Macro Hedge Fund	16.64 <sup>3</sup>	-12.05%	-24.52%	-18.95%	-2.82%
CSFB/Tremont Hedge Fund Index		N.A.	9.09%	6.00%	7.03%

<sup>1</sup>Net of fees

<sup>2</sup>Compounded annual rate of return through August 2014

<sup>3</sup>NAV adjusted to reflect distributions reinvested in the fund

# 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
2014	17.06%	0.30%	-17.58%	-3.84%	-3.35%	1.27%	-12.07%	5.19%	-4.38%				-19.45%
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%	18.62%	-21.62%	11.47%	4.60%	40.84%
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%	14.90%	-7.85%	9.47%	1.97%	5.02%	-2.21%	9.56%	-3.34%	12.02%
2008	7.37%	9.57%	-1.04%	-6.48%	4.51%	8.58%	-0.24%	-6.85%	4.18%	-5.96%	5.85%	19.06%	41.77%
2007	-1.01%	1.07%	-3.44%	-1.28%	-0.80%	1.57%	10.06%	2.80%	-1.33%	5.89%	7.91%	2.82%	26.04%
2006	1.94%	1.06%	-1.81%	2.07%	-0.75%	1.27%	2.04%	-0.09%	-0.56%	3.10%	2.43%	0.54%	11.70%
2005	1.05%	0.84%	-1.13%	1.31%	1.06%	2.47%	0.08%	0.95%	2.75%	-1.38%	2.56%	2.14%	13.35%
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%	13.07%
2003	3.10%	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%	3.30%	7.57%	21.18%
2001												-0.40%	-0.40%

\*\*\* PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS \*\*\*

# Friedberg Global-Macro Hedge Funds

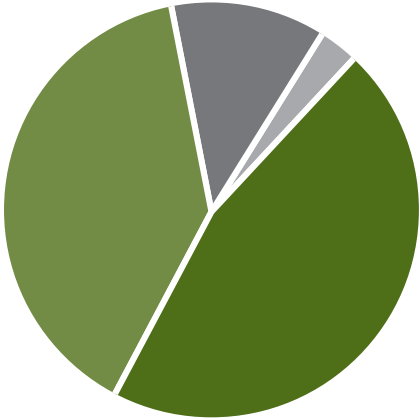
## Global-Macro Hedge Fund Ltd. (Cayman)

Breakdown by Total Gross Exposure  
AS OF SEPTEMBER 30, 2014

- U.S. and Global Equities\* 46%
- Fixed Income 39%
- Currencies 12%
- Commodities 3%

Total Exposure per dollar of capital: 4.08x

\* Contains international long/short equities



## Global-Macro Hedge Fund Ltd. (Cayman)

Breakdown by Total Gross Exposure  
AS OF JUNE 30, 2014

- U.S. and Global Equities\* 43%
- Commodities 22%
- Currencies 21%
- Fixed Income 14%

Total Exposure per dollar of capital: 4.59x

\* 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.

### Performance<sup>1</sup> as of September 30, 2014

	NAV	Quarterly	Year over Year <sup>2</sup>	Two Years <sup>2</sup>	Three Years <sup>2</sup>
Friedberg Asset Allocation Fund Ltd.	1,394.50	-5.38%	10.00%	2.17%	0.77%
Friedberg Asset Allocation Fund	14.70 <sup>3</sup>	-5.53%	9.48%	2.08%	0.65%
CSFB/Tremont Hedge Fund Index		N.A.	9.09%	8.12%	6.00%

