



GALILEO

**Galileo High Income Plus Fund**  
**Galileo Global Opportunities Fund**  
(formerly Galileo Small/Mid Cap Fund)

Financial Statements  
**June 30, 2011**  
(unaudited)

## Galileo High Income Plus Fund

Statement of Investment Portfolio (unaudited)

As at June 30, 2011

Number of shares/units	Description	Average cost \$	Fair value \$
<b>Canadian equities</b>			
<b>Consumer discretionary (3.84%)*</b>			
152,600	Cervus Equipment Corp.	2,074,199	2,549,946
<b>Energy (39.27%)*</b>			
160,000	Badger Daylighting Ltd.	3,237,215	3,121,600
75,000	Baytex Energy Corp.	3,204,474	3,935,250
120,000	Black Diamond Group Ltd.	2,501,311	3,778,800
150,000	Bonavista Energy Corp.	4,136,021	4,270,500
50,000	Bonterra Oil & Gas Corp.	2,224,453	2,839,000
40,000	Canadian Energy Services & Technology Corp.	1,114,701	1,244,400
110,000	Freehold Royalties Ltd.	2,382,341	2,154,900
75,000	Pembina Pipeline Corp.	1,440,517	1,901,250
260,000	PHX Energy Services Corp.	2,993,082	2,831,400
		<u>23,234,115</u>	<u>26,077,100</u>
<b>Financials (14.38%)*</b>			
180,000	AGF Management Ltd., Class 'B'	3,362,335	3,366,000
200,000	Crombie Real Estate Investment Trust	2,378,440	2,620,000
160,500	DirectCash Payments Inc.	3,404,914	3,563,100
		<u>9,145,689</u>	<u>9,549,100</u>
<b>Industrials (26.68%)*</b>			
150,000	Bird Construction Income Fund	1,756,124	1,744,500
135,000	Brookfield Infrastructure Partners L.P.	2,796,892	3,246,750
80,000	Canadian Helicopters Income Fund	1,227,901	1,900,800
550,000	CanWel Building Materials Group Ltd.	2,529,757	1,677,500
85,000	Exchange Income Corp.	1,424,140	1,820,700
600,000	Student Transportation Inc.	3,565,705	3,696,000
100,000	Wajax Corp.	3,618,102	3,631,000
		<u>16,918,621</u>	<u>17,717,250</u>
<b>Information technology (1.68%)*</b>			
40,000	MOSAID Technologies Inc.	991,570	1,116,400
<b>Utilities (4.06%)*</b>			
170,000	Inter Pipeline Fund, Class 'A'	2,222,038	2,692,800
<b>Other (3.56%)*</b>			
190,000	Deans Knight Income Corp.	2,381,115	2,361,700
	<b>Total Canadian equities (93.47%)*</b>	<u>56,967,347</u>	<u>62,064,296</u>

## Galileo High Income Plus Fund

Statement of Investment Portfolio (unaudited) ... *continued*

As at June 30, 2011

Number of shares/units	Description	Average cost \$	Fair value \$
	<b>Foreign equities</b>		
	<b>Financials (2.16%)*</b>		
30,000	HSBC Holdings PLC, ADR	1,533,687	1,436,648
	<b>Total foreign equities (2.16%)*</b>	1,533,687	1,436,648
<b>Par value</b>	<b>Fixed income</b>		
	<b>Corporate (0.74%)*</b>		
500,000	Xinergy Corp., callable, 9.25%, 05/15/19	474,425	488,582
	<b>Total fixed income (0.74%)*</b>	474,425	488,582
	<b>Transaction costs</b>	(113,692)	-
	<b>Total investments (96.37%)*</b>	58,861,767	63,989,526
	<b>Other assets, net of liabilities (3.63%)*</b>		2,413,024
	<b>Total net assets (100.00%)</b>		66,402,550

\* Fair value as a percentage of net assets

The accompanying notes are an integral part of these financial statements.

## Galileo High Income Plus Fund

Statements of Net Assets (unaudited)

