FRIEDBERG MERCANTILE GROUP LTD.

First Quarter Report 2008

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First Quarter Report 2008

Dear Investor,

It gives me great pleasure to present to you the financial report of the Friedberg Group of Funds for the quarter ended March 31, 2008.

The quarter just ended extended the good fortunes of the previous one. The Cayman Global Macro Hedge Fund Ltd. showed a gain of 16.4% for the period (17.8% for the Canadian-based version). At the same time, the fund achieved an unusual milestone by showing a 52.3% (51.9%) gain year-over-year. These gains are extraordinary in the literal sense of the word — we neither target them nor do we expect them. Nor do we think they are likely to be replicated. They are simply the product of a fortunate set of conditions, the principal one being that we anticipated with good time what is turning out to be a once-in-a-generation financial crisis. The story is now well known and our position has been described in past letters in great detail. We have traded around, touched up, improved, worsened and even left untouched some of the basic positions carried over from previous quarters, but in the end the basic theme has come through.

Very briefly, this is how the various strategies performed: Gains in the Diversified Trading Program, principally a vehicle for trading commodity and financial futures, represented the lion's share of the hedge funds' results, contributing between 1,360 and 1,510 basis points. Of special note is that large gains continued to accrue to our Fed Funds futures position as the Fed delivered aggressive and greater-than-anticipated cuts in its target rate. Gains in currency trading, which showed a substantial 25% return during the quarter, represented the second largest source of the hedge funds' quarterly performance. Weighted by its 10% allocation, the currency program contributed approximately 225 to 250 basis points to overall performance. Finally, gains on the fixed-income side of the portfolio contributed 42 basis points to the funds.

On the negative side of the ledger, the Global Opportunities section, a pocket designed to take advantage of global markets and specially constructed derivatives, contributed minus 18 basis points to the overall effort. In essence, gains on bear bets on financial companies and Venezuela were more than offset by unrealized losses on Hong Kong-traded H shares. The small portfolio of utility stocks, a substitute for bonds in the fixed-income space, contributed negative 12 basis points. These stocks were liquidated before the end of the quarter. The equity hedge strategy, a market-neutral portfolio, lost 1.5% for the quarter and contributed approximately minus 62 basis points to the hedge funds. I trust that the attached exhibits do a good job in complementing this brief overview.

In the coming paragraphs I plan to ruminate. I will be thinking out loud, as they say, as I strive to anticipate changes rather than relate what has transpired.

There is little question that the global economy is navigating uncharted waters. On the one hand, the great credit intermediaries, first-line banks and investment banks, are being forced to de-leverage as they begin to absorb the losses of one of the worst credit binges in history. The loss estimates have been climbing ever since July of 2007. No consensus has been formed as to the final numbers and for good reason: credit losses are never static. The process of de-leveraging affects many different sectors of the credit market. These in turn affect economic activity, which, in turn, affects new credit sectors. The positive-loop nature of de-leveraging has the potential to cause a severe depression, a matter to which we alluded in previous letters. In December, we suggested that the coming contraction could be as severe as the one experienced in the US in 1973-'75, when unemployment rose to just below 10%. If this were to happen, as seems increasingly possible, we would now be in only the initial innings of a severe credit cycle.

Parallel to this great credit contraction, global money supply is growing by leaps and bounds. The US balance of payments deficit on current and capital accounts is exporting astronomic quantities of base money around the world. Regimes with fixed or pegged exchange rates, such as China and most of the Asian economies as well as Russia and Brazil, have seen their money supply explode in double-digit numbers as a result of currency intervention. Inflation in these countries has soared.

Floating-rate regimes have fared only slightly better. Though inflationary pressures have been well contained in these countries, their currencies have risen in real terms. As a result, they are in danger of "importing" the US credit contraction and economic depression via their external sector.

Commodity inflation, particularly food and energy — a result of the exploding global money supply — has been affecting almost all countries. Real incomes around the world are shrinking and consumption is about to collapse to make way for a desired rise in savings. The easy money policy engineered by the Fed, designed to counter the deflationary tendencies of the credit contraction, is having a perverse effect. By stoking commodity inflation, it imminently threatens to bring about a global depression.

