FRIEDBERG MERCANTILE GROUP LTD.

Fourth Quarter Report 2008

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Dear Investor,

It gives me great pleasure to present to you a financial discussion of the results for the fourth and last quarter of 2008.

Needless to say, we were delighted and even a bit surprised by the final results. The Friedberg Global-Macro Hedge Fund Ltd. was up, in US dollar terms, 18.5% for the quarter and 41.5% for the year. The Canadian Global-Macro Hedge Fund was up a bit more for the quarter (22.3%), principally due to a Canadian Dollar hedge that was instituted to protect Canadian-based investors, and slightly less for the year, 37.5%. As has been our practice for quite some time, we restrict our discussion to the performance of the Cayman-based fund for simplicity sake. Both funds carry almost identical positions. They only differ where Canadian regulations won't permit us to leverage this or that asset and thus force us to ignore the trade or accept less leverage.

On an attribution basis, the single largest contributor to gains for the quarter was the global opportunities pocket, a miscellany of various positions, their defining characteristic being that they do not belong to any of our traditional strategies (i.e. currency program, diversified commodities program, fixed income and market neutral equity program) either because of their nature or because of the leverage employed. This pocket earned a 54.5% return on average equity employed and contributed 14.8 percentage points to the Global Macro's overall returns. (All contribution figures are given on a gross basis, and thus do not match up perfectly to the fund's net final returns). Among our best trades, an 'excess' long position in gold hedged against Euro currency and British Pounds, and a long position in Fed Funds (liquidated towards the very end of the quarter). The credit bet on Venezuela continued to generate solid gains. In our view, Venezuela is moving ever closer and inexorably towards default. The above trades have been discussed at length in past shareholder letters and need no further explanation. Also highly profitable (representing almost 31 percentage points of the global opportunities sector's gain) was our incursion into North American gold mining shares; by mid-quarter, we picked up a sizeable long position in American Barrick, Newmount Mining and Goldcorp and continue to hold them through year end. In our view, these shares were inordinately and unjustifiably oversold, trading at prices that reflected $300 gold levels. In fact, at those prices, we came to prefer gold shares over bullion on a fully adjusted risk reward basis. Finally, a highly leveraged long position in long term TIPS produced substantial gains (the leverage characteristic left it outside of our regular fixed income portfolio, also long cash TIPS). We should add that the global opportunity portfolio is managed on a more timely, or rapid response, basis and with tighter risk parameters than would corresponding assets in the non-leveraged pockets.

Not as felicitously, we lost money in outright equity futures, even while we protected these positions with what turned out to be a profitable put option position in oil and even while we earned record option premiums by selling volatility. Such was the equity devastation!

The next largest contribution to the fund's results came from the diversified trading program (almost 3 percentage points), which managed to record a sizzling return of 57.7% on average invested capital. Incredibly, every position but one (you guessed it, equity futures) generated gains, the most prominent ones being a persistently bearish stance on oil and a bullish position in interest rates futures, principally the Eurex traded derivative of a two year Bund.