As at June 30, 2011 and December 31, 2010

	2011	2010
	\$	\$
<b>Assets</b>		
<b>Investments</b> - at fair value (average cost - \$58,861,767; December 31, 2010 - \$37,307,691)	63,989,526	43,829,261
<b>Cash</b>	1,603,799	253,836
<b>Accrued investment income</b>	331,968	257,041
<b>Receivable for securities sold</b>	900,000	239,600
<b>Receivable for units issued</b>	284,533	338,481
	<u>67,109,826</u>	<u>44,918,219</u>
<b>Liabilities</b>		
<b>Management fees payable</b> (note 5)	114,681	72,911
<b>Distributions payable to unitholders</b>	80,048	-
<b>Accrued expenses</b>	20,506	18,524
<b>Payable for securities purchased</b>	-	154,480
<b>Payable for units redeemed</b>	492,041	76,981
	<u>707,276</u>	<u>322,896</u>
<b>Net Assets Representing Unitholders' Equity</b>	<u>66,402,550</u>	<u>44,595,323</u>
<b>Net assets per class</b>		
Class A	62,606,127	42,088,400
Class F	3,796,423	2,506,923
<b>Net assets per unit</b> (notes 4 and 7)		
Class A	16.93	16.37
Class F	17.80	17.11

The accompanying notes are an integral part of these financial statements.

## Galileo High Income Plus Fund

Statements of Operations (unaudited)

For the six months ended June 30

	2011	2010
	\$	\$
<b>Income</b>		
Interest	197,022	279,500
Dividend	1,464,437	303,684
	<u>1,661,459</u>	<u>583,184</u>
<b>Expenses</b> (note 5)		
Management fees	626,807	186,571
Legal and regulatory fees	33,163	14,969
Audit fees	26,407	14,874
Custodial fees	69,077	20,796
	<u>755,454</u>	<u>237,210</u>
<b>Expenses waived or absorbed by Manager</b>	-	(3,704)
	<u>755,454</u>	<u>233,506</u>
<b>Net investment income</b>	<u>906,005</u>	<u>349,678</u>
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized gain on sale of investments	3,604,812	1,691,274
Net realized loss on foreign currency	(29,870)	-
Transaction costs	(143,509)	(106,795)
Change in unrealized depreciation of investments	(1,393,811)	(1,841,076)
	<u>2,037,622</u>	<u>(256,597)</u>
<b>Net gain (loss) on investments</b>	<u>2,037,622</u>	<u>(256,597)</u>
<b>Increase in net assets from operations</b>	<u>2,943,627</u>	<u>93,081</u>
<b>Increase (decrease) in net assets from operations per class</b>		
Class A	2,752,368	108,996
Class F	191,259	(15,915)
<b>Increase (decrease) in net assets from operations per unit*</b>		
Class A	0.83	0.09
Class F	1.02	(0.47)

\* Based on weighted average number of units outstanding during the period

The accompanying notes are an integral part of these financial statements.

## Galileo High Income Plus Fund

Statements of Changes in Net Assets (unaudited)

For the six months ended June 30

	2011	2010
	\$	\$
<b>CLASS A</b>		
Net assets - Beginning of period	42,088,400	12,871,101
Increase in net assets from operations	2,752,368	108,996
<b>Distributions paid or payable to unitholders</b>		
From net investment income	(1,777,320)	(294,872)
From return of capital	-	(470,792)
	(1,777,320)	(765,664)
<b>Changes due to unitholder transactions</b> (note 4)		
Amount received from issuance of units	25,088,517	9,732,602
Amount received from reinvestment of distributions	1,319,466	562,024
Amount paid on redemptions of units	(6,865,304)	(2,244,369)
	19,542,679	8,050,257
<b>Increase in net assets for the period</b>	20,517,727	7,393,589
<b>Net assets - End of period</b>	62,606,127	20,264,690
<b>CLASS F</b>		
Net assets - Beginning of period	2,506,923	247,675
Increase (decrease) in net assets from operations	191,259	(15,915)
<b>Distributions paid or payable to unitholders</b>		
From net investment income	(104,564)	(8,022)
From return of capital	-	(12,493)
	(104,564)	(20,515)
<b>Changes due to unitholder transactions</b> (note 4)		
Amount received from issuance of units	1,143,230	488,584
Amount received from reinvestment of distributions	94,268	17,865
Amount paid on redemptions of units	(34,693)	-
	1,202,805	506,449
<b>Increase in net assets for the period</b>	1,289,500	470,019
<b>Net assets - End of period</b>	3,796,423	717,694

## Galileo High Income Plus Fund

Statements of Changes in Net Assets (unaudited) ...continued

For the six months ended June 30

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### TOTAL FUND

Net assets - Beginning of period	44,595,323	13,118,776
<b>Increase in net assets from operations</b>	<b>2,943,627</b>	<b>93,081</b>
<b>Distributions paid or payable to unitholders</b>		
From net investment income	(1,881,884)	(302,894)
From return of capital	-	(483,285)
	<b>(1,881,884)</b>	<b>(786,179)</b>
<b>Changes due to unitholder transactions</b> (note 4)		
Amount received from issuance of units	26,231,747	10,221,186
Amount received from reinvestment of distributions	1,413,734	579,889
Amount paid on redemptions of units	(6,899,997)	(2,244,369)
	<b>20,745,484</b>	<b>8,556,706</b>
<b>Increase in net assets for the period</b>	<b>21,807,227</b>	<b>7,863,608</b>
<b>Net assets - End of period</b>	<b>66,402,550</b>	<b>20,982,384</b>

The accompanying notes are an integral part of these financial statements.