How does one survive in this game? As the market has become more aware of the true character of this credit cycle, opportunities to profit from it have become scarcer. Options premiums have become very expensive, liquidity in swaps has diminished even further and stocks of companies that are almost certain to fail are difficult to borrow. To profit from the next phase of the credit cycle one has to reach. Risks, therefore, have risen substantially.

To profit from the liquidity explosion, one needs to assume that weakening economic conditions will not affect commodity prices — a big leap of faith. Sooner or later, economic contraction will catch up with demand and sensitive commodity prices will plunge. But this is too general a statement. More specifically, we need to know when global liquidity will stop expanding.

The source of global liquidity is the deficit of the US balance of payments. For global liquidity to stop expanding, the deficit must be reversed. Either the current account must turn into surplus — an unlikely occurrence, though the deficit could certainly fall dramatically from current levels as imports fall and exports rise — and/or the capital account must move solidly into the black. The capital account could turn into surplus for a variety of reasons: dimming economic and political prospects abroad (especially in the emerging market sector), more favourable interest rate differentials, rising capital inflows attracted by cheap USD assets, etc. Needless to say, this process is ultimately controlled by the Federal Reserve. And so, the deciding question is simply, when will the Fed stop easing?

We continue to be positioned for an ongoing credit crunch and for an environment where commodity prices and commodity-related assets continue to rise. In broad strokes, these views are translated as follows: We are long securities that are not likely to suffer credit impairment but that, at the same time, can provide inflation protection. These qualities are best expressed in US government inflation-protected securities (TIPS). We own them in our un-levered fixed-income space and we also own them in our highly leveraged global opportunities section, as we believe that TIPS still represent an interesting capital gains opportunity.

Our principal commodity bet is gold. Slightly more than 60% of the funds' net assets are levered to the price of gold by means of options and futures. While we continue to hold substantial put options on US financial companies, we have somewhat reduced our overall exposure. During the quarter, we liquidated a number of options and short positions taken during 2007, most of them at very substantial profits. For intrinsic (attractive levels, reassessment of credit standing) reasons and extrinsic (counterparty risk, poor liquidity) ones, we pared back most of our credit default swaps. Here, too, we did so at substantial profits. After stress-testing our exposure, we concluded that the remaining positions could, in the worst of cases, dent the funds' net asset value by 3.5% (over a two-day period). We remain partially long credit protection on Countrywide (we are betting that Bank of America will not go through with the proposed acquisition, and if it does, it will maintain Countrywide as a separate unit), MBIA and Venezuela. We estimate that in the worst case scenario, the potential losses from these outstanding swaps is under 6% of net assets, spread over approximately 9 years.

Accelerating inflation in China (as well as India, Singapore and other Asian countries) can be attributed to double-digit money growth. We continue to believe that the only rational currency option for China (and these other countries) is to allow the yuan to float. This move will neutralize dollar inflows and stop money supply expansion in its tracks. We continue to hold substantial long positions in yuan, via call options. Unrealized gains in these options contributed approximately 200 basis points to the funds' returns. Most of these options will come due during the second and third quarter.

A long position in a number of H shares, another China play, has not turned out as well. During the quarter, unrealized losses in H shares cost the funds as much as 185 basis points. Surprisingly, the deep discounts available in the H shares vis-à-vis their A counterparts provided little relief from the severe decline in the A shares. Mercifully, in recent days we believe we have caught glimpse of a small but potentially promising narrowing trend in the discount. When and if mainland China's capital account is fully opened (this will certainly occur should the currency be allowed to float, though it may also occur earlier and under different circumstances), the discount will be closed. At that time we can expect to make a minimum 100% return on these shares (plus some further gains from holding assets in a revaluing currency).