The fixed income portfolio, almost entirely invested in TIPS, made a positive contribution (almost 200 basis points) to the fund's returns as these bonds began to recover from the severe sell off they had experienced between mid October and end November. An interesting note: at current prices long term inflation indexed bonds yield a real 2.33% (basis the 3 5/8% of 2028), 90 basis points less than equivalent nominal Treasury of similar maturity. This difference, called 'break-even', is presumably the market's assessment of prospects for average yearly inflation to maturity, for which nominal securities must compensate their holders. Now then, it is inconceivable to us that actual inflation should average that low a rate, i.e. 90 basis points or less than one percent, over the next 20 years. Nor can we imagine that the collective market has lost its sanity and believes this to be highly probable. Why then are break evens trading at 90 basis points? The answer is liquidity, or, rather, the lack thereof. Inflation indexed securities suffer, perhaps in lesser degree, of what the entire bond market suffers, a lack of trading liquidity, at least vis a vis the gigantic Treasury market. To compensate for this relative illiquidity, indexed linked Treasuries are forced to give up price—that is, to pay a higher interest rate than they would if all else was equal. It is primarily this liquidity premium that we earn when we buy TIPS to yield a rich 2.33% real return. And it is precisely this liquidity premium that buyers of *corporates* earn, over and above prospects for default. That is, it is unlikely that the market is at this point forecasting a default rate that exceeds the default rates that were observed during the Great Depression of the thirties, just like we believe that it is false to claim that TIPS forecast an average inflation rate of under 1% for the next 20 years. To repeat, buyers of other-than-Treasury bonds receive a special premium for holding relatively illiquid bonds. At this point, you may want to ask why then do we not buy instead, or as well, corporates. The answer is that, indeed, we did buy an ensemble of double A and triple A bonds and are profiting from a narrowing of the spreads (as well as an interest rate spread above financing costs). Two factors however hold us back from taking a more aggressive position: (a) withholding taxes on interest make them an inefficient vehicle and (b) we are hesitant to take on credit risk, that is, we are unable to clearly disentangle the credit from the liquidity risk, though we know that the latter is substantial. On the other hand, we are comfortable with the near-zero credit risk of TIPS and can assume that the entire return premium is due to two factors that we can live with: relative illiquidity (our investment horizon is long enough for us to discount somewhat this disadvantage) and the market's relatively jaundiced views of long term inflation. The market collective may not believe that inflation will average under 1% over the next 20 years but it certainly does not think that it will average more than 3%, and surely not more than 4%. That is, mesmerized by the recent crash of commodity prices and silly pronouncements by Fed officials, the market under-prices the third ingredient in the making of real yield securities: inflation uncertainty. Since the market's attention is being diverted by temporary factors, we are able to buy optionality cheap, that is, we pay little or nothing for the possibility that inflation rates will actually exceed the last 30 year average of 3%. In short, TIPS continue to represent for the patient investor, one of the great opportunities of recent years.

Currency trading for the quarter was profitable too, with gains on average invested capital of 12.3% and a contribution of 136 basis points to the fund's final results. The exhibits in the inside pages detail the winning and losing trades. Worthy of note was our unsuccessful foray into the emerging market complex. We reasoned that as global liquidity increases carry trades would once again become faddish. Volatility however remains very elevated in the emerging sector and one must be prepared to accept larger than ordinary drawdowns if one wishes to play in this arena. That was clearly the lesson of our mistimed entry in the Brazilian real and the Turkish lira.

Our market neutral strategy recorded a small loss, 106 basis points on average capital employed, which represented a minuscule negative contribution of 21 basis points. The quarterly loss did not contain any elements worth commenting on (see inside exhibits for details) other than the fact that returns continue to be variable and highly dependent on capitalizing on market dispersion. Mediocre results simply reflect market performance on both sides of the ledger and an inability to capitalize on disparities, when and if they take place. Generally, market bottoms and market tops—transition markets—present 'disparity' challenges. New paradigms are in the making and it takes some time to recognize them. The lackluster quarter actually capped an excellent year, one that saw strong gains in the first three quarters of the year. Furthermore, the quarter to quarter performance confirmed conclusively the program's absolute lack of correlation with the major indexes.