**Galileo Global Opportunities Fund**  
Statement of Investment Portfolio (unaudited)  
As at June 30, 2011

Number of shares/units	Description	Average cost \$	Fair value \$
<b>Canadian equities</b>			
<b>Energy (51.65%)*</b>			
60,000	Bankers Petroleum Ltd.	511,572	412,800
25,000	Canyon Services Group Inc.	342,750	332,750
172,000	Compass Petroleum Ltd.	365,048	271,760
275,000	Essential Energy Services Trust	504,488	580,250
50,000	Gasfrac Energy Services Inc.	509,146	439,000
125,000	Petrofrontier Corp.	459,889	352,500
425,000	PetroNova Inc.	643,989	471,750
45,000	PHX Energy Services Corp.	539,434	490,050
175,000	Pinecrest Energy Inc.	446,232	425,250
100,000	Pure Energy Services Ltd.	723,218	765,000
500,000	Reliable Energy Ltd	174,660	180,000
225,000	Renegade Petroleum Ltd.	773,072	688,500
100,000	Secure Energy Services Inc.	427,408	955,000
175,005	Spartan Oil Corp.	374,758	458,513
		6,795,664	6,823,123
<b>Materials (18.27%)*</b>			
70,000	Conifex Timber Inc.	623,946	675,500
375,000	Galway Resources Ltd.	426,820	348,750
100,000	Galway Resources Ltd., Warrants, 2013/01/13	-	28,570
350,000	Gran Colombia Gold Corp.	500,882	276,500
100,000	Gran Colombia Gold Corp., Warrants, 2015/08/24	42,000	30,500
200,000	North Country Gold Corp.	211,994	306,000
50,000	SouthGobi Resources Ltd.	547,653	531,000
50,000	Xinergy Ltd.	193,500	217,000
		2,546,795	2,413,820
	<b>Total Canadian equities (69.92%)*</b>	9,342,459	9,236,943

## Galileo Global Opportunities Fund

Statement of Investment Portfolio (unaudited) ... *continued*

As at June 30, 2011

Number of shares/units	Description	Average cost \$	Fair value \$
	<b>Foreign equities</b>		
	<b>Consumer discretionary (6.54%)*</b>		
140,000	L'Occitane International SA	355,236	359,436
250,000	Cebu Air Inc.	531,512	503,874
		<u>886,748</u>	<u>863,310</u>
	<b>Consumer staples (3.89%)*</b>		
1,700,000	Fook Woo Group Holdings Ltd.	498,229	514,472
		<u>498,229</u>	<u>514,472</u>
	<b>Financials (3.76%)*</b>		
50,000	Ping An Insurance (Group) Co. of China Ltd.	515,733	497,046
		<u>515,733</u>	<u>497,046</u>
	<b>Health Care (2.09%)*</b>		
150,000	Raffles Medical Group Ltd.	270,372	275,945
		<u>270,372</u>	<u>275,945</u>
	<b>Industrials (8.46%)*</b>		
400,000	China Automation Group Ltd.	303,809	268,399
1,750,000	PT Holcim Indonesia TBK	442,348	433,284
1,200,000	West China Cement Ltd.	517,056	415,249
		<u>1,263,213</u>	<u>1,116,932</u>
	<b>Other (2.66%)*</b>		
300,000	China Metal Recycling Holdings Ltd.	366,538	351,250
		<u>366,538</u>	<u>351,250</u>
	<b>Total foreign equities (27.40%)*</b>	<u>3,800,833</u>	<u>3,618,955</u>
	<b>Transaction costs</b>	<u>(52,824)</u>	
	<b>Total investments (98.65%)*</b>	<u>13,090,468</u>	12,855,898
	<b>Other assets, net of liabilities (1.35%)*</b>		<u>353,926</u>
	<b>Total net assets (100.00%)*</b>		<u>13,209,824</u>

\* Fair value as a percentage of net assets

The accompanying notes are an integral part of these financial statements.

