FRIEDBERG MERCANTILE GROUP LTD.

Second 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 second quarter of 2008.

The quarter began inauspiciously for us. The weeks following the rescue of Bear Stearns saw a substantial rally in stocks, primarily financial companies, that severely tested our resolve. A little over two months later, by the middle of May, the relief rally came to an end and the sorry fundamentals began to reassert themselves. Subsequently, our financial performance improved and by June 30th we had attained new highs. The Friedberg Global Macro Hedge Funds gained 1.3% and 6.1% for the quarter, bringing year-to-date gains to 19.2% and 23.3% and year-over-year gains to 56.7% and 62%, respectively. The better performance of the Cayman-domiciled fund over its Canadian clone can be mostly attributed to its ability to sell securities short without the limitations imposed by the Canadian regulators on the Canadian hedge fund. A request for further flexibility for short selling has been granted and notice has been provided to unitholders. We expect to put to use this added flexibility during the fourth quarter of the year.

Three strategies produced dramatic returns on average invested capital (gross returns, basis the Cayman fund): market neutral (equities), up 13.05% and contributing approximately 540 basis points to the overall hedge fund; commodity futures, up 10.2%, with a contribution of 52 basis points; and special situations (“global opportunities”), up 17.3% and contributing 308 basis points. Returns and contributions differ by the weights or allocations in the fund that we give to each strategy. Losses were recorded in fixed income (0.84%, 24 basis points) and currency trading (8.75%, 79 basis points).

I will begin the discussion with the rather amorphous pocket we call global opportunities. It is intended to take advantage of opportunities that present themselves in liquid securities markets around the globe and designed to maximize leverage. It makes many different and unrelated bets, with each bet constructed and scaled so as to make a meaningful contribution to the fund. When it comes to US stocks, it selects issues that, for various reasons, would not normally fit into our market neutral portfolio. Using options, this strategy successfully leveraged a relatively large short position in the likes of Ambac, MBIA, Bear Stearns, Merril Lynch, UBS, Fannie Mae, IndyMac, Countrywide, and Bank of America and rode many of these issues into very low digits. We made similar bearish bets using credit default swaps (CDS) when levels were reasonable and markets were still reasonably liquid. Over the past six months, we reduced CDS positions as liquidity evaporated. Concurrently, we increased outright short positions and puts in the belief that, going forward, shareholders rather than creditors would take a greater hit. This switch proved prescient.

We continue to maintain a large long position in Venezuelan CDS. Despite historically high oil prices, we firmly believe that Venezuela is moving inexorably towards outright default on its foreign debt. We still retain some small CDS exposure in Countrywide and MBIA, long long-dated swaps and short very short-term swaps. The (small) bet here is that these entities will default on their debt over the longer term though they may survive for another few months.

Short selling via puts funded through the sale of calls (in a ratio of two to four puts for every call) was expanded to the non-financial sector as financial stocks sank and better opportunities opened up elsewhere. This pocket includes long bets on the value-laden Chinese H shares, which now represent almost 10% of the hedge funds' capital, short bets on Irish and Spanish banks (now in freefall), a long position on a handful of North American special situations, call options on the Chinese yuan (over and above those owned by the currency accounts, which are constrained by their own risk control guidelines) for a nominal value equal to approximately 50% of the funds' capital, gold futures and options (again, over and above those owned in the commodity futures strategy), and a long position in Fed Fund futures. The extra gold position was designed to increase the funds' exposure to the yellow metal to 65% of capital. The long position in Fed Funds continues to act as a hedge against our general bearish stance. It will be effective so long as the Fed continues to fight weak economic conditions with lower rates. This situation is likely to reverse in the not-too-distant future as the US dollar continues to plummet and foreign financing of the current account deficit becomes more difficult.

The long position in Fed Funds highlights an interesting twist in our thinking. While we believed (and still do) that the Fed committed a grievous error in lowering rates and should instead have raised rates to induce higher levels of savings and stop runaway commodity prices, we bet that the Fed would act as any politician would: buy short-term relief at the expense of long-term pain by lowering rates. We are beginning to grow a bit uncomfortable with this bet, though we think that the Fed is still some distance from realizing what truly needs to be done. See our comments towards the end of the letter.