Throughout 2007 and 2008 our shareholder letters warned of the increasing probability of the coming of a 1973-75 type recession, just as market pundits and government officials were still trying to understand the ramifications of the subprime mortgage debacle. The reason I bring this up is not to gloat over the prediction but rather to fend off potential criticism of our reflationary stance. Yes, we are aware that consumer demand has collapsed (as it did then in the closing months of 1974 and the opening months of 1975), that earnings have completed a sixth quarter of sequential declines, that banks have not written off all their bad debts, that unemployment has risen to 7.2% on its way to 9% or 10% (as it did then, too), in short, that economic activity has collapsed. And yet, we are feeling rather un-worried, luxuriated perhaps by the feeling that we had seen it coming. Actually, our relatively bullish stance has more to do with monetary policy than with facile analogues. It is true that the Fed's balance sheet has exploded and that broad money supply has lagged behind, that is, that the money multiplier has been collapsing. But what has happened is not a forecast of what is likely to happen. For one thing, narrow money supply has begun to explode upwards, growing at an annualized 28.6% rate for the past eight weeks. Also, 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. They tell us that bank credit expansion is slowly gaining traction, either via actual loans (on previously established credit lines) or via the purchase of Treasury securities. They tell us that, once started, these processes can go a long way: broad money can grow at 20%, 30% or even 50% annualized rates. 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, and an entirely new set of problems will come over the horizon. Worrisomely, the distressing lack of fiscal and monetary discipline and the inflationary pressures that inhere from these policy decisions will almost certainly bring about in due course a painful economic relapse: incomes will once again be eroded, which in turn will tend to raise savings and decrease consumption. Confidence, too, will erode as economic agents begin to assimilate the implications of the enormous fiscal burden that is being put on future income. But we are getting ourselves ahead of things. For now, monetary reflation is in full swing and monetary reflation has a predictably constructive effect on asset prices. We have therefore constructed our portfolio around this thesis. We hold gold and other gold assets, we are long industrial shares, long inflation indexed bonds, long a select number of commodities, and finally, short US dollars. In each category we have attempted or will attempt to hedge some of the risk without having to give up too much of the upside. This is not always easy to do, especially when option premiums are as expensive as they are today. We are constantly on the lookout for creative ways to accomplish this objective. Through 2007 and 2008 we hedged our aggressive bearish posture by betting that the Fed will ease rates. The hedge worked admirably well. The risk at this time is that our monetary thesis is flawed and the global economy enters into a free fall, with the contraction of one sector and one country viciously reinforcing the contraction of other sectors and countries. To the extent that we fail to ‘hedge’ properly this bet on reflation — that is, to the extent that we become exposed to deflation and accelerating economic contraction, our portfolio will suffer, especially since we will need some time to assess the validity of our thesis.

After a few good quarters there is tendency to allow one’s guard to fall, to bank on previous successes. We need to fight this tendency and we need to repeat to ourselves this mantra each and every day. A manager’s relaxed state of mind is as detrimental to good results as a manager’s misread of the economic tea leaves. The War of 2009 will only be won if we treat each day of the year as a battle to be fought and to be won. As always, we are grateful for your continuous support and are mindful that we need to earn it each and every day.

Thanking you again for your trust and support,

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.

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

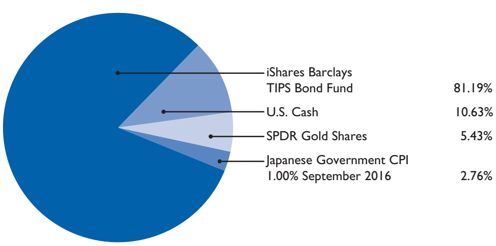
PERFORMANCE[1] As of December 31, 2008

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	23.38	26.72%	23.81%	5.24%	5.84%	7.50%
Friedberg Total Return Fixed Income Fund Ltd.	2,159.50	1.60%	-12.03%	-3.60%	0.49%	4.70%
Friedberg Total Return Fixed Income Fund L.P.	233.77	2.28%	-9.85%	-2.68%	1.53%	5.48%
Benchmark[4]		N.A.	-10.35%	-1.96%	1.97%	3.23%

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

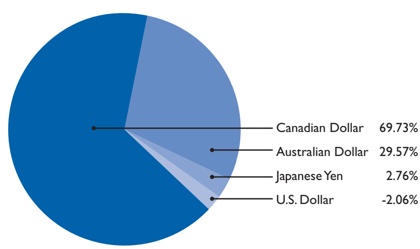
FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Weighted average yield to maturity	5.37%
Weighted average current yield	2.00%