## Galileo Global Opportunities Fund

Statements of Net Assets (unaudited)

As at June 30, 2011 and December 31, 2010

	2011	2010
	\$	\$
<b>Assets</b>		
<b>Investments</b> - at fair value (average cost - \$13,090,468; December 31, 2010 \$11,647,317)	12,855,898	13,491,263
<b>Cash</b>	346,888	647,785
<b>Accrued investment income</b>	8,447	948
<b>Receivable for units issued</b>	1,568	16,080
<b>Receivable for securities sold</b>	128,763	244,654
	<u>13,341,564</u>	<u>14,400,730</u>
<b>Liabilities</b>		
<b>Management fees payable</b> (note 5)	18,247	18,087
<b>Accrued expenses</b>	5,807	5,917
<b>Payable for portfolio securities purchased</b>	86,798	676,949
<b>Payable for units redeemed</b>	20,888	24,390
	<u>131,740</u>	<u>725,343</u>
<b>Net Assets Representing Unitholders' Equity</b>	<u>13,209,824</u>	<u>13,675,387</u>
<b>Net assets per class</b>		
Class A	6,923,135	6,674,047
Class F	6,286,689	7,001,340
<b>Net assets per unit</b> (notes 4 and 7)		
Class A	16.26	18.12
Class F	16.31	18.08

The accompanying notes are an integral part of these financial statements.

## Galileo Global Opportunities Fund

Statements of Operations (unaudited)

For the six months ended June 30

	2011 \$	2010 \$
<b>Income</b>		
Interest	6,832	-
Dividend	47,853	21,254
	<u>54,685</u>	<u>21,254</u>
<b>Expenses (note 5)</b>		
Management fees	121,507	85,685
Custodial fees	33,987	26,515
Audit fees	10,417	14,874
Legal and regulatory fees	18,806	14,970
	<u>184,717</u>	<u>142,044</u>
<b>Expenses waived or absorbed by Manager</b>	<u>(24,717)</u>	<u>(24,233)</u>
	160,000	117,811
<b>Net investment loss</b>	<u>(105,315)</u>	<u>(96,557)</u>
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized gain on sale of investments	834,265	2,371,961
Net realized loss on foreign currency	(40,802)	(66,658)
Transaction costs	(174,101)	(272,137)
Change in unrealized depreciation of investments	(2,078,516)	(2,775,750)
<b>Net loss on investments</b>	<u>(1,459,154)</u>	<u>(742,584)</u>
<b>Decrease in net assets from operations</b>	<u>(1,564,469)</u>	<u>(839,141)</u>
<b>Decrease in net assets from operations per class</b>		
Class A	(855,478)	(317,144)
Class F	(708,991)	(521,997)
<b>Decrease in net assets from operations per unit*</b>		
Class A	(1.92)	(1.20)
Class F	(1.81)	(0.86)

\* Based on weighted average number of units outstanding during the year

The accompanying notes are an integral part of these financial statements.

**Galileo Global Opportunities Fund**  
**Statements of Changes in Net Assets (unaudited)**  
**For the six months ended June 30**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>CLASS A</b>		
<b>Net assets - Beginning of period</b>	6,674,047	3,492,556
<b>Decrease in net assets from operations</b>	(855,478)	(317,144)
<b>Changes due to unitholder transactions</b> (note 4)		
Amount received from issuance of units	2,359,849	1,232,555
Amount paid on redemptions of units	(1,255,283)	(546,665)
	1,104,566	685,890
<b>Increase in net assets for the period</b>	249,088	368,746
<b>Net assets - End of period</b>	6,923,135	3,861,302
<b>CLASS F</b>		
<b>Net assets - Beginning of period</b>	7,001,340	8,693,203
<b>Decrease in net assets from operations</b>	(708,991)	(521,997)
<b>Changes due to unitholder transactions</b> (note 4)		
Amount received from issuance of units	404,900	198,500
Amount paid on redemptions of units	(410,560)	(215,729)
	(5,660)	(17,229)
<b>Decrease in net assets for the period</b>	(714,651)	(539,226)
<b>Net assets - End of period</b>	6,286,689	8,153,977
<b>TOTAL FUND</b>		
<b>Net assets - Beginning of period</b>	13,675,387	12,185,759
<b>Decrease in net assets from operations</b>	(1,564,469)	(839,141)
<b>Changes due to unitholder transactions</b> (note 4)		
Amount received from issuance of units	2,764,749	1,431,055
Amount paid on redemptions of units	(1,665,843)	(762,394)
	1,098,906	668,661
<b>Decrease in net assets for the period</b>	(465,563)	(170,480)
<b>Net assets - End of period</b>	13,209,824	12,015,279

The accompanying notes are an integral part of these financial statements.

