FRIEDBERG MERCANTILE GROUP LTD.

Second Quarter Report 2009

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

The results were slightly negative, with the Friedberg Global Macro Hedge Fund Ltd. (Cayman) showing a loss of 1.6%. The Friedberg Global Macro Hedge Fund (Canada) fund showed a gain of 8.4%, but that was entirely attributable to the Canadian-dollar hedge. In U.S.-dollar terms, the Canadian fund eked out a gain of 0.1%. As is now our practice, we restrict our discussion to the Cayman fund, as it is the larger of the two. Year-to-date results for the Cayman fund stand at negative 7.7%; year-over-year, it shows a gain of 5.9%.

We continue to focus on 12-month rolling returns, as they are one of the best indicators of the merits of our medium-to-long-term stance. Negative 12-month rolling returns tell us that we are fighting the tape. Therefore, it may be time to freshen up our outlook and "get with the program," as the saying goes. This is all predicated on the fact that one year is time enough for the market to validate one's views. Failure to do so calls into question our fundamental outlook. Since 12-month rolling returns remain comfortably above year-ago levels, we are still of the mind that our views of the market are not inconsistent with reality. More on the way we feel about markets below.

Our largest category gain was in the Global Opportunities segment, which contributed 222 basis points to the fund's overall equity. Global Opportunities is a potpourri of markets and strategies that do not fit neatly into our main trading categories.

Hong Kong H shares were far and away the greatest source of profit. Chinese shares in general have been the world's best performers this year, powered by an apparently strong economic rebound. Liquidity in mainland China remains extremely ample, a good part of it driven by currency inflows. China's central bank is facing a dilemma similar to the one faced by Germany, Switzerland and Japan in the 1970s: huge balance-of-payments surpluses, leading to an inability to deal effectively with surplus dollars. Partly in response to this problem, the Chinese authorities have taken a number of steps to internationalize the yuan. More steps are sure to come, with the principal one being an opening of the capital account. As we have said in the past, this move would benefit H shares immensely as it would eliminate their discount in relation to the Shanghai-traded A shares. In the past few weeks we have strengthened this position, raising our exposure to 35% of our net assets.

A second and substantial source of profits during the quarter was the rise in a long option position in the battered shares of Hartford Financial Services Group. The stock continues to sell at a significant discount to its investment portfolio, which has been savaged by the bear market. We believe that the stock offers an interesting double-barrelled play: a recovery of the investment portfolio and the gradual elimination of the stock's discount to net asset value. Our long only commodities portfolio, run by an outside manager, performed rather well, contributing a positive 73 basis points to the fund.

Losses in this sector came from a long position in (partly hedged) gold futures and options. Gold has behaved poorly in recent months, burdened by substantial scrap sales, reduced jewellery demand and a pause in investment interest. We continue to believe that gold will outperform in coming months and years. In our opinion, Asian central banks will soon begin to add gold to their international reserves, as an alternative to Treasuries and as a way to "strengthen" (i.e., internationalize) their currencies. The first indication that this is about to take place will have an explosive effect on the market.

Losses were also incurred in a large short option position of Wells Fargo, now closed out, and the long credit protection on Venezuela, which has declined in line with the better performance of emerging market credit, the rally in oil prices and a thirst for high yields. Under the surface, Venezuela's credit position is deteriorating at an alarming pace; the state-owned petroleum company is months behind in payments to its contractors, oil production is collapsing and international oil companies are refusing to participate in exploration given the threat of nationalization and confiscatory taxes. The government continues to add to local debt as it nationalizes one sector after another. International reserves are being wasted in a futile attempt to maintain an obscenely overvalued bolivar. International assets are being drawn down at a fast pace to cover arms purchases and other necessities. Probably also, a significant amount is being squirrelled away by corrupt officials. As a result, international assets are melting away. A credit default, in our opinion, is no longer in doubt. The only question is when.