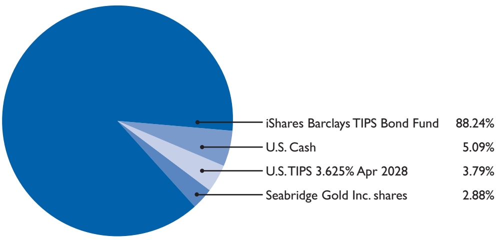
Currency Exposure



Adjusted modified duration		2.22
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.57%
	Unrated	5.43%

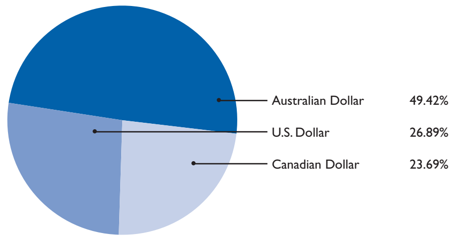
FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.

Portfolio Allocation



Weighted average yield to maturity	5.77%
Weighted average current yield	2.18%

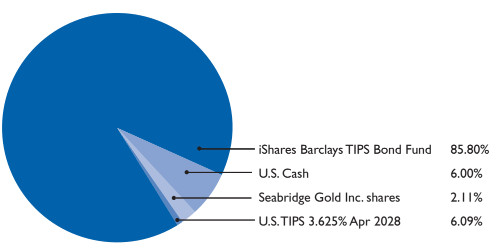
Currency Exposure



Adjusted modified duration		2.56
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	97.12%
	Unrated	2.88%

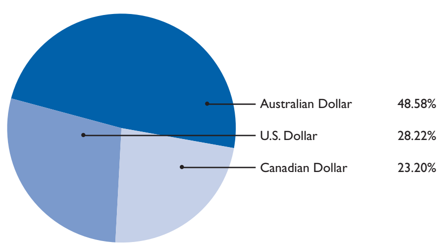
FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Weighted average yield to maturity	5.67%
Weighted average current yield	2.21%

Currency Exposure



Adjusted modified duration		2.64
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	97.89%
	Unrated	2.11%

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 December 31, 2008

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	16.06	45.34%	8.36%	2.51%	12.01%
The First Mercantile Currency Fund[2]	12.80	16.68%	-15.69%	-0.33%	8.14%
Friedberg Forex L.P.	14.46	9.63%	-19.66%	-1.60%	12.19%
Barclay Currency Traders Index		N.A.	2.90%	1.46%	2.01%

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

OPEN POSITIONS - December 31, 2008

	times dedicated capital
Long Chinese Yuan (via options)	3.40
Long Australian Dollar / Short New Zealand Dollar (via options)	2.41
Long Australian Dollar	1.80
Long Euro Currency	0.86
total gross leverage	8.47 x
maximum gross leverage during quarter	13.55 x

ACTIVITY REPORT - Fourth Quarter 2008

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Australian Dollar	8.49	34.77
Long Australian Dollar / Short Canadian Dollar	5.48	22.42
Long Euro Currency	5.32	21.79
Long Euro Currency / Short Hungarian Forint	2.27	9.29
Long Japanese Yen / Short Euro Currency	2.20	9.01
Long Australian Dollar / Short New Zealand Dollar	0.66	2.72

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Turkish Lira	-4.70	44.40
Long Brazilian Real	-4.46	42.20
Long Chinese Yuan	-1.25	11.79
Long Swiss Franc	-0.17	1.62

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 December 31, 2008

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	3,389.02	18.52%	22.43%	19.64%	16.79%
Friedberg Global-Macro Hedge Fund	18.13	22.33%	27.44%	N.A.	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	-18.67%	1.78%	4.53%