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

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### 1 The Funds

The following Funds are open-ended mutual fund trusts formed under the laws of Ontario by declarations of trust, as amended and restated from time to time, on the dates as noted below:

Galileo High Income Plus Fund	September 14, 2006
Galileo Global Opportunities Fund	June 15, 2000

Effective November 15, 2010, the name of the Galileo Small/Mid Cap Fund was changed to Galileo Global Opportunities Fund and its investment mandate was expanded to be more global in scope.

Galileo Funds Inc. acts as the Trustee and the Manager of the Funds (the Manager). Galileo Global Equity Advisors Inc. (GGEA) is the portfolio advisor for the Funds.

The financial statements of the Funds are prepared as at June 30, 2011 and December 31, 2010 and for the six-month periods ended June 30, 2011 and 2010.

### 2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

#### Future accounting standards

##### International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. During 2010, the AcSB approved a one-year deferral of mandatory adoption of IFRS for investment funds and, again in 2011, the AcSB decided to extend it to January 1, 2013. Accordingly, IFRS will be adopted by the Funds for the fiscal year beginning on January 1, 2013. Management has commenced the development of a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants (CICA) for changeover to IFRS. The key elements of the plan include identifying differences between the current accounting policies and the applicable standards under IFRS, as well as assessing and evaluating any potential changes to accounting policies, business and reporting processes, information technology, internal controls, staffing and training requirements. Management has determined that there will be no impact to the net assets per unit resulting from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the area of additional note disclosures in the financial statements of the Funds.

# **Galileo High Income Plus Fund**

## **Galileo Global Opportunities Fund**

Notes to Financial Statements

**For the periods ended June 30, 2011 and December 31, 2010 (unaudited)**

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### **Valuation of investments**

Investments are categorized as held-for-trading, and are required to be recorded at fair value.

Equities and warrants are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded. Bonds, money market securities and asset-backed securities are recorded at fair value, established using the closing bid price obtained from recognized securities dealers. Investment funds are valued based on the net asset value per unit at the end of each valuation day. Unlisted securities are valued at the last ascertainable bid price of such securities. If the closing bid price for a security is not readily available, the last transacted price is used or the Funds' Manager may estimate fair value based on available market information. Warrants that are not listed on a recognized exchange are priced using the Black-Scholes model.

Forward foreign currency contracts are valued at the gain or loss that would be realized if, on the valuation date, the positions were closed out. They are reflected in the statements of operations as part of change in unrealized appreciation or depreciation of forward foreign exchange contracts and in the statements of net assets as unrealized gain or loss on derivatives. When forward foreign currency contracts are closed out, gains and losses are realized and are included in net realized gain or loss on forward foreign currency contracts in the statements of operations.

### **Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in transaction costs in the statements of operations.

### **Translation of foreign currencies**

Purchases and sales of investments and investment income denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of the transactions.

Realized and unrealized foreign currency gains or losses on investments are included in the statements of operations in net realized gain or loss on sale of investments and change in unrealized appreciation or depreciation of investments.

Realized foreign currency gains or losses on assets, liabilities and income other than investments denominated in foreign currencies are included in the statements of operations in net realized gain or loss on foreign currency.

The fair values of investments, short-term notes and other assets and liabilities are translated into Canadian dollars at the rates of exchange prevailing at the end of the period.

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

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### Investment transactions and income recognition

Investment transactions are accounted for on the trade date. Gains and losses arising from the sale of investments are determined using the average cost basis. Income and expenses are recorded on an accrual basis with dividend income being recorded on the ex-dividend date. Distributions from income trusts, mutual funds and real estate income trusts are recognized on the ex-distribution date and are recorded as income, capital gains or a return of capital, based on the best information available to the Funds' Manager. Distributions from investment trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment. Dividends are recorded net of any related withholding tax.

### Fund unit transactions and valuation

The units of each class of the Funds are issued and redeemed at their net asset value per unit. The units of the Funds are valued on each valuation date. The Funds are valued on each day the markets trade. The net asset value per unit is calculated by dividing the excess of the Fund's assets over its liabilities by the number of units outstanding for that class on that day.

In addition, at the reporting date for financial statement purposes only, net assets are determined based on valuing investments at bid prices (net assets). A reconciliation of net asset value and net assets is described in note 7.

The net assets of each class is computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities, and less any class specific liabilities.

Expenses directly attributable to a class are charged to that class while common fund expenses are allocated to each class in a reasonable manner as determined by the Funds' Manager.

Income and realized and unrealized gains and losses are allocated to each class based on their relative average net asset value.

### Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit in the statements of operations represents the net increase (decrease) in net assets from operations for the period, by class, divided by the weighted average units outstanding per class during the period.