The U.S. equities – market neutral strategy turned in a disappointing performance, contributing a negative 130 basis points to the fund. While our long position easily outperformed the S&P 500 (21.3% vs. 15%), the short position lost substantially more than warranted by the rise of the index (24.8% vs. 15%). We came into this quarter with a heavy short position in financials and attempted to redress this imbalance, not by liquidating positions but by going long another group of similar securities. This strategy was not as successful as we had expected. In the end, a slight overweight in the financial sector caused most of the greater-than-market losses on the short side (though it is also true that a slight overweight in financials on the long side, in particular Legg Mason, Goldman Sachs and Morgan Stanley, caused our long portfolio to outperform the index). Leverage rose throughout the quarter, ending at 2.88 times equity, while the long/short ratio fell to 45.5/54.5 from 49/51. We remind the reader that we vary this ratio in an attempt to maintain market neutrality rather than in an attempt to take market views. Under-or-over-performance is a function almost solely of stock selection and dispersion. In our favour, we have begun to detect in recent weeks a trend towards more dispersion. We will now need to sharpen stock selection.

Our fixed-income portfolio, invested almost totally in TIPS, etched out a small overall gain. This was all attributable to interest income, given that bond prices neither gained nor lost for the period. We remain positive about these inflation-linked securities, for reasons advanced on numerous occasions in the past. Breakevens have come off their best levels in recent weeks in response to weaker-than-anticipated economic statistics, in particular employment and wage gains. Nevertheless, long-term breakevens corrected the least and, at 210 basis points, remain modestly priced. Our leveraged play on TIPS (part of the global opportunities pocket) has been reduced somewhat and will continue to be reduced as and when breakevens rise to new peaks. Eventually, with the onset of economic recovery (even if it is sluggish by past standards), real rates will rise, pressured by the continuing twin maladies of chronic fiscal and current-account deficits.

It will then be the time to abandon exposure to almost any kind of fixed-income securities, with the possible exception of floating-rate notes. This moment is still some time off.

Far and away, our greatest disappointment came with respect to currency trading. Despite its small target allocation (9.75% at the beginning of the quarter, later reduced to just 5%), losses in this section made an oversized negative contribution of 220 basis points. This is the result of the program losing just over 30% for the quarter. The overwhelming majority of the losses were incurred in long dollar positions, bought against sterling, euros, Turkish lira and Mexican pesos. Sentiment has continued to run against the U.S. dollar even as the rest of the world also attempts to inflate its way out of the current global recession. We had expected the U.S. economic adjustment to be severe enough to eliminate its current account deficit for some time. This has not occurred nor is it likely now to occur. Despite the huge contraction in private spending, growing fiscal deficits have aborted the much needed adjustment. As a result, the U.S. still runs a current account deficit equal to probably 3% of GDP. Dollar outflows persist and growing international dollar balances are straining the international monetary system. This puts continued downward pressure on the currency, which by all appearances remains undervalued. Valuation measures are dollar-friendly but surplus dollar balances don't permit this undervaluation to correct itself.

Our value orientation has not served us well in the past six months. As a result, we have decided to take a break from dollar-based trades and instead concentrate on crosses with interesting potential as well as on going long emerging currencies that appear undervalued in relation to their prospects.

During June we began operating two new funds, a Canadian-based Friedberg Asset Allocation Fund and a Cayman version of the same. These funds will participate in many of the same trading ideas as the Global Macro funds although they may be able to express these ideas differently. However, in contrast to Global Macro funds, the new funds will not leverage their equity nor will they take on short positions. We believe that, being more conservatively run, these funds will enjoy lower volatility. We post their initial allocation in the inside pages.

We also take the opportunity to inform you that, as of July 2009, the Friedberg Global Macro Hedge Fund Ltd. and the Friedberg Asset Allocation Fund Ltd., both Cayman-based funds, have voluntarily adopted what is being called industry best practices. All managed assets are now in the custody of JP Morgan, which also acts as our prime broker, and outside of the reach of the manager. Funds that follow these industry best practices give comfort and peace of mind to their shareholders, especially in view of much-too-well-known recent events.

