FRIEDBERG MERCANTILE GROUP LTD.

First Quarter Report 2007

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Dear Investor,

As has been customary, I present to you a report of the financial activities of the Friedberg Group of Funds. The report covers the first quarter, ended March 31, 2007. To our great disappointment, our two hedge funds showed a loss of 3.4% from December 31, 2006. We managed to draw some consolation from the fact that, despite the draw-down, The Friedberg Global-Macro Hedge Fund Ltd. maintained a year-on-year gain of 6.7% (recall that The Friedberg Global-Macro Fund (Canada) has been in operation less than six months and we therefore cannot publish its results). The losses resulted from our activities in currencies and commodities, with the first of these strategies accounting for a net loss of 1.16% and the second for a net loss of 3.04%. Note that these losses follow a year-long extraordinarily strong performance for both strategies. Our opportunistic pocket drew a minute loss of 0.25%, while we recorded gains in the fixed income, long utilities, and market neutral equities portfolios.

I begin the discussion with our commodities futures activity. As shown in the exhibit, the largest loss can be attributed to a series of ill-timed entries on the long side of gold. Having successfully exited this market in June through August 2006 and having seen the market dip to around $570, we delayed our re-entry, not quite convinced that the recovery was for real. When we finally did re-enter, sharp setbacks tested our weak convictions and shook us loose of a significant portion of the positions — classic whipsaw, in commodity futures jargon, and a lesson that large positions ought to be taken only when one is absolutely and resolutely convinced that the trend is firmly established and the fundamentals are, so to speak, unshakeable. Some of our early fears and concerns have begun to recede. We no longer think that the Fed will stand by in case of a full-fledged housing bust, though a good case for such an event can still be made. The U.S. dollar is showing increasing signs of strain, pressured by a widening credit crisis, creeping inflation, and a weak-kneed Fed. Gold could benefit, but it would still have to show strength relative to the strong currencies. We maintain a modest long position and look for bouts of liquidation to build on it.

Copper, our steadfast winner of past years, turned against us in a dramatic fashion during the quarter. The spectacular 31% rally from its extreme February lows inflicted heavy pain on our short position, barely allowing us enough time and courage to cut back the position to a more manageable size. So powerful and sudden was the move that, despite managing to cover 40% of the position on the way up, we still found ourselves more short than we should have been at every stage of the move. And yet it must be said that unlike what took place in 2006, copper, in its most recent display of machismo, exhibited none of the classical signs of tightness; the large backwardation gave way to contango, followed by a slight reversion to backwardation, followed again by slight contango. Surely, copper was not (and is not) in short supply, despite huge Chinese imports. The question remains, is it wise or foolish to cover on weakness?

Crude oil, too, moved adversely, driven by concern over the fate of the 15 British sailors being held prisoner by Iran and fears of a closure of the Straits of Hormuz. The resolution of the crisis brought some respite to our slightly short position and a significant improvement to our short-nearby/long-deferred spreads. Pure economic factors dictate lower oil prices, at least in the medium term, though one should not underestimate the Simmons effect (see *Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy*), already affecting Mexico and Kuwait. Nor should one underestimate the developing chaos in Venezuela and its potential impact on output.

All in all, it is hard to imagine another quarter as disastrous as this one. In fact, I am odds-on that the main trends, on which we have staked existing positions, will reassert themselves and give us a decent shot in the arm over the next few months.

Much the same can be said about our currency trading, where, unlike the recent past, not one trade gave us satisfaction. It may have been a case of reversion to the mean. Carry trades and non-carry trades managed to whipsaw us to the point where there was no advantage in maintaining a single position. We stopped some and allowed others to run off. In contrast to our actions in commodities, where we fought to maintain positions (within self-imposed leverage ratios) for what we saw as the inevitable reaction, in currencies we cleared the decks and readied ourselves to try again. The money is in the emerging currencies but the boom is quite long in the tooth and risks are rising quickly. It is time to exercise patience.

During the quarter, we built up an interesting low-cost and highly leveraged bet on rising credit spreads and increasing distress in the financial sector. We purchased extremely out-of-the-money put options in early January on a number of financial institutions (mortgage lenders, prime brokers), some highly leveraged non-financial companies, and two emerging markets. We also put on a large bear bet on Venezuelan sovereign debt by buying protection on a 10-year CDS. These positions have not paid off yet, but have not cost us a great deal of money to date, and they have the potential to yield outsized gains for the overall portfolio. Even if they do not pan out over the next nine to 12 months, I estimate that the negative effect on the portfolio would be only very modest.