The more pervasive and sustained the credit crunch becomes, the greater the chance that the Fed will throw caution to the wind, reflate in a big way and ignore the all-too-real threat of a serious inflationary outbreak. Essentially, there are two ways the Fed can reflate: it can lower the target rate to zero (or close to it), or it can abandon targeting interest rates altogether and simply adopt a quantitative target. It would then purchase the amount of securities (Treasuries, mortgages) deemed necessary to raise the monetary base and, through the banking multiplier, accelerate the growth of money supply. It is worth noting that the growth of the broad money supply has accelerated in recent weeks, rising at an annual rate of 8.9% for the past four months and 16.3% for the past six weeks. Still, these increases have little to do with Fed action and are probably due to technical factors, such as switches from stocks into money market funds. This explanation is reasonable in light of the fact that the adjusted monetary base has grown at annualized rates of only 0.7% and 2.7% over the same time spans. It is clear that targeting interest rates is not delivering the kind of monetary expansion that could reverse the housing decline and unclog bank credit. In the near term, then, the Fed is likely to guide short-term interest rates lower. This scenario should prove highly favourable to gold (and probably other precious metals), a handful of commodities (mostly grains), selected currencies and TIPS. Over the longer term, the Fed will be facing an excruciating painful dilemma: to allow inflationary expectations to soar or to quickly reverse all the monetary ease put in place in recent months and to be put in place in coming months. Either way, interest rates, and long-term rates in particular, will rise. Financial intermediaries and highly indebted industrial corporations will once again come under pressure, as will many emerging markets. The long anticipated recovery in residential and commercial real estate will almost certainly abort under these conditions. Commodity prices are likely to plunge. The US dollar, however, should finally recover.

This, then, is the scenario that we see coming over the next 12 to 18 months. I have left political and military factors out of the equation because they are even less predictable than economic factors. Still, political and military events are more likely to exaggerate trends started by economic necessity than to initiate new trends. All this means that equity, bond and forex volatility is likely to spike to new historic highs during this period and, overall, should remain well above historical average.

Having said all this, we admit to wishing that events should be so neatly drawn. For now, however, the scenario painted in the preceding paragraphs will inform our positions and will act as a foil against which we will test incoming data.

Recent performance has set a high level of expectations. This is unfortunate. As we stated in our opening paragraph, we neither target a specific return nor do we expect one. All we can do is to play the hand as we see it *at the time*, adjusting for new information as we go along. We cannot foresee the magnitude of the moves. Good results come from expecting some fundamental change and having the good fortune and good sense to ride the change. Extraordinary results come from expecting some fundamental change and having the good fortune and good sense to ride that extraordinary change. Seeing change requires a contrarian spirit. Seeing it through requires that and a good dose of good luck. We will need every bit of both to make it through the next few months.

Thanking you for your trust,

Albert D. Friedberg

FRIEDBERG MERCANTILE GROUP LTD.

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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

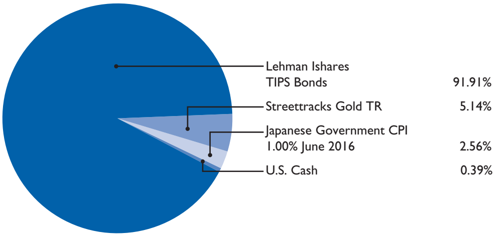
PERFORMANCE[1] As of March 31, 2008

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	16.71	3.80%	-7.29%	-1.76%	1.36%	3.62%
Friedberg Total Return Fixed Income Fund Ltd.	2,270.98	1.66%	12.07%	5.86%	8.25%	10.54%
Friedberg Total Return Fixed Income Fund L.P.	240.33	2.04%	11.72%	7.47%	8.68%	11.10%
Benchmark[4]		N.A.	9.17%	8.77%	5.72%	8.20%

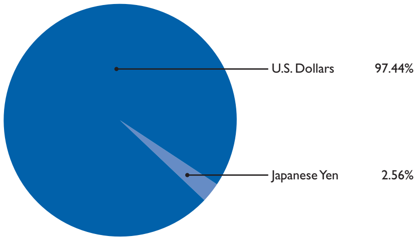
[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2008
[4]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Currency Exposure

