FRIEDBERG MERCANTILE GROUP LTD.

First Quarter Report 2009

1

First Quarter Report 2009

It gives me great pleasure to present to you a discussion of the financial results for the first quarter of 2009.

Losses marked our trading activities during this year's first quarter. The offshore Global Macro Hedge Fund gave up 6.2% while the NAV of the Canadian-based fund declined 10.8%. Year-on-year results, arguably a more revealing way to look at performance given the funds' volatility, retain a strongly positive trend, up 14.2% and 7.9%, respectively. I should note that the discrepancy between the two funds is due almost entirely to the existence of a Canadian-dollar long position in the Canadian fund, instituted as a hedge to protect Canadian-based investors from a possible recovery in the Canadian dollar. During the past quarter, the Canadian dollar declined approximately 3.6%, lowering, in relative terms, the return of the Canadian-based hedge fund by approximately the same amount. In other words, had we not hedged, our Canadian-based investors would have benefited to the tune of 3.6% from the fund's exposure to US assets. We plan to maintain this hedge as we believe that the Canadian dollar will experience a solid recovery vs. the US dollar in coming months.

In hindsight, losses should not have been totally unexpected. The first quarter of the year evidenced a transition, from general doubts about the possibilities of a global recession to a widely perceived certainty that we had entered a global economic slump. Our edge throughout 2007-2008, that of recognizing the inevitability and true magnitude of the coming recession, eroded considerably in the early months of the year when forecasts became reality. Without an edge, we became subject to the usual detractors of investment results, namely, slippage costs, execution inconsistencies and carrying costs. In short, without a special edge, it became almost impossible to outperform benchmarks.

We had posited at the end of last quarter that the financial crisis had ended and that we were about to enter an economic crisis. Despite occasional shocks and scares, that proved remarkably true. We also had posited that the violent economic decline would bottom out sometime at the end of the winter or beginning of the spring. (These statements were made at the conference call this past January. You'll recall that in the last shareholder letter we stated: "Broad money growth has begun to come to life. It has grown at a 21.2% annualized rate over the past 8 weeks, the fastest rate of growth in over 25 years for that span of time! Because we are monetarists, we respect these numbers… Such rates will positively shock the market. The 'unexpected' inflation will turn the real economy around; many types of asset prices will rise, the dollar will likely fall hard, especially against commodities…) That, too, proved prescient. Alas, while market implications were generally consistent with the economic outlook, overall results did not reflect this prescience. Two execution inconsistencies were responsible. One was liquidating a substantial percentage of a net long position in stocks, acquired in the closing month of last year and January of this year, just days before the market actually bottomed. I admit to having been influenced by the overwhelming bearish sentiment expressed by colleagues and market seers. The other one was betting that emerging market assets, in particular, currencies and the credit default swaps of Venezuela, would continue to deteriorate even as liquidity flooded the developed markets. Both of these trades — which easily cost us 450 basis points — contradicted our view of the world. Thus, they represent execution inconsistencies.

Now for a review of the quarter's trading activity, broken down by sector. We begin with our fixed-income portfolio, which continues to be invested mainly in TIPS. This cash position, as well as our leveraged bet on TIPS (carried in the global opportunities pocket), performed relatively well considering the chaotic state of the bond markets. It should be noted that TIPS underperformed through most of the quarter and only the dramatic recovery experienced after March 11th saved our position from being under water. While 10-year and 20-year breakevens remain too cheap at 129 and 162 basis points respectively, we are encouraged by the recent rising trend. We expect breakevens to reach record highs sometime later this year even as downward pressure on consumer and producer prices continues for yet another few quarters. On the other hand, as we discuss below, TIPS may not escape completely from the coming rout in US fixed-income assets. In our opinion, rarefied breakeven levels will signal that we have entered a critical funding level. It is then that we will consider paring back our allocation to long-term government securities of any stripe.

The two significant negative contributions to the funds' performance came from the global opportunities pocket (329 basis points, based on average quarterly equity) and the currency section (250 basis points).