Our market neutral equity portfolio continues to perform exceedingly well. The high degree of dispersion, well captured by our emphasis on financials and financial-related stocks on the short side, as well as the relatively modest number of positions held (fewer than 50 is our optimum) coincided to turbo-charge results. While our best short selections dropped anywhere from 60% to 73%, we still managed to find a number of well performing long stocks. The top three were First Energy Corp. (+19.98%), Energy Conversion Devices (+13.4%) and CSX Corp. (+12 %). Total gross leverage was moderate, ending the quarter at 1.88x. Interestingly, we were forced to increase long exposure all through the market's decline as the beta of our short portfolio soared. Longs exceeded shorts by a substantial margin through the quarter. By June 30, the long to short ratio stood at 55.7/44.3. You'll find details in the exhibits on the inside pages.

The commodity futures strategy did not present any particularly noteworthy features. The best that can be said is that we avoided some of the big booby-traps. A crude oil spread, long March 2010, May 2010/short March 2009, May 2009, hedged with some outright nearby longs, generated most of the fireworks in an otherwise dull quarter. Going forward, we believe that gold (against a short position in euros and sterling) is likely to produce some significant gains as Asian central banks worry about the highly vulnerable composition of their international reserves. How many Agencies and Treasuries, in a depreciating currency and at negative interest rates to boot, will they be willing to carry in the months ahead?

Despite the negative results, the currency strategy performed relatively well. The largest drawdowns were caused by adverse movements in a long yen/short euro spread and by the depreciation of the forward yuan. The former, a perennial favorite of the trading community, could not resist the allure of the carry trade. A better opportunity will no doubt present itself once the ECB reacts in political fashion to the slowing European economy. The latter event took us by surprise; early in the year, forwards had begun to over-discount the appreciation of the yuan. A couple of pauses in the pace of the guided appreciation made the market take note of how extended it had become, pushing back forwards to reflect a more comfortable annual pace of appreciation (5% to 5.5%) against the US dollar. The collapse in the forwards hit our highly leveraged in-the-money call position hard. Since our rationale for the trade was the view that China had to float its currency but not necessarily revalue it upwards (though, in the first instance, that would undoubtedly happen), we temporarily lost track of the position's vulnerability. Since the end of the quarter, a number of calls have expired profitably and we have replaced them with more six-month calls. The net effect has been to replace in-the-money exposure for the straight cost of the option (1.36%) while continuing to allow participation in an eventual float.

The winners for the quarter were the Aussie/Kiwi and Aussie/Canada trades. We remain committed to these positions for now and expect substantially higher levels, especially for the long Aussie/Kiwi trade.

In fixed income we continue to like TIPS. We reason that real rates will ease in the period ahead as economic growth slows around the world. At the same time, the gap between unadjusted and core inflation continues to favor TIPS over nominal securities. The time to invest in lower-grade bonds is approaching, though perhaps not as quickly as we would like. Interesting opportunities will develop in bank debt and preferred shares and junk bonds, in particular busted convertibles and senior debt of recently acquired private equity deals.

Lest we get drawn into an overly pessimistic view, let me say that it is not too late or too difficult to redress the mistakes of years past. We are not locked into a disaster scenario, by any means. Good governance can overcome the present unpleasantness. Favorable outcomes will depend on steady, consistent and minimalist economic policies. While actively providing protection against a systemic failure of the financial sector, such policies would allow individual failures to take place. While shareholders' equity in a sizeable number of financial institutions could be wiped out (giving new meaning to the term "moral hazard"), these policies would provide ample liquidity, *at penalty rates*, to *solvent* financial institutions. Such policies would encourage recapitalization of the financial sector, from whatever sources. Where absolutely necessary, as in the case of the GSEs where risks and losses are already socialized, gains would be socialized, too.