In fixed income, we first exchanged our longstanding long position in TIPS for nominal Treasuries, convinced that excess returns via rising energy prices could no longer be counted on and also concerned that break-evens would deteriorate as disinflation set in. More importantly, we felt that the superior liquidity of nominal Treasuries would give us a trading edge. Early in the quarter, we gave up the bond position too, unclear about where the economy was headed and how the Fed would react. Instead, we moved to very short maturities, where risk and opportunity cost are minimal. There will come a time to trade back into longer maturities, but not yet. Similarly, there will be a time to move into the corporate and sovereign sectors, but we seem to be farther away from this point than ever. It seems to us that reward-to-risk ratios in these fixed income markets are the lowest in recorded history. On the other hand, our substitution play, out of bonds and into (primarily electric) utilities has paid off. Fixed income contributed 0.44 basis points to the hedge funds' return, while the much smaller utilities allocation contributed a proportionately larger 0.22 basis points (and a return of 1.65% on the investment). Utilities exhibit all the characteristics that justify the modern-day remarkable faith in and attachment to equities: steady and predictable dividend growth, high dividend payout, fair pricing power, and well structured balance sheets. We note that utilities have outperformed industrials by a wide margin in recent years. Not only have they reached new all-time absolute highs in recent weeks but they are also reaching new 11-year highs against industrials. This fact will provide considerable comfort should our pessimistic stock market scenario come to pass.

The bright spot in this gloomy quarter was our market neutral equities strategy, which gained 7.8% and contributed 81 basis points to the hedge funds' performance. The strategy successfully capitalized on the more pronounced dispersion that has been evident in recent months. Utilities, defense, specialty stores, and oil refining continued to attract buyers, while the housing and financial sectors came under continued pressure from the weight of a slowly spreading credit implosion. The exhibit in the inside pages lays out a brief synopsis of the portfolio's salient trades and positions. While selection played a key role in the better performance, reducing the number of names on both the long and short sides (a move that we began to implement a few months ago) increased the portfolio's volatility. We remain optimistic about this strategy's future prospects and intend to increase the allocation to it (for details, see inside).

The outlook for the global economy has darkened further. Strong employment increases in the context of weak economic growth speak of decelerating productivity. The resulting rise in unit labor costs will certainly eat into corporate profit margins and further dim prospects for capital spending. Corporate default rates, now at a record-low 1.5%, are certain to rise dramatically in this environment, causing credit spreads to widen well beyond the localized sub-prime mortgage sector. Equity markets will be affected by reduced corporate cash flows, which will reduce stock buybacks, currently at record levels; and credit spreads will widen, choking off LBO activity. Credit costs will rise, regardless of Fed action, as risk begins to take centre stage in investors' minds. At some point, corporations will begin to shed extra labor. Rising unemployment will worsen the housing deflation, which will further inhibit consumer spending. The current economic expansion will come to an end. Emerging markets, buoyed in recent years by cheap credit, will be notably affected; those countries that have not used these extraordinary times to introduce economic reforms will fail. Most of Latin America comes to mind. Others, like India, Central Europe, and the former Soviet Union, will be sorely tested. Some will emerge stronger; others will not make it. During this phase, emerging market investors will suffer significant losses and the emerging market cult will go the way of the dot.com bubble.

In coming months and quarters, divergences will reassert themselves and volatility will increase. Global macro players should benefit handsomely from these trends — if they can get their timing right. Although that is always a big if, we remain confident.

Thanking you for your trust,

Albert D. Friedberg

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.

FIXED INCOME FUNDS

FRIEDBERG FOREIGN BOND FUND
FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.
FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

The funds seek total investment return, consisting of a combination of interest income, currency gains, and capital appreciation, by investing in both investment grade and non-investment grade fixed income obligations denominated in a variety of currencies.
LOW RISK. Objective: Absolute Returns

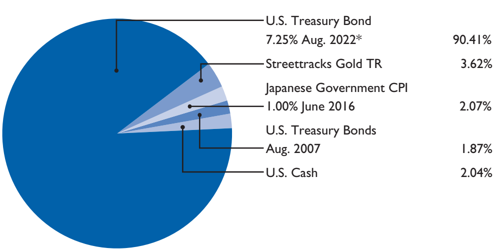
PERFORMANCE[1] as of March 31, 2007

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	18.90	-0.07%	4.10%	5.98%	5.65%	9.53%
Friedberg Total Return Fixed Income Fund Ltd.	2,014.46	0.17%	2.81%	6.39%	7.59%	14.60%
Friedberg Total Return Fixed Income Fund L.P.	213.27	0.15%	3.38%	7.18%	8.30%	15.27%
Benchmark[4]		N.A.	8.38%	4.04%	5.61%	9.62%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2007
[4]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