Our assessment of the current economic situation continues to be that a global recovery is in the offing. International inflationary pressures will intensify in months and years ahead as the rest of the world continues to accumulate (now unwanted) dollar reserves. These surplus dollars serve as the Archimedes point in the global monetary system, leveraging global money supply. Foreign stock markets, particularly those large recipients of dollar flows (like China) will benefit, and may even turn into manic bubbles. Prices for internationally traded commodities will continue to rise, reaching new cyclical highs.

In contrast, U.S. financial markets will benefit only for as long as the economy remains weak. Any lift in economic activity will be the result of a pickup in consumption, which naturally translates into lower savings flows. This will put great upward pressure on interest rates, as the government struggles to fund gargantuan fiscal deficits. Foreigners, already reeling from holding too many dollars, will be quite reluctant to add further to their dollar holdings. A dollar crisis and a financing crisis will push U.S. interest rates sharply higher. Coupled with what will certainly be dramatically rising taxes, the U.S. economy is likely to undergo a second severe economic adjustment before the end of the current Administration. This time the government will find itself unable to come to the rescue because of its weakened state (think California).

The above scenario calls for significant exposure to Chinese shares (and possibly shares of other emerging countries), international commodities (gold in particular, as an additional play in the breakdown of the present Bretton Woods II system), inflation-linked U.S. Treasuries (up to the point that real rates are seen to rise) and some U.S. equity sectors (until economic activity really picks up). Medium-term, we also want to be exposed to yield steepeners, while longer-term we need to position ourselves on the bullish side of short U.S. interest rates in anticipation of a Fed policy exit prompted by external pressure. This is, in fact, a good description of our present portfolios and future plans. The past six months have not been unqualifiedly friendly to this posture. Nevertheless, we believe that it won't be long before we commandeer the boat into a safe harbour. We need to be less impatient and a little firmer on the tiller.

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

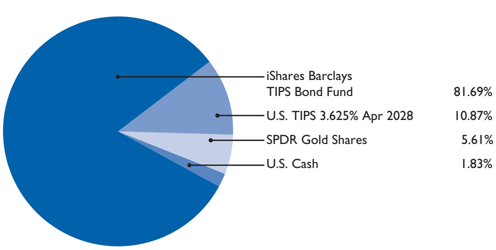
PERFORMANCE[1] As of June 30, 2009

	NAV	Quarter	Year over Year[3]	Two Years[3]	Three Years[3]	Five Years[3]
Friedberg Foreign Bond Fund[2]	23.54[4]	-1.09%	28.81%	14.14%	9.24%	6.70%
Friedberg Total Return Fixed Income Fund Ltd.	2,158.44	-0.14%	-2.84%	3.40%	4.13%	6.41%
Friedberg Total Return Fixed Income Fund L.P.	233.94	0.28%	-0.99%	4.56%	4.87%	7.31%
Benchmark[5]		N.A.	-0.23%	4.27%	5.22%	5.65%

[1]Net of fees
[2]Priced in Canadian Dollars
[3]Compounded annual rate of return through May 2009
[4]NAV adjusted to reflect distributions reinvested in the fund
[5]70% Merrill Lynch Broad Market Index (Bloomberg GBMI), 30% Global High Yield and Emerging Markets Plus Index (Bloomberg HAOO)

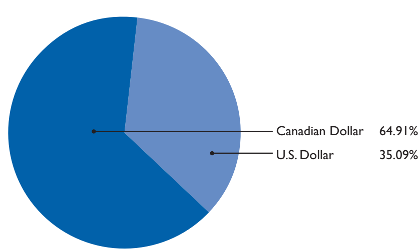
FRIEDBERG FOREIGN BOND FUND

Portfolio Allocation



Weighted average yield to maturity	1.02%
Weighted average current yield	2.17%

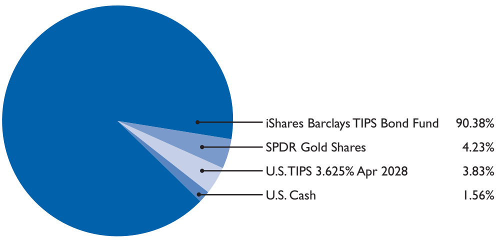
Currency Exposure



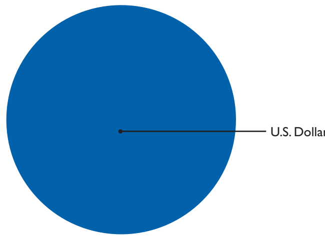
Adjusted modified duration		2.24
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	94.42%
	Unrated	5.58%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND LTD.