Throughout all of this, the Fed should take immediate steps to correct what has been an abysmal failure of policy, one that has guaranteed instability by repeatedly generating financial bubbles. Interest rates should be allowed to seek their natural level, which would equate the long-term demand for genuine savings with the supply. A first step towards achieving this objective would be for the Fed to abandon its present policy of targeting Fed Funds and to seek to maintain a flat yield curve instead. By following the dictates of free market forces no longer influenced by the arbitrariness of its own policy, the Fed would in effect be taking a neutral posture with respect to the "correct" level of interest rates. Fiscal policy should not be used to prop up housing prices or to bail out insolvent debtors. Neither should it offer short-term, gimmicky tax cuts to artificially prop up spending. Instead, it should follow a steady policy of cutting marginal tax rates over time. It can start by making the Bush tax cuts permanent.

None of the above suggestions are radical or difficult to implement. They are small steps that first of all, seek to do no harm. The sharp decline in house prices, if allowed to run its course (and run its course it will, as recent statistics in a number of large urban centers have shown), would help to stimulate personal savings. The gentle rise in interest rates implied by a move towards a flat yield curve would sustain this process and tend inevitably towards a recession or a long period of sub-par growth.

Nevertheless, the effects of such an economic consolidation would be beneficial in the long run. One of its benefits is that it would help shrink the US current account deficit, a highly destabilizing phenomenon and the true source of global inflation. With the return of international confidence, capital flows would return too. US assets, beaten down by the relentless fall in the dollar and by asset deflation, would prove irresistibly attractive. The dollar would steady. International commodity inflation would subside.

We must remember that it was poorly chosen policies that turned the mild recession of 1929 into a horrendous economic holocaust. Economic misery and prosperity are neither predestined nor predetermined; they are simply the result of man's actions. We must not allow the present situation to get out of hand. It will do so only if politicians act for the moment, without taking into account the long-term consequences of their actions, and if in their desire to appear helpful they increase further the already heavy hand of government in the private sector. The medical aphorism is as true for human economic well-being as it is for human health: first, do no harm.

We are sitting at a crossroad. As the immediately preceding comments make clear, we believe that we may be close to an inflection point. This will, of course, depend on sound economic policies. Unfortunately, we must also be prepared for the worst: more senseless bailouts, interference in a falling housing market desperately looking for a clearing level, stimulating an expansion of credit instead of fostering the conditions for its gradual reduction, force-feeding an expansion via cheap money and temporary tax cuts when what we need is more personal savings, and so on. This is not to say that bad policies cannot reflate the economy. But if they do, the recovery will be even more unbalanced and inflation will become an even more serious problem. Be that as it may, while we plan to react to policies rather than to events, the way forward is fraught with a great deal of uncertainty.

While on the topic of uncertainty, I must say that I was greatly humbled after a friend forwarded to me the investment performance of a number of truly great financial gurus (from Guru Focus.com): names such as Marty Whitman, Bill Miller, Joel Greenblatt, Eddie Lampert, Carl Icahn and many others, who are down anywhere from 21% to 43% for the past six and 12 months! If this can happen to seasoned investors, savvy value players, 50-year veterans of Wall Street, what hope is there for the rest of us? What must we do to avoid suffering their fate? Guard against hubris? Limit size? Beware the death wish to be a hero by picking a bottom or a top? All of the above? I wish I knew.

Thanking you again for your trust and support,

Albert D. Friedberg

FRIEDBERG MERCANTILE GROUP LTD.

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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

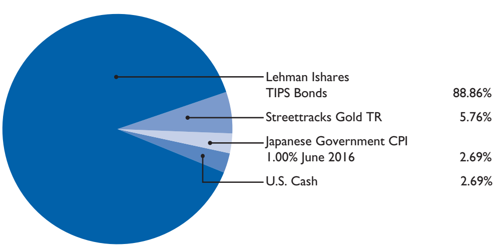
PERFORMANCE[1] As of June 30, 2008

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	18.44	-1.02%	1.14%	0.60%	-0.21%	3.13%
Friedberg Total Return Fixed Income Fund Ltd.	2,247.11	-1.05%	10.04%	7.80%	6.37%	8.40%
Friedberg Total Return Fixed Income Fund L.P.	239.14	-0.50%	10.43%	7.93%	7.04%	8.78%
Benchmark[4]		N.A.	8.95%	8.05%	6.28%	6.79%