## 3 Distribution of income and capital gains

Net investment income and net realized capital gains are distributed by the issuance of an equivalent amount of units in the Funds, such that the Funds are not subject to income taxes. Distributions are recorded on the business day immediately following the record date.

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

**For the periods ended June 30, 2011 and December 31, 2010 (unaudited)**

For the Galileo High Income Plus Fund, the net investment income is distributed to unitholders monthly and net realized capital gains on the sale of investments are distributed to unitholders annually at the end of the taxation year.

For the Galileo Global Opportunities Fund, the net investment income and net realized capital gains on the sale of investments are distributed to unitholders annually at the end of the taxation year.

### 4 Units of Funds

Units issued and outstanding represent the capital of each Fund. Units of the Funds are redeemable at the option of the unitholder, in accordance with the provisions of the applicable declaration of trust, at their net asset value per unit. Investors of each class of units of the Funds are entitled to participate in the distribution of net investment income and net realized capital gains on a proportionate basis. The Funds have no restrictions or specific capital requirements on the subscription and redemption of units. The statements of changes in net assets identify changes in each Fund's capital during the period. In accordance with the objectives and risk management policies outlined in note 8, the Funds endeavor to invest subscriptions while maintaining sufficient liquidity to meet redemptions. Unit transactions during the periods were as follows:

	<b>June 30, 2011</b>				
	Units outstanding – Beginning of period	Issued	Redeemed	Reinvested from distribution	Units outstanding - End of period
Galileo High Income Plus Fund					
Class A	2,571,284	1,448,920	(397,924)	75,366	3,697,646
Class F	146,512	63,470	(1,887)	5,134	213,229
Galileo Global Opportunities Fund					
Class A	368,295	129,683	(72,301)	-	425,677
Class F	387,332	21,901	(23,841)	-	385,392
					<b>December 31, 2010</b>
	Units outstanding – Beginning of period	Issued	Redeemed	Reinvested from distribution	Units outstanding - End of period
Galileo High Income Plus Fund					
Class A	976,238	1,736,349	(236,994)	95,691	2,571,284
Class F	18,168	126,058	(1,757)	4,043	146,512
Galileo Global Opportunities Fund					
Class A	237,765	202,732	(72,202)	-	368,295
Class F	599,979	24,048	(236,695)	-	387,332

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

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### 5 Expenses

The Funds are responsible for reasonable expenses incurred in the operation of the Funds, such as audit, legal, custodian and other professional fees. The Manager pays for these expenses on behalf of the Funds, and is reimbursed by the Funds for such expenses. The Funds' Manager has, at its discretion, agreed to absorb certain expenses. The absorbed amounts are reported in the statements of operations. Such absorbed amounts can be terminated at any time, but can be expected to continue until such time as the Funds are of sufficient size to reasonably absorb all management and operating expenses incurred.

Pursuant to a management agreement, the Funds have retained the Manager to run the day to day operations and GGEA to provide investment advisory services on behalf of the Funds. Under this agreement, each Fund pays a management fee which is accrued daily and paid monthly. Investment advisory fees are paid out of management fees. The management fees before HST for the Class A and Class F units are based on a percentage of the average net asset value per annum as follows:

	Class A %	Class F %
Galileo High Income Plus Fund	1.90	0.90
Galileo Global Opportunities Fund	1.95	0.95

### 6 Income taxes

The Funds are mutual fund trusts under the provisions of the Income Tax Act (Canada) and accordingly, are subject to income taxes on their net investment income, including net realized capital gains for the year, which are not paid or payable to their unitholders as at the end of the year. The Funds use the capital gains refund mechanism, which allows mutual fund trusts to retain some capital gains without paying any tax thereon. As a result, the Funds may not distribute all their net capital gains. The Funds pay out sufficient net investment income and net realized capital gains to unitholders so that no provision for income taxes is required in the financial statements. Occasionally, distributions by a Fund will exceed the net investment income and taxable capital gains realized by the Fund. To the extent that the excess is not designated by the Fund to be income for Canadian income tax purposes and taxable to the unitholders, this excess distribution is a return on capital and is not immediately taxable to unitholders. Capital losses may be carried forward indefinitely to reduce future capital gains, and non-capital losses expire within the next 20 years.

As at December 31, 2010, the Funds had the following capital and non-capital losses to be carried forward.

	Total net capital loss \$	Total non- capital loss \$
Galileo High Income Plus Fund	392,747	-
Galileo Global Opportunities Fund	216,417	-

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

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### 7 Reconciliation of net asset value

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the net asset value and the net assets of an investment fund is required for financial reporting periods. For investments that are traded in an active market, bid prices (for investments held) and ask prices (for investments sold short) are used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining net asset value. This accounts for the difference between the net asset value and net assets.