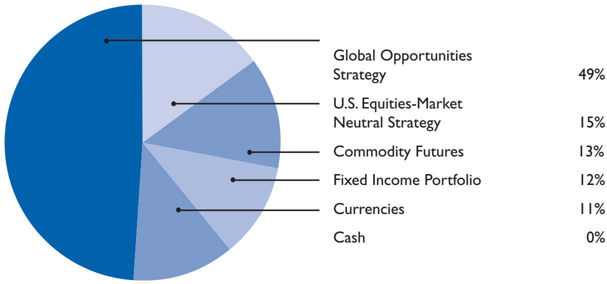
[1]Net of fees
[2]Compounded annual rate of return through November 2008

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

FUND	CURRENT ALLOCATION	TARGET
Fixed Income Fund Ltd.	37.52%	38.00%
U.S. Equities - Market Neutral Strategy	17.08%	20.00%
Currency Program	10.29%	9.75%
Futures	5.32%	5.15%
Global Opportunities	32.88%	27.10%
Cash	-3.09%	0.00%
	100.00%	100.00%

GLOBAL-MACRO HEDGE FUND LTD. (CAYMAN)

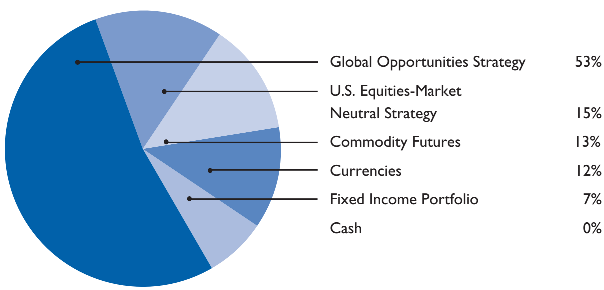
Breakdown by Total Gross Exposure



Total Leverage: 3.14x

GLOBAL-MACRO HEDGE FUND TRUST (CANADA)

Breakdown by Total Gross Exposure



Total Leverage: 3.43x

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 December 31, 2008

	NAV (notional)	Quarter
U.S. Equities - Market Neutral Strategy	1,546.86	-1.06%

INVESTMENT ALLOCATION

	30-Sep-08	31-Oct-08	30-nov-08	31-Dec-08
LONGS	47.69%	51.06%	50.17%	54.56%
SHORTS	52.31%	48.94%	49.83%	45.44%
TOTAL GROSS LEVERAGE	2.51x	2.77x	2.84x	2.80x

LARGEST SECTORS (LONGS)

Homebuilding	9.35%
Biotechnology	8.99%
Oil & Gas Refining & Marketing	8.06%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	14.42%
Financial Index	5.03%
Diversified Banks	4.93%

LARGEST LONG POSITIONS

Valero Energy Corp.
Tesoro Corp.
Wal-Mart Stores Inc.
Goldman Sachs Group
Republic Services Inc.
Onyx Pharmaceuticals Inc.
Toll Brothers Inc.
CME Group Inc.
Pulte Homes Inc.
Regeneron Pharmaceuticals

LARGEST SHORT POSITIONS

S&P 500 Futures
Financial Select Sector SPDR
Wells Fargo & Co.
Walgreen Co.
Camden Property Trust
Digital Realty Trust Inc.
Apple Inc.
Eli Lilly & Co.
Starbucks Corp.
Semiconductor Holdrs Trust

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
SPDR KBW Insurance ETF	17.70%	Firstfed Financial Corp.	77.68%
Genentech Inc.	14.48%	Lehman Brothers Holdings Inc.	76.74%
Marvel Entertainment Inc.	10.80%	Sears Holdings Corp.	58.43%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Circuit City Stores Inc.	-87.25%	H&R Block Inc.	-21.75%
ION Geophysical Corp.	-71.44%	Digital Realty Trust Inc.	-11.16%
Standard Pacific Corp.	-63.75%	Eli Lily & Co.	-1.66%

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

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MERCANTILE
GROUP LTD.

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