Interim Management Report of Fund Performance

June 30, 2010

Galileo High Income Plus Fund

Management Discussion of Fund Performance

This management discussion of fund performance represents the portfolio management's view of the significant factors and developments affecting the Fund's performance and outlook.

INVESTMENT OBJECTIVE AND STRATEGIES

The Fund invests in a diversified portfolio of high yielding equity securities and convertible debentures of Canadian companies, real estate investment trusts ("REITs") and income and royalty trusts. It aims to provide high income distributed monthly.

RISK

The Fund pays a monthly distribution to unitholders. As such, we strive to ensure the sustainability of the dividends/distributions from the securities held by the Fund. The key to the sustainability is to invest in high quality securities and also to ensure a diversity of the investments. The Fund holds dividend paying stocks, Real Estate Investment Trusts, business trusts and unit trusts.

Investors in the Fund should have a long-term investment horizon.

RESULTS OF OPERATIONS

The net assets of the Fund increased 158% from the prior year. The increase was due to a significant increase in the appreciation of the underlying securities in the portfolio and net subscriptions of over $7,900,000. Expenses vary as a function of changes in average Net Asset Values and unitholder activity. Management and operating expenses have increased during the period reflecting the increase in the average Net Asset Values during the period.

The Fund outperformed its benchmark by over 2% for the period. The performance was 2.9% and 3.5% for the Class A and Class F units of the Fund respectively. The Fund's benchmark is a blend of 60% S&P/TSX Capped Income Trust Index, 25% S&P/TSX Composite Index and 15% DEX Bond Universe Index. The benchmark return was 1.6% for the period.
The Fund outperformed the S&P/TSX Composite Index, which returned a performance of -4.7% due to an overweight in the Energy sector at a time when oil and gas prices were rising rapidly during the period. Also an increased exposure to the Real Estate Investment Trust sector proved to be very timely and contributed to the positive performance.
However, the Fund underperformed against the S&P/TSX Capped Income Trust Index, which had performance of 3.6% as a result of under-representation in the larger capitalized trusts which make up the majority of this index. The Fund also underperformed against the DEX Bond Universe Index of 4.2% due to the smaller weighting in the fixed income positions within the portfolio.

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This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Fund. A copy of the financial statements may be obtained at your request, and at no cost, by calling 1-866-912-2288, by writing to us at Galileo Funds Inc., TD Canada Trust Tower, Suite 4730, 161 Bay Street, PO Box 205, Toronto, ON M5J 2S1, or by visiting our website at www.galileofunds.ca, or SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

RECENT DEVELOPMENTS

We are now in the last six months before existing Income Trusts (with the exception of REITs) will have to convert back to corporations. This means that the loophole of reducing taxes by passing on revenue to shareholders will be closed. Instead, beginning in 2011, Income Trusts will be taxed as corporations. We currently hold about ten names that are in the de-conversion process. This has some investors concerned that there will be distribution cuts in the latter part of 2010. Our view is that most Income Trusts would have already used the veil of turbulent markets to announce any distribution cuts. Further, on the basis of the very low payout ratios of the companies we hold, there is little reason for them to change their dividend policy. We continue to be overweight in the energy and real estate sectors because of their favourable growth prospects and ability to pass on inflation in the context of loose monetary policy on the part of central bankers.

RELATED PARTY TRANSACTIONS

Galileo Funds Inc., the Fund's Manager and Trustee, is a wholly owned subsidiary of Galileo Global Equity Advisors Inc., which is the Fund's Portfolio Advisor. Galileo Funds Inc. receives management fees based on the average net asset value of the Fund. The management fees are used to pay for sales and commissions, the investment management of the Fund and other general administration. For the period ended June 30, 2010, the total management fees charged by Galileo Funds Inc. to the Fund was $186,571 (June 30, 2009 - $67,709).

The Manager is responsible for certain aspects of the day-to-day administration. For the period ended June 30, 2010, the Fund reimbursed the Manager for certain operating costs incurred in administering the Fund of approximately $46,935 (June 30, 2009 - $21,194. The Manager absorbed approximately $3,704 (June 30, 2009 - $23,474) of total expenses during the period. Such absorptions may be terminated at any time without notice.