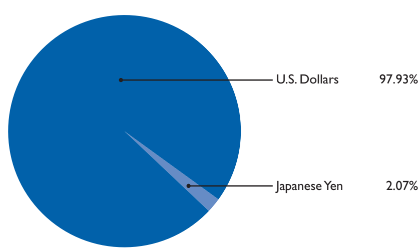
Portfolio Allocation



Weighted average yield to maturity 4.82%
Weighted average current yield 3.16%

*via derivatives

Currency Exposure

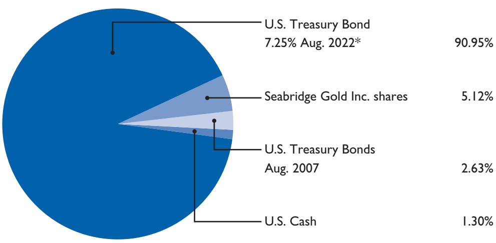


Adjusted modified duration 0.24
Approximate overall credit rating AAA

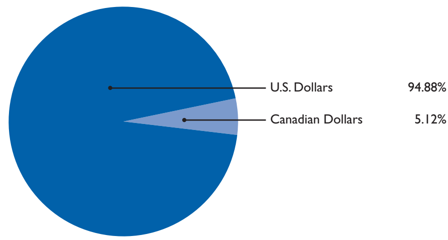
Bond rating breakdown:	AAA	96.38%
	Unrated	3.62%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.

Portfolio Allocation



Currency Exposure



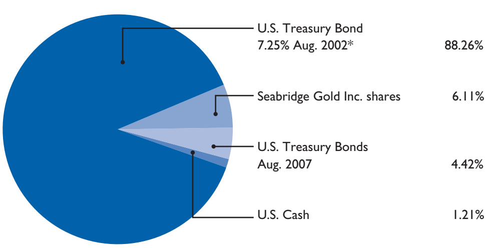
Weighted average yield to maturity	4.85%
Weighted average current yield	3.14%

*via derivatives

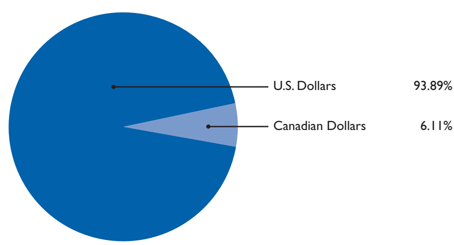
Adjusted modified duration		0.16
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.50%
	Unrated	5.50%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	4.78%
Weighted average current yield	3.10%

*via derivatives

Adjusted modified duration		0.15
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.50%
	Unrated	5.50%

EQUITY HEDGE FUND

FRIEDBERG EQUITY HEDGE FUND LTD.

An equity fund that seeks absolute returns through the judicious selection of long and short positions while maintaining a market neutral posture.

PERFORMANCE[1] as of March 31, 2007

	NAV	Quarter	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Equity Hedge Fund Ltd.	2,882.22	7.85%	5.11%	6.61%	7.67%
CSFB/Tremont Equity Market Neutral Index		NA	10.25%	7.71%	7.83%

[1]Net of fees
[2]Compounded annual rate of return through February 2007

INVESTMENT ALLOCATION[3]

	31-Dec-06	31-Jan-07	28-Feb-07	31-Mar-07
LONGS	51.12%	48.67%	49.61%	50.28%
SHORTS	48.88%	51.33%	50.39%	49.72%
TOTAL GROSS LEVERAGE	2.47 x	2.47 x	2.40 x	2.15 x

LARGEST SECTORS (LONGS)[3]

Electric Utilities	8.44%
Specialty Stores	4.69%
Aerospace & Defense	4.20%

LARGEST SECTORS (SHORTS)[3]

Industrials Large Cap	23.33%
Thrifts and Mortgage Finance	6.09%
Regional Banks	3.31%

[3]As percentage of total gross assets (based upon the Friedberg Equity Hedge Fund Ltd.)

LARGEST LONG POSITIONS

Tesoro Corp.
GATX Corp.
Jo-Ann Stores Inc.
WR Grace & Co.
Raytheon Co.
International Paper Co.
Chicago Mercantile Exchange
CSX Corp.
Service Corp. International
Echostar Communications A

LARGEST SHORT POSITIONS

S&P 500 futures
Yahoo! Inc.
Unionbancal Corporation
Walgreen Co.
Amazon.Com Inc.
SPDR S&P Homebuilders ETF
Flagstar Bancorp Inc.
Advanced Medical Optics
Countrywide Financial Corp.
Nektar Therapeutics

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Tesoro Corp.	52.70%	Accredited Home Lenders Holding Co.	64.44%
W.R. Grace & Co.	33.43%	McClatchy Co.	27.00%
CSX Corp.	16.32%	Flagstar Bancorp Inc.	19.47%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Momenta Pharmaceuticals Inc.	-17.61%	The Mills Corp.	-25.15%
Atmel Corp.	-16.86%	First BanCorp (Puerto Rico)	-24.66%
Selective Insurance Group Inc.	-15.54%	Yahoo! Inc.	-22.51%

CURRENCY FUNDS

FRIEDBERG CURRENCY FUND
THE FIRST MERCANTILE CURRENCY FUND
FRIEDBERG CURRENCY FUND II LTD.
FRIEDBERG FOREX L.P.