The single largest loss in the global opportunities section can be attributed to our long position in US stock index futures (S&P 500, Russell 2000 and Nasdaq). The total loss on this position (stock index futures represented at that point 25% of the fund's net assets) was equal to approximately 746 basis points of the fund's average net assets. As mentioned earlier, this loss was magnified when we prematurely liquidated approximately 69% of the position. In effect, the mistimed sale cost us approximately 350 basis points. Other significant losses, amounting to some 185 basis points, can be attributed to individual stock trades, one of them a failed arbitrage, and to the downward adjustment in the value of our long protection (via CDS) on Venezuela. On the plus side, gold, representing (together with long call options) an exposure of 71% of the fund's net assets at quarter end, and a related short yen hedge, contributed a positive 384 basis points. Much smaller gains and losses were contributed by an array of different trades. The most interesting of those were gains in the long positions in Chinese H shares, directly and through iShares FTSE/Xinhua China 25 Index Fund, and long positions in gold mining shares.

Our currency trading proved particularly frustrating. As mentioned earlier, we misjudged the restorative power of expanding global liquidity. Aggressive intervention funded by currency swap lines and/or IMF lending programs aborted adjustment processes in at least one instance (Romania). Expanding liquidity also had a constructive impact on risk appetite: the renewed popularity of carry trades negatively affected our short Brazilian real position and the long Aussie/short Kiwi cross trade. Adding insult to injury, we lost money selling US dollars against the euro and the Australian dollar even as we executed according to plan. Our bearish dollar view had been grounded in the Fed's aggressive monetary reflation. This view was trumped by the also reasonable argument that aggressive monetary reflation was likely to lead to a quick economic recovery. This in turn would be bullish for US-dollar risk assets and the dollar. We conceded this point and accepted losses on both positions. Nevertheless, we continue to believe that aggressive monetary reflation is ultimately bearish for the currency though we now think that dollar sales should be postponed until such time as the US economy achieves full stabilization. Until we regain confidence in our ability to anticipate important currency moves in this environment, we will be lowering our allocation to this activity to 5% from the current 10%.

The market-neutral equity strategy continued its steady winning ways, making the only positive contribution to the fund's performance during this quarter (41 basis points). Gross leverage remained well within recent parameters, ranging between 2.17x and 2.54x. During the quarter, we moved from a slightly net long position, 54.7/45.3, to a slightly net short position, 46.4/53.6, prompted by the greater beta of our short positions. As can be expected in a bear market, more money was made on the short side than on the long side, though the margin was relatively small. Increased dispersion helped; some financials performed extremely well (with large gains in MF Global Ltd., Goldman Sachs and Morgan Stanley) while others lost most or all of their value during the quarter (Banco Popular, FirstFed Corp). On the long side, we continue to favour the housing sector, exchange firms and a select group of financials. On the short side, we favour big-cap brand names such as Walgreen, Procter and Gamble, Johnson and Johnson, Kimberley Clark and Kroger, among others. We don't expect the latter group to collapse, but we do expect it to underperform market indices.

We plan to de-emphasize our diversified trading program in coming months. For one thing, its broad mandate parallels, in many respects, the global opportunities section. For example, we are long gold in this program but we are also long gold in the global opportunities section. The duplication leads to confusion at the trading desk and, in addition, the positions necessitate continuous adjustments lest they come to increase overall risk and exposure. Second, we have been running into serious liquidity issues when putting on commodity futures positions. This has limited the scope of our diversified trading program to a mere handful of futures contracts, to wit, stock index futures, gold futures and money market futures. There is then no logical reason for us to maintain a special program allocation to commodities when we are essentially unable to put it into full effect. Instead, we have come up with what we believe is a better and more focused idea on how to bet on commodities markets. Taking a macro view first (do we want to be long? short? neutral?) we have tasked a very competent CTA, Covenant Capital LLC, well known to us, to implement our idea. The principal's name, Scott Billington, and his background have been disclosed to you in recent weeks by separate mail. I should add that the manager owns a very robust technical system, one that has successfully traded off in the past volatility, trend force and liquidity to produce excellent risk-adjusted returns. In effect, we hope to combine the best of our strengths — our macro views and his micro management.