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

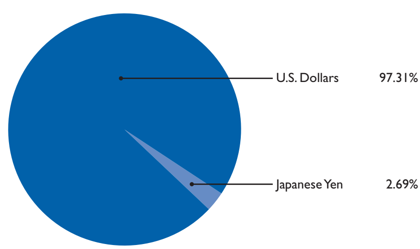
FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Weighted average yield to maturity 0.14%
Weighted average current yield 0.14%

Currency Exposure

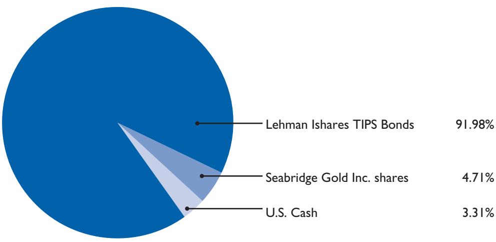


Adjusted modified duration 0.09
Approximate overall credit rating AAA

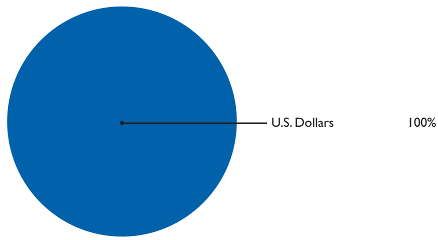
Bond rating breakdown: AAA 2.69%
Unrated 97.31%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.

Portfolio Allocation



Currency Exposure

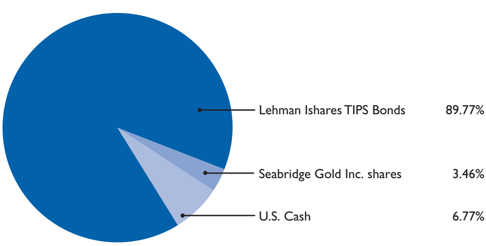


Weighted average yield to maturity	0.14%
Weighted average current yield	0.14%

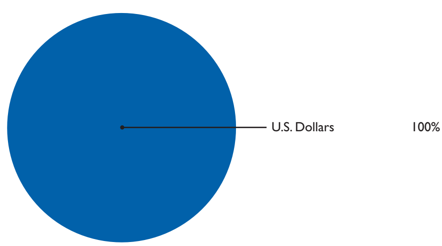
Adjusted modified duration		0.00
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	0.00%
	Unrated	100.00%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	0.29%
Weighted average current yield	0.29%

Adjusted modified duration		0.00
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	0.00%
	Unrated	100.00%

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 June 30, 2008

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	12.04	-10.55%	4.66%	-2.60%	4.03%
The First Mercantile Currency Fund[2]	12.09	-8.96%	10.46%	3.76%	7.65%
Friedberg Currency Fund II Ltd.	1,019.23	-9.40%	13.83%	4.59%	9.27%
Friedberg Forex L.P.	14.93	-8.96%	16.68%	5.94%	12.70%
Barclay Currency Traders Index		N.A.	3.58%	1.66%	1.65%

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

OPEN POSITIONS - June 30, 2008

	times dedicated capital
Long Chinese Yuan (via options)	4.94
Long Australian Dollar / Short New Zealand Dollar (via options)	2.78
Long Australian Dollar / Short Canadian Dollar	2.53
Long Taiwan Dollar (via options)	0.86
Long Swedish Krona	0.72
total gross leverage	11.83 x
maximum gross leverage during quarter	23.80 x

ACTIVITY REPORT - Second Quarter 2008

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Australian Dollar / Short New Zealand Dollar (via options)	8.98	61.70
Long Australian Dollar / Short Canadian Dollar	5.57	38.30

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Long Japanese Yen / Short Euro Currency	-15.66	66.53
Long Chinese Yuan (via options)	-7.02	29.82
Miscellaneous options	-1.33	5.34
Long Swedish Krona	-0.86	3.65

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 June 30, 2008

	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	2,953.57	6.13%	51.57%	20.75%	15.53%
Friedberg Global-Macro Hedge Fund	15.33	1.32%	48.81%	N.A.	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	4.88%	11.48%	10.38%