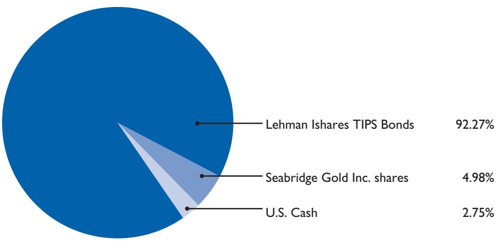


Weighted average yield to maturity	0.04%
Weighted average current yield	0.04%

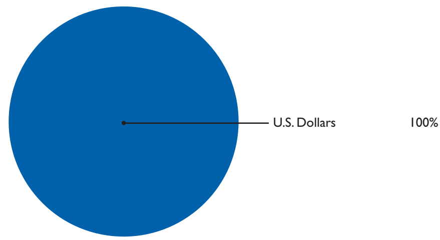
Adjusted modified duration		0.20
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	2.95%
	Unrated	97.05%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.

Portfolio Allocation



Currency Exposure

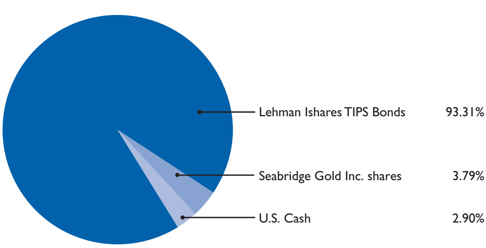


Weighted average yield to maturity	0.12%
Weighted average current yield	0.12%

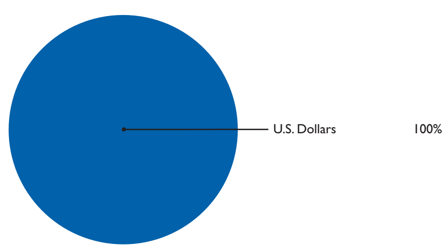
Adjusted modified duration		0.00
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	2.75%
	Unrated	97.25%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	0.12%
Weighted average current yield	0.12%

Adjusted modified duration		0.00
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	2.90%
	Unrated	97.10%

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, 2008

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	13.46	35.14%	-11.80%	0.58%	8.79%
The First Mercantile Currency Fund[2]	13.28	25.16%	8.27%	7.55%	12.66%
Friedberg Currency Fund II Ltd.	1,125.03	30.51%	7.45%	7.42%	15.33%
Friedberg Forex L.P.	16.40	32.58%	9.89%	8.52%	17.74%
Barclay Currency Traders Index		N.A.	3.34%	1.55%	2.65%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2008

OPEN POSITIONS - March 31, 2008

	times dedicated capital
Chinese Yuan (via options)	5.76
Options Package (excluding Chinese Yuan)	5.31
Long Japanese Yen	2.60
Long Australian Dollar / Short Canadian Dollar	2.30
Short Euro Currency	1.61
total gross leverage	17.58 x
maximum gross leverage during quarter	21.61 x

ACTIVITY REPORT - First Quarter 2008

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Chinese Yuan Options	22.53	43.95
Long Australian Dollar / Short Canadian Dollar	11.76	22.94
Long Japanese Yen	10.38	20.25
Net Options Basket (Excluding Chinese Yuan)	3.66	7.14
Long Australian Dollar / Short New Zealand Dollar	2.94	5.74

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short Euro Currency	-15.97	77.21
Short New Zealand Dollar	-2.93	14.19
Short Singapore Dollar	-1.10	5.30
Long Euro Currency / Short New Zealand Dollar	-0.68	3.31

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, 2008

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	2,783.10	16.42%	48.20%	22.60%	17.01%
Friedberg Global-Macro Hedge Fund	15.05	17.58%	48.00%	N.A.	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	10.35%	10.94%	11.36%

[1]Net of fees
[2]Compounded annual rate of return through February 2008

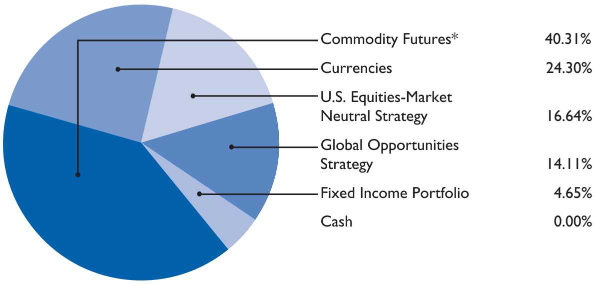
Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of March 31, 2008 is as follows:

FUND	CURRENT ALLOCATION	TARGET
Fixed Income Fund Ltd.	23.770%	28.000%
U.S. Equities - Market Neutral Strategy	37.827%	40.000%
Currency Fund II Ltd.	8.845%	9.000%
Futures	14.929%	5.150%
Global Opportunities	17.967%	17.850%
Refco SPhinX Managed Futures Index Fund Ltd.[3]	0.007%	0.000%
Utilities	0.000%	0.000%
Cash	-3.346%	0.000%
	100.000%	100.000%

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

GLOBAL-MACRO HEDGE FUND LTD. (CAYMAN)

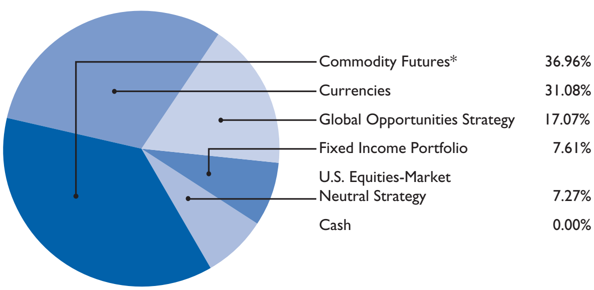
Breakdown by Total Gross Exposure



Total Leverage: 4.95x*

GLOBAL-MACRO HEDGE FUND TRUST (CANADA)

Breakdown by Total Gross Exposure



Total Leverage: 4.95x*

* The leverage ratio is skewed by a large long position in Fed Funds contracts. Effectively, we viewed this position as an option on future Fed Funds changes and treated it as such. Therefore, leverage may not adequately reflect portfolio risk. Without this position, the leverage ratio stood at 4.38x and 4.40x respectively.

U.S. EQUITIES - MARKET NEUTRAL STRATEGY

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

PERFORMANCE As of March 31, 2008

	NAV (notional)	Quarter
U.S. Equities - Market Neutral Strategy	1,318.77	-1.47%

INVESTMENT ALLOCATION

	31-Dec-07	31-Jan-08	29-Feb-08	31-Mar-08
Longs	51.83%	50.82%	53.70%	56.68%
Shorts	48.17%	49.18%	46.30%	43.32%
Total Gross Leverage	1.89x	2.11x	1.81x	2.25x

LARGEST SECTORS (LONGS)

Industry Blue-Chips	29.96%
Aerospace & Defence	6.49%
Electric Utilities	4.90%

LARGEST SECTORS (SHORTS)

Office REITs	5.70%
Residential REITs	3.60%
Homebuilder Index	2.93%

LARGEST LONG POSITIONS

Dow Jones Industrial futures
Raytheon Co.
Syngenta AG-ADR
CME Group Inc.
Exelon Corp.
Republic Services Inc.
Entergy Corp.
Aqua America Inc.
CSX Corp.
Harris Corp.

PAIR TRADES

Long Applied Materials Inc.
Short Semiconductor Holder Trust
Short Maxim Integrated Products

LARGEST SHORT POSITIONS

SPDR S&P Homebuilders ETF
Walgreen Co.
Moody's Corp.
Semiconductor Holder Trust
Great Atlantic & Pacific Tea Co.
Camden Property Trust
Mack-Cali Realty Corp.
Liberty Property Trust
Biomed Realty Trust Inc.
Sears Holdings Corp.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
CSX Corp.	24.83%	Spansion Inc.	39.74%
Syngenta AG-ADR	16.23%	US Airways Group Inc.	37.19%
Raytheon Co.	5.25%	Countrywide Financial Corp.	29.98%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
WR Grace & Co.	-36.19%	SPDR S&P Homebuilders ETF	-13.95%
CME Group Inc.	-29.82%	Nektar Therapeutics	-32.86%
Service Corp. International	-23.79%	Cullen/Frost Bankers Inc.	-8.19%

LIQUIDATED FUNDS

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%

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