The impact on the net asset value per unit and the net assets per unit of the Funds are as follows:

	<b>June 30, 2011</b>	
	<b>Net asset value per unit \$</b>	<b>Net assets per unit \$</b>
Galileo High Income Plus Fund		
Class A	17.00	16.93
Class F	17.88	17.80
Galileo Global Opportunities Fund		
Class A	16.38	16.26
Class F	16.43	16.31
		<b>December 31, 2010</b>
	<b>Net asset value per unit \$</b>	<b>Net assets per unit \$</b>
Galileo High Income Plus Fund		
Class A	16.43	16.37
Class F	17.17	17.11
Galileo Global Opportunities Fund		
Class A	18.25	18.12
Class F	18.20	18.08

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

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### 8 Financial instruments and risk disclosures

#### Fair value

Financial instruments of the Funds consist of investments, accrued investment income, receivable for securities sold, receivable for units issued, payable for portfolio securities purchased, distributions payable to unitholders, payable for units redeemed, management fees payable, and accrued expenses. Investments are carried at their fair value as described in note 2. All other financial investments are carried at amortized cost, which approximate their fair value given their short-term nature.

#### Risk management

The Funds are exposed to various types of risks that are associated with their investment strategies, financial instruments and markets in which they invest. The most important risks include market risk, which includes interest rate risk, currency risk and other price risk, credit risk and liquidity risk. These risks and related risk management practices employed by the Funds are discussed below. The sensitivity analysis shown in the notes to the financial statements may differ from actual trading and the difference could be material.

The Funds' Manager seeks to minimize potential adverse effects of these risks on the Funds' performance by employing professional, experienced portfolio advisers, daily monitoring of the Funds' positions and market events, and by diversifying the investment portfolio within the constraints of the investment policy. To assist in managing risks, the Funds' Manager also uses internal guidelines that identify the target exposure for each type of risk, maintains a governance structure that oversees the Funds' investment activities and monitors compliance with the Funds' stated investment strategy and securities regulations.

#### Market risk

##### *Interest rate risk*

Interest rate risk arises on interest bearing financial instruments.

The Galileo High Income Plus Fund invests in fixed income securities which bear interest at fixed rates and, as such, is subject to interest rate risk resulting from changes in fair value from market fluctuations in interest rates.

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

The table below summarizes this Fund's exposure to interest rate risk by remaining term to maturity. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual repricing or maturity dates as at the period-end.

### Galileo High Income Plus Fund

					June 30, 2011
	Less than 1 year \$	1 – 3 years \$	3 – 5 years \$	More than 5 years \$	Total \$
<b>Investment</b>					
Fixed Income	-	-	-	488,582	488,582

					December 31, 2010
	Less than 1 year \$	1 - 3 years \$	3 – 5 years \$	More than 5 years \$	Total \$
<b>Investment</b>					
Fixed Income	-	-	674,114	-	674,114

As at June 30, 2011, should interest rates have increased or decreased by 100 basis points, with all other variables remaining constant, the net assets of the Galileo High Income Plus Fund would have increased or decreased by \$27,835 (2010 - \$26,737).

The Galileo Global Opportunities Fund is not subject to interest rate risk as at June 30, 2011 and December 31, 2010.

### Currency risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is each of the Funds' reporting currency, will fluctuate due to changes in exchange rates.

The table below indicates the foreign currencies to which each Fund had exposure as at the period-end in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

	<b>June 30, 2011</b>	
	<b>Investments</b>	<b>Impact on</b>
	\$	<b>net assets of</b>
		<b>5% change</b>
		\$
Currency		
Galileo High Income Plus Fund		
US dollar	1,951,592	97,580
Galileo Global Opportunities Fund		
Hong Kong dollar	2,405,852	120,293
Philippine peso	503,874	25,194
Indonesian rupiah	433,452	21,673
Singapore dollar	279,876	13,994
US dollar	735	37
Euro	201	10
		<b>December 31,</b>
		<b>2010</b>
	<b>Investments</b>	<b>Impact on</b>
	\$	<b>net assets of</b>
		<b>5% change</b>
		\$
Currency		
Galileo High Income Plus Fund		
US dollar	13,663	683
Galileo Global Opportunities Fund		
Hong Kong dollar	1,508,756	75,438
US dollar	1,400,599	70,030

### *Other price risk*

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk). The investments of the Funds are subject to normal market fluctuations and the risks inherent in investments in financial markets. The maximum risk resulting from financial instruments held by the Funds is equivalent to the fair value of the financial instruments. The portfolio adviser moderates this risk through a careful selection of securities within specified limits and the Funds' market price risk is managed through diversification of the investment portfolio. The most significant exposure to other price risk arises from its investments in equity securities.