Speculative trading in currency futures instruments, currency forwards and options.

PERFORMANCE[1] as of March 31, 2007

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	11.57	-10.73%	9.71%	13.51%	14.90%
The First Mercantile Currency Fund[2]	10.26	-6.04%	6.84%	11.80%	14.53%
Friedberg Currency Fund II Ltd.	848.74	-8.70%	4.83%	12.76%	19.32%
Friedberg Forex L.P.	12.17	-8.22%	5.69%	17.23%	16.89%
Barclay Currency Traders Index		N.A.	0.72%	-0.23%	4.01%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2007

OPEN POSITIONS - March 31, 2007

Long Japanese Yen / Short Czech Koruna	3.21
Long Euro Currency	1.19

	Leverage
gross leverage at March 31, 2007	4.40 x
maximum gross leverage during quarter	11.06 x

ACTIVITY REPORT - First Quarter 2007

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Short Euro Call option	0.17	100.00

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long British Pound / Long Swedish Krona / Short Euro Currency / Short Czech / Long Yen	-6.86	73.22
Long Dollar Index Futures	-1.87	19.95
Short Canadian Dollar	-0.38	4.11
Long Brazilian Real / Short Mexican Peso	-0.26	2.73

FRIEDBERG GLOBAL-MACRO HEDGE FUNDS

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
FRIEDBERG GLOBAL-MACRO HEDGE FUND

A fund of (Friedberg) funds and strategies. Allocations are reviewed periodically.

PERFORMANCE[1] As of March 31, 2007

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	1,832.47	-3.38%	8.49%	10.01%	13.64%
Friedberg Global-Macro Hedge Fund	9.94	-3.40%	N.A.	N.A.	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	12.22%	9.97%	10.28%

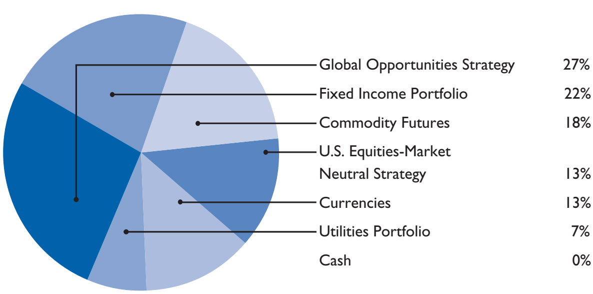
[1]Net of fees
[2]Compounded annual rate of return through February 2007
[3]Since Inception November 2006

Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of March 31, 2007 is as follows:

FUND	CURRENT ALLOCATION	TARGET
Fixed Income Fund Ltd.	45.29%	30.00%
Equity Hedge Fund Ltd.	11.15%	30.00%
Currency Fund II Ltd.	12.31%	9.00%
Futures	3.64%	5.15%
Global Opportunities	11.94%	12.35%
Utilities	14.63%	13.50%
Refco SPhinX Managed Futures Index Fund Ltd.[3]	0.24%	0.00%
Cash	0.81%	0.00%
	100.00%	100.00%

[3]Refco SPhinX Managed Futures Index Fund Ltd., now in cash

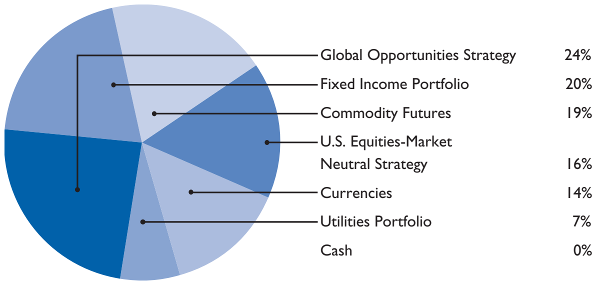
GLOBAL-MACRO HEDGE FUND LTD. (CAYMAN)
Breakdown by Total Gross Exposure



Total Leverage: 2.09

GLOBAL-MACRO HEDGE FUND (CANADA)

Breakdown by Total Gross Exposure



Total Leverage: 2.14

LIQUIDATED FUNDS

Funds	Inception Date	Inception N.A.V.	Liquidation Date	Liquidation N.A.V.	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%

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