Portfolio Allocation



Currency Exposure

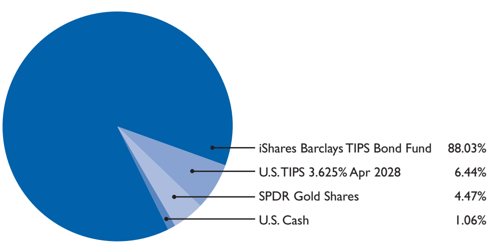


Weighted average yield to maturity	0.94%
Weighted average current yield	2.15%

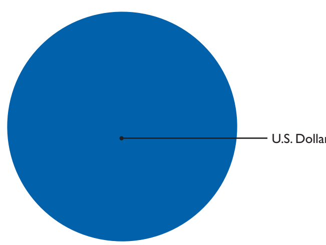
Adjusted modified duration		1.95
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	95.77%
	Unrated	4.23%

FRIEDBERG TOTAL RETURN FIXED INCOME FUND L.P.

Portfolio Allocation



Currency Exposure



Weighted average yield to maturity	0.97%
Weighted average current yield	2.17%

Adjusted modified duration		2.08
Approximate overall credit rating		AAA
Bond rating breakdown:	AAA	95.53%
	Unrated	4.47%

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 June 30, 2009

	NAV	Quarter	Year over Year[3]	Three Years[3]	Five Years[3]
Friedberg Currency Fund[2]	9.07	-26.74%	-8.52%	-5.98%	1.21%
The First Mercantile Currency Fund[2]	6.34	-35.11%	-37.14%	-13.08%	-3.02%
Friedberg Forex L.P.	7.45	-33.54%	-41.60%	-14.22%	-1.05%
Barclay Currency Traders Index		N.A.	2.67%	2.33%	1.97%

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

OPEN POSITIONS - June 30, 2009

	times dedicated capital
Long Chinese Yuan (via options)	1.68
total gross leverage	1.68 x
maximum gross leverage during quarter	8.37 x

ACTIVITY REPORT - Second Quarter 2009

PROFITABLE TRANSACTIONS	profit as percentage of beginning equity	percentage of total profits
Long Australian Dollar / Short New Zealand Dollar	0.21	100.00

LOSING TRANSACTIONS	loss as percentage of beginning equity	percentage of total losses
Short British Pound	(10.68)	29.46
Short Euro Currency	(9.20)	25.38
Long Euro Currency / Short British Pound	(7.01)	19.34
Short Turkish Lira	(4.64)	12.82
Short Mexican Peso	(3.35)	9.24
Long Chinese Yuan (via options)	(0.97)	2.69
Long Euro Currency / Short Polish Zloty	(0.39)	1.07

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

A Single Manager Multi-Strategy Fund. Allocations are reviewed periodically.

PERFORMANCE[1] As of June 30, 2009

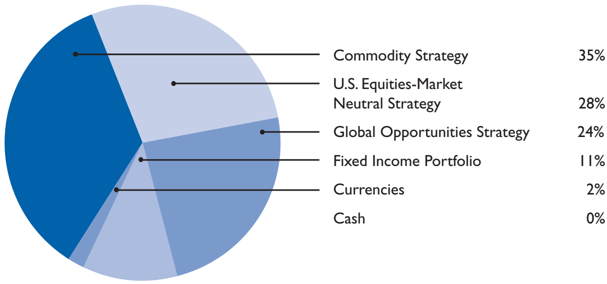
	NAV	Quarterly	Year over Year[2]	Three Years[2]	Five Years[2]
Friedberg Global-Macro Hedge Fund Ltd.	3,126.96	-1.63%	24.75%	24.94%	20.67%
Friedberg Global-Macro Hedge Fund	17.53[3]	8.34%	34.47%	N.A.	N.A.
CSFB/Tremont Hedge Fund Index		N.A.	-14.08%	1.32%	4.94%