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

**For the periods ended June 30, 2011 and December 31, 2010 (unaudited)**

Had the prices on the respective stock exchanges for these securities increased or decreased by 5%, with all other variables held constant, the following table shows the amount which the net assets of the respective Funds would have increased or decreased:

	<u>Change in net assets</u>	
	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	\$	\$
Galileo High Income Plus Fund	3,175,047	2,157,757
Galileo Global Opportunities Fund	642,795	674,563

### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with each respective Fund.

The Galileo Global Opportunities Fund is not subject to significant credit risk as at June 30, 2011 and December 31, 2010 given that the Fund had no significant investment in debt instruments or derivatives.

The Galileo High Income Plus Fund has credit risk. The Fund's greatest concentration of credit risk is in fixed income securities. This Fund limits its exposure to credit loss by placing its cash investments with high credit quality borrowers. The fair value of fixed income securities includes consideration of the creditworthiness of the fixed income securities. The carrying value of investments represents the maximum credit risk exposure as at June 30, 2011 and 2010. Standard & Poor's ratings for fixed income securities that subject the Galileo High Income Plus Fund to credit risk at the period-end are noted below:

	<u>June 30, 2011</u>		
	<b>Debt rating as a percentage of net assets</b>		
	<b>Unrated</b>	<b>BBB</b>	<b>Total</b>
	%	%	%
Galileo High Income Plus Fund	-	0.7	0.7

  

	<u>December 31, 2010</u>		
	<b>Debt rating as a percentage of net assets</b>		
	<b>Unrated</b>	<b>BBB</b>	<b>Total</b>
	%	%	%
Galileo High Income Plus Fund	1.5	-	1.5

All transactions in listed securities are settled/paid for on delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

### Liquidity risk

The Funds are exposed to daily cash redemptions of redeemable units. In accordance with securities regulations, the Funds must maintain at least 90% of their assets in liquid investments (i.e. investments that are traded in an active market and can be readily disposed of). In addition, the Funds must retain sufficient cash and cash equivalent positions to maintain adequate liquidity. The Funds also have the ability to borrow up to 5% of their net assets for the purposes of funding redemptions. Liquidity risk for the Funds is considered minimal.

In addition, the Funds have financial liabilities outstanding including payables for portfolio securities purchased, payables for units redeemed, payables for management fees, distributions payable and accrued liabilities. These financial liabilities are all current and are due within 30 days.

### Fair value hierarchy

The Funds are required to classify each financial instrument into one of three fair value levels. The hierarchy is summarized as:

- Level 1 Quoted prices (unadjusted) in active markets for identical financial assets and financial liabilities
- Level 2 Inputs that are observable for the financial asset or financial liability, either directly (prices) or indirectly (derived from prices)
- Level 3 Inputs for financial assets and financial liabilities not based upon observable market data

The table below summarizes the categories for each Fund at each period-end:

				June 30, 2011
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Galileo High Income Plus Fund				
Equities	63,500,944	-	-	63,500,944
Fixed Income	-	488,582	-	488,582
				<u>63,989,526</u>
Galileo Global Opportunities Fund				
Equities	12,827,328	28,570	-	12,855,898
Fixed Income	-	-	-	-
				<u>12,855,898</u>

# Galileo High Income Plus Fund

## Galileo Global Opportunities Fund

Notes to Financial Statements

For the periods ended June 30, 2011 and December 31, 2010 (unaudited)

	Level 1	Level 2	Level 3	December 31, 2010
	\$	\$	\$	\$
Galileo High Income Plus Fund				
Equities	43,155,147	-	-	43,155,147
Fixed Income	-	674,114	-	674,114
				<u>43,829,261</u>
Galileo Global Opportunities Fund				
Equities	13,427,985	63,278	-	13,491,263
Fixed Income	-	-	-	-
				<u>13,491,263</u>

For the periods ended June 30, 2011 and December 31, 2010, no investments were transferred from level 1 to level 2 or vice versa.

### 9 Related party transactions

The Funds' Manager, its officers and directors may invest in units of the Funds, from time to time, in the normal course of business. As at June 30, 2011, officers and directors held 3.2% of the net asset value of Galileo High Income Plus Fund and 0.2% of the net asset value of Galileo Global Opportunities Fund.

All transactions with related parties are measured at the exchange amounts.

### 10 Comparative information

Certain comparative figures have been reclassified to conform with the current period's financial statement presentation.