<sup>1</sup>Net of fees

<sup>2</sup>Compounded annual rate of return through August 2014

<sup>3</sup>NAV adjusted to reflect distributions reinvested in the fund

# Friedberg Asset Allocation Funds

**Capital allocation of the Friedberg Asset Allocation Fund Ltd.  
as of September 30, 2014 is as follows:**

<b>INVESTMENT</b>		<b>CURRENT ALLOCATION</b>	<b>TARGET</b>
FIXED INCOME		45.10%	45.00%
<i>U.S. TIPS 2.125% Feb. 15/40</i>	20.30%		
<i>German Bunds 2.5% Jul. 4/44</i>	1.60%		
<i>10-Year German Bunds (via Futures)</i>	23.20%		
EQUITIES		31.60%	33.50%
<i>U.S. Homebuilders</i>	21.20%		
<i>U.S. Gold</i>	6.00%		
<i>U.S. Metal</i>	2.40%		
<i>U.S. Biotech</i>	2.00%		
COMMODITIES		21.30%	21.50%
<i>Gold (via Futures)</i>	9.80%		
<i>Silver (via Futures)</i>	4.20%		
<i>Palladium (via Futures)</i>	2.30%		
<i>Cocoa (via Futures)</i>	5.00%		
CASH / MONEY MARKET		2.00%	0.00%
		100.00%	100.00%

## Friedberg Asset Allocation Fund Ltd.

<b>Year</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Year</b>
<b>2014</b>	3.54%	3.30%	-1.58%	0.25%	0.32%	3.29%	-2.41%	2.93%	-5.79%				3.47%
<b>2013</b>	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%
<b>2012</b>	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%
<b>2011</b>	-4.11%	4.18%	1.11%	5.56%	-1.67%	-1.98%	4.65%	5.15%	-2.82%	3.31%	-1.05%	-1.58%	10.53%
<b>2010</b>	-0.27%	0.99%	0.56%	3.47%	1.10%	0.99%	-2.23%	3.36%	3.91%	2.57%	-0.06%	0.83%	16.13%
<b>2009</b>						0.38%	2.62%	0.09%	2.91%	0.53%	7.15%	-3.63%	10.14%

\*\*\* 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
<b>Friedberg Global Opportunities Fund Ltd.</b>	13-May-97	1000.00	28-Feb-05	501.89	\$5,700,000	-8.46%
<b>Friedberg International Securities Fund</b>	31-Mar-98	10.00	30-Nov-05	11.49	\$4,500,000	1.83%
<b>Friedberg Diversified Fund</b>	13-Sep-96	10.00	31-Oct-06	48.43	\$4,642,228	16.90%
<b>Friedberg Equity Hedge Fund L.P.</b>	15-Feb-98	10.00	31-Oct-06	22.12	\$6,784,836	9.50%
<b>Friedberg Futures Fund</b>	8-May-98	10.00	31-Oct-06	19.59	\$1,126,409	8.10%
<b>Friedberg Global-Macro Hedge Fund L.P.</b>	31-May-02	10.00	31-Oct-06	19.00	\$30,691,202	15.64%
<b>Friedberg Equity Hedge Fund Ltd.</b>	16-Oct-96	1000.00	30-Apr-07	2951.78	\$31,540,284	10.81%
<b>Friedberg Currency Fund II Ltd.</b>	6-Mar-97	1000.00	30-Jun-08	1019.23	\$35,599,879	0.17%
<b>Friedberg Total Return Fixed Income Fund Ltd.</b>	2-Oct-96	1000.00	31-Jul-09	2155.93	\$94,686,020	6.17%
<b>First Mercantile Currency Fund</b>	7-Sep-85	10.00	30-Dec-09	8.29	\$848,443	N.A.
<b>Friedberg Foreign Bond Fund</b>	19-Aug-96	10.00	30-Jul-10	9.84	\$13,336,465	6.91%
<b>Friedberg Total Return Fixed Income Fund L.P.</b>	19-Feb-97	100.00	28-Dec-11	325.47	\$11,776,462	8.27%
<b>Friedberg Forex L.P.</b>	13-Jun-91	10.00	28-Dec-11	11.78	\$2,558,382	2.66%
<b>Friedberg Currency Fund</b>	3-Jan-95	10.00	30-June-13	8.41	\$1,932,936	-0.93%

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