The US is heading towards an astronomic $3-trillion fiscal deficit, an amount that represents 21% of GDP and that exceeds the entire 2008 budget. Clearly, the Feds have overdone it, and in a big way. There is no possible way for the US Treasury to fund, uneventfully, this amount in a stabilized economy, that is, an economy no longer experiencing the type of free fall seen during the last quarter of 2008 and the first couple of months of 2009. At present rates, domestic savings would be woefully insufficient, especially if they are called upon to finance normal business requirements, and foreign savings will certainly not be forthcoming, at least not on that scale. That leaves the Treasury with two bad choices, one worse than the other: substantially higher long-term rates or Fed monetization.

Under the first scenario, US long-term interest rates rise, savings rise to 12% to 15% of GDP from the present 5% level, the budding economic recovery is choked off and we witness the next phase of a depression. Under the second scenario, the Fed continues to buy Treasuries and expands its own balance sheet by an additional, say, $2 trillion (that is, assuming the market takes up $1 trillion). The ballooning of the Fed's balance sheet coming atop the recent expansion leaves the Fed with assets of, say, close to $6 trillion. Depending on the behaviour of the multiplier, money supply explodes upwards by double- or triple-digit percentages. International commodity inflation soars; the 1970s, by comparison, come to look like a mere blip.

The reality, of course, is that neither of these two extreme choices will obtain. Instead, we will experience a combination of substantially higher interest rates, caused by the Treasury forcing unwanted paper onto the market, and substantially higher inflation, caused by Fed monetization. Regardless, the final outcome will be the same: a higher savings rate and a continuation of economic depression despite the present administration's best efforts to force-feed a recovery. Sadly, we will also be stuck with much higher inflation rates than we have experienced over the past 30 years.

Please note: stock prices have been on a tear recently, not because the market expects significant gains in economic growth/productivity and a surge in earnings. That will not happen under this administration. The true reason for this mini-bull market is that the market senses a huge rise in inflation. Better to own businesses and tangible assets, it reasons, than fixed-income pieces of paper. This is true. But, we suggest, it's better yet to own the tangible assets directly, gold and commodities.

Surplus countries will see their currencies appreciate. This will be bullish for China and Asia in general, though their international reserves will initially be mauled. Others, too, will benefit. Upward floats and the accumulation of tangible international assets instead of other nations' liabilities will change Bretton Woods II forever.

We are positioned for this eventuality. Long gold and long commodities. Long inflation-linked Treasuries (for now). Short Fed Funds contracts, with trivial risk. Long Chinese equities, especially the offshore H shares, as they become the beneficiaries of a freer capital account. Soon, we hope, other trade ideas will occur to us. We need to make sure that they are liquid, that they are leveraged and that their risk can be controlled. We are thinking.

We thank you for your continued trust. With hopes for a profitable quarter,

Albert D. Friedberg

FRIEDBERG MERCANTILE GROUP LTD.

CONTENTS

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

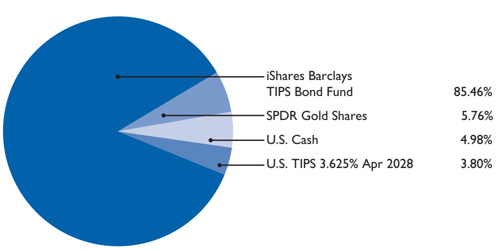
PERFORMANCE[1] As of March 31, 2009

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	23.80	1.80%	25.40%	7.83%	6.57%	6.53%
Friedberg Total Return Fixed Income Fund Ltd.	2,161.51	0.09%	-12.92%	-1.21%	0.11%	3.98%
Friedberg Total Return Fixed Income Fund L.P.	233.29	-0.21%	-10.80%	-0.17%	1.00%	4.83%
Benchmark[4]		N.A.	-10.00%	-0.87%	2.12%	2.97%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2009
[4]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