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

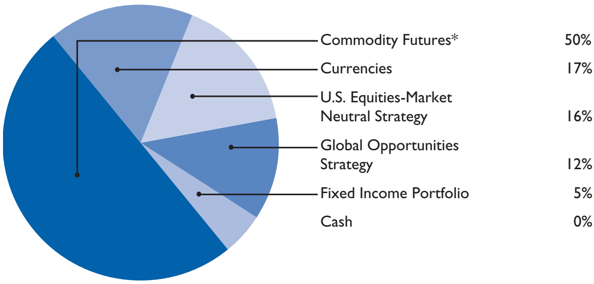
Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of June 30, 2008 is as follows:

FUND	CURRENT ALLOCATION	TARGET
Fixed Income Fund Ltd.	21.50%	28.00%
U.S. Equities - Market Neutral Strategy	39.54%	40.00%
Currency Fund II Ltd.	7.31%	9.00%
Futures	13.67%	5.15%
Global Opportunities	19.21%	17.85%
Refco SPhinX Managed Futures Index Fund Ltd.[3]	0.01%	0.00%
Utilities	0.00%	0.00%
Cash	-1.25%	0.00%
	100.00%	100.00%

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

GLOBAL-MACRO HEDGE FUND LTD. (CAYMAN)

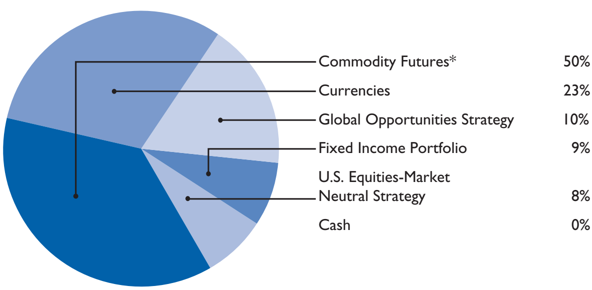
Breakdown by Total Gross Exposure



Total Leverage: 4.48x*

GLOBAL-MACRO HEDGE FUND TRUST (CANADA)

Breakdown by Total Gross Exposure



Total Leverage: 4.22x*

* 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 3.44x and 3.21x 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 June 30, 2008

	NAV (notional)	Quarter
U.S. Equities - Market Neutral Strategy	1,505.33	14.57%

INVESTMENT ALLOCATION

	31-Mar-08	30-Apr-08	31-May-08	30-Jun-08
Longs	56.68%	56.28%	53.87%	55.76%
Shorts	43.32%	43.72%	46.13%	44.24%
Total Gross Leverage	2.25x	2.17x	2.01x	1.88x

LARGEST SECTORS (LONGS)

Industrial Blue-Chips	19.49%
Electric Utilities	6.59%
Fertilizers and Agricultural Chemicals	4.14%

LARGEST SECTORS (SHORTS)

Department Stores	4.45%
Casinos and Gaming	4.23%
Thrifts and Mortgage Finance	3.74%

LARGEST LONG POSITIONS

Dow Jones Industrial futures
Syngenta AG-ADR
Wal-Mart Stores Inc.
Exelon Corp.
FirstEnergy Corp.
Tesoro Corp.
Entergy Corp.
Republic Services Inc.
CSX Corp.
Harris Corp.

PAIR TRADES

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

LARGEST SHORT POSITIONS

Moody's Corp.
Walgreen Co.
Macy's Inc.
Boeing Co.
Liberty Property Trust
Las Vegas Sands Corp.
Sears Holdings Corp.
MGM Mirage
Great Atlantic & Pacific Tea Co. Inc.
Camden Property Trust

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
FirstEnergy Corp.	19.98%	US Airways Group Inc.	73.06%
Energy Conversion Devices Inc.	13.39%	FirstFed Financial Corp.	70.39%
CSX Corp.	12.02%	IndyMac Bancorp Inc.	60.07%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Circuit City Stores Inc.	-41.88%	BioMed Realty Trust Inc.	-14.06%
Regeneron Pharmaceuticals Inc.	-24.75%	Mack-Cali Realty Corp.	-9.28%
Nationwide Health Properties Inc.	-12.75%	Liberty Property Trust	-6.56%

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

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