[1]Net of fees
[2]Compounded annual rate of return through May 2009
[3]NAV adjusted to reflect distributions reinvested in the fund

Capital allocation of the Friedberg Global-Macro Hedge Fund Ltd. as of June 30, 2009 is as follows:

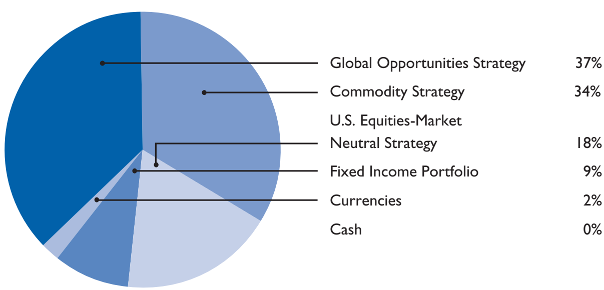
FUND	CURRENT ALLOCATION	TARGET
Fixed Income Fund Ltd.	41.96%	38.00%
U.S. Equities - Market Neutral Strategy	34.74%	30.00%
Currency Program	3.28%	5.00%
Global Opportunities	19.90%	27.00%
Cash	0.13%	0.00%
	100.00%	100.00%

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



Total Exposure: 3.63x

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



Total Exposure: 3.49x

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, 2009

	NAV (notional)	Quarter
U.S. Equities – Market Neutral Strategy	1,519.66	-3.46%

INVESTMENT ALLOCATION

	31-Mar-09	30-Apr-09	31-May-09	30-Jun-09
LONGS	46.41%	48.75%	45.67%	45.51%
SHORTS	53.59%	51.25%	54.33%	54.49%
TOTAL GROSS LEVERAGE	2.34x	2.79x	2.76x	2.88x

LARGEST SECTORS (LONGS)

Homebuilding	7.04%
Specialized Finance	6.26%
Biotechnology	5.55%

LARGEST SECTORS (SHORTS)

Industrials Large Caps	29.18%
Diversified Banks	4.05%
Household Products	3.55%

LARGEST LONG POSITIONS

Intercontinental Exchange Inc.
Legg Mason Inc.
Morgan Stanley
McDermott International Inc.
CME Group Inc.
EMC Corp.
SPDR KBW Insurance ETF
Meritage Homes Corp.
Gilead Sciences Inc.
UBS AG

LARGEST SHORT POSITIONS

S&P 500 Futures
Hewlett-Packard Co.
Wells Fargo & Co.
PPG Industries Inc.
Johnson & Johnson
Kimberly-Clark Corp.
Kroger Co.
Procter & Gamble Co.
Walgreen Co.
First Solar Inc.

BEST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Standard Pacific Corp.	130.68%	Whitney Holdings Corp.	20.00%
Meritage Homes Corp.	65.15%	Great Atlantic & Pacific Tea Co.	19.96%
Intercontinental Exchange Inc.	53.40%	First Solar Inc.	12.41%

WORST QUARTERLY PERFORMANCE

LONGS		SHORTS	
Western Refining Inc.	-40.94%	Brandywine Realty Trust	-161.40%
Pulte Homes Inc.	-19.21%	Wells Fargo & Co.	-70.37%
Holly Corp.	-15.19%	Financial Select Sector SPDR	-31.57%

FRIEDBERG ASSET ALLOCATION FUNDS

FRIEDBERG ASSET ALLOCATION FUND LTD.
FRIEDBERG ASSET ALLOCATION FUND LP

The Fund is a multi-strategy fund whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, dividend income, currency gains and capital appreciation. Allocations are reviewed periodically.

Modest risk. Absolute return.

Capital allocation of the Friedberg Asset Allocation Fund Ltd. as of June 30, 2009 is as follows:

FUND	CURRENT ALLOCATION	TARGET
Bonds	25.70%	25.00%
U.S. Equities	10.60%	10.00%
Commodities	41.30%	60.00%
Cash	22.40%	5.00%
	100.00%	100.00%

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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