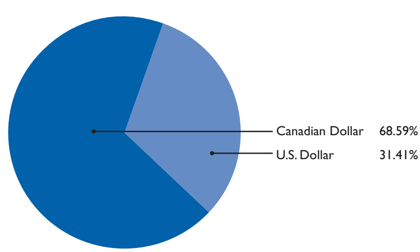
FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Weighted average yield to maturity	2.24%
Weighted average current yield	2.05%

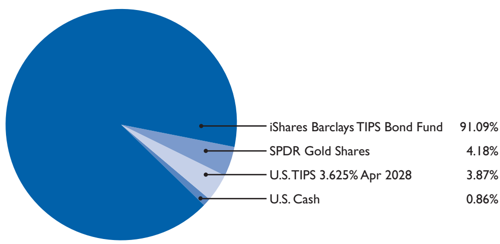
Currency Exposure



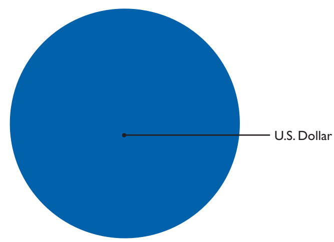
Adjusted modified duration		2.29
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.24%
	Unrated	5.76%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.

Portfolio Allocation



Currency Exposure

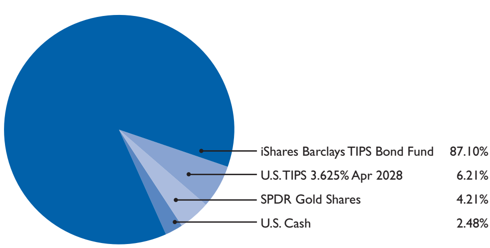


Weighted average yield to maturity	2.34%
Weighted average current yield	2.14%

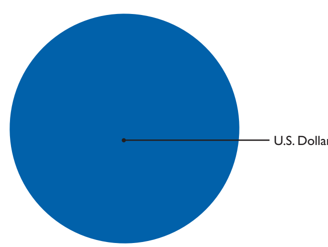
Adjusted modified duration		2.43
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	95.82%
	Unrated	4.18%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	2.31%
Weighted average current yield	2.13%

Adjusted modified duration		2.48
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	95.79%
	Unrated	4.21%

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

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

PERFORMANCE[1] As of March 31, 2009

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	12.38	-22.91%	17.07%	4.24%	8.59%
The First Mercantile Currency Fund[2]	9.77	-23.67%	-10.26%	1.25%	6.31%
Friedberg Forex L.P.	11.21	-22.48%	-16.52%	-1.02%	8.13%
Barclay Currency Traders Index		N.A.	2.65%	2.21%	1.03%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through February 2009

OPEN POSITIONS - March 31, 2009

	times dedicated capital
Long Chinese Yuan (via options)	1.08
Long Australian Dollar / Short New Zealand Dollar (via options)	1.06
Long Euro Currency / Short British Pound	2.24
Short Mexican Peso	1.09
Short Turkish Lira	0.54
total gross leverage	6.00 x
maximum gross leverage during quarter	11.22 x

ACTIVITY REPORT - First Quarter 2009

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Euro Currency / Short British Pound	3.28	100.00

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Australian Dollar	-11.50	42.76
Long Euro Currency	-3.72	13.81
Short Brazilian Real	-3.29	12.24
Long Euro Currency / Short Romanian Leu	-2.81	10.43
Long Australian Dollar / Short New Zealand Dollar	-2.12	7.89
Short Mexican Peso	-1.31	4.87
Long Chinese Yuan	-1.13	4.21
Short Turkish Lira	-1.02	3.79

FRIEDBERG GLOBAL-MACRO HEDGE FUNDS

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

Single Manager Multi-Strategy Funds. Allocations are reviewed periodically.

PERFORMANCE[1] As of March 31, 2009

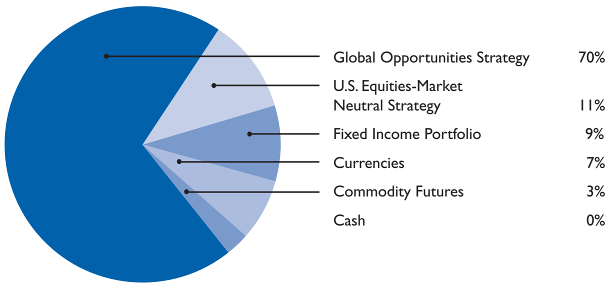
	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	3,178.82	-6.20%	9.05%	20.58%	16.56%
Friedberg Global-Macro Hedge Fund	16.18	-10.76%	7.46%	N.A.	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	-18.99%	0.11%	3.52

[1]Net of fees
[2]Compounded annual rate of return through February 2009

Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of March 31, 2009 is as follows:

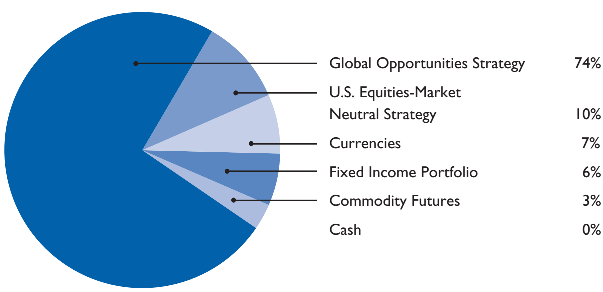
FUND	**CURRENT ALLOCATION**	**TARGET**
Fixed Income Fund Ltd.	39.85%	38.00%
U.S. Equities - Market Neutral Strategy	19.96%	20.00%
Currency Program	9.09%	9.75%
Futures	4.78%	5.15%
Global Opportunities	25.89%	27.10%
Cash	0.44%	0.00%
	100.00%	100.00%

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



Total Leverage: 4.28x

GLOBAL-MACRO HEDGE FUND TRUST (CANADA)
Breakdown by Total Gross Exposure



Total Leverage: 4.85x

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, 2009

	NAV (notional)	Quarter
U.S. Equities - Market Neutral Strategy	1,591.93	2.32%

INVESTMENT ALLOCATION

	31-Dec-08	31-Jan-09	28-Feb-09	31-Mar-09
LONGS	54.56%	51.85%	48.94%	46.41%
SHORTS	45.44%	48.15%	51.06%	53.59%
TOTAL GROSS LEVERAGE	2.80x	2.49x	2.17x	2.34x

LARGEST SECTORS (LONGS)

Investment Banking & Brokerage	8.46%
Biotechnology	7.14%
Specialized Finance	6.65%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	23.21%
Household Products	3.90%
Computer Hardware	3.71%

LARGEST LONG POSITIONS

Goldman Sachs Group
Morgan Stanley
CME Group Inc.
Intercontinental Exchange Inc.
Appolo Group Inc.
McDermott International Inc.
Onyx Pharmaceuticals Inc.
Pulte Homes Inc.
Toll Brothers Inc.
Northern Trust Corp.

LARGEST SHORT POSITIONS

S&P 500 Futures
Financial Select Sector SPDR
Walgreen Co.
PPG Industries Inc.
Hewlett-Packard Co.
Wells Fargo & Co.
Kroger Co.
Kimberly-Clark Corp.
Johnson & Johnson
Procter & Gamble Co.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
MF Global Ltd.	107.35%	Popular Inc.	70.94%
Morgan Stanley	26.54%	Brandywine Realty Trust	63.04%
Goldman Sachs Group	25.63%	FirstFed Financial corp.	55.77%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Circuit City Stores Inc.	-94.23%	Apple Inc.	-23.16%
Delta Air Lines Inc.	-50.87%	Hewlett-Packard Co.	-16.89%
Standard Pacific Corp.	-50.56%	Johnson & Johnson	-9.40%

CLOSED 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%
Friedberg Currency Fund II Ltd.	6-Mar-97	1000.00	30-Jun-08	1019.23	$355,599,879	0.17%

NOTES

FRIEDBERG
MERCANTILE
GROUP LTD.

FRIEDBERG MERCANTILE GROUP LTD.

Brookfield Place, 181 Bay Street, Suite 250
Toronto, Ontario M5J 2T3
Tel.: (416) 364-2700
Fax: (416) 364-0572
www.friedberg.ca
e-mail: funds@friedberg.ca