The Funds' Manager, its officers and directors may invest in units of the Funds from time to time in the normal course of business.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years. This information is derived from the Fund's unaudited financial statements for the six-month period ended June 30, 2010 and audited annual financial statements since inception.

FINANCIAL HIGHLIGHTS (cont'd)
Net Assets per Unit (4)

Class A	6/30/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net assets, beginning of period (1)(2)	**$13.18**	**$9.03**	**$12.53**	**$12.49**	**$12.00**
Increase (decrease) from operations:					
Total revenue	0.42	0.77	1.02	1.03	0.27
Total expenses	(0.17)	(0.27)	(0.30)	(0.33)	(0.03)
Realized gains (losses) for the period	1.15	0.41	(2.63)	(0.77)	(0.02)
Unrealized gains (losses) for the period	(1.31)	4.21	(2.56)	(0.22)	(0.10)
Total increase (decrease) from operations (1)	**0.09**	**5.12**	**(4.47)**	**(0.29)**	**0.12**
Distributions:					
From income (excluding dividends)	0.07	0.32	0.52	0.35	-
From dividends	0.14	0.14	0.07	0.05	0.01
From capital gains	-	0.06	-	-	0.01
Return of capital	0.34	0.20	0.40	0.21	-
Total annual distributions(3)	**0.55**	**0.72**	**0.99**	**0.61**	**0.02**
Net assets, end of period	**$13.08**	**$13.18**	**$9.03**	**$12.53**	**$12.53**

Class F	6/30/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net assets, beginning of period (1)(2)	**$13.63**	**$9.25**	**$12.69**	**$12.49**	**$12.00**
Increase (decrease) from operations:					
Total revenue	0.44	0.78	1.09	1.02	0.21
Total expenses	(0.10)	(0.16)	(0.19)	(0.21)	(0.01)
Realized gains (losses) for the period	0.97	0.29	(2.80)	(0.78)	0.04
Unrealized gains (losses) for the period	(1.78)	4.39	1.95	0.57	0.29
Total increase (decrease) from operations (1)	**(0.47)**	**5.30**	**0.05**	**0.60**	**0.53**
Distributions:					
From income	0.07	0.30	0.52	0.35	-
From dividends	0.15	0.14	0.07	0.05	-
From capital gains	-	0.06	-	-	0.01
Return of capital	0.35	0.19	0.40	0.36	-
Total annual distributions(3)	**0.57**	**0.69**	**0.99**	**0.77**	**0.01**
Net assets, end of period	**$13.59**	**$13.63**	**$9.25**	**$12.69**	**$12.53**

(1) Net assets and distributions are based on actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(2) The Galileo High Income Plus Fund was launched on November 7, 2006 under a simplified prospectus to sell an unlimited number of Class A and Class F units.

(3) Distributions were paid in cash or reinvested in additional units of the Fund.

(4) This information is derived from the Fund's unaudited financial statements for the six-month period ended June 30, 2010 and audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

FINANCIAL HIGHLIGHTS (cont'd)
Ratios and Supplemental Data

Class A	6/30/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net asset value[(1)]	$ 20,308,429	$ 12,939,445	$ 6,499,569	$ 3,144,157	$ 529,733
Number of units outstanding[(1)]	1,549,365	976,238	714,094	249,963	42,268
Management expense ratio[(2)]	2.48%	2.53%	2.50%	2.53%	1.87%
Management expense ratio before waivers/absorptions	2.52%	3.34%	3.18%	5.37%	31.95%
Trading expense ratio[(4)]	1.12%	1.54%	1.52%	0.76%	3.12%
Portfolio turnover rate[(3)]	113.46%	275.15%	318.97%	101.68%	7.36%
Net asset value per unit	$ 13.11	$ 13.25	$ 9.10	$ 12.58	$ 12.53

Class F	6/30/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net asset value[(1)]	$ 719,241	$ 248,990	$ 127,404	$ 193,736	$ 156,702
Number of units outstanding[(1)]	52,793	18,168	13,678	15,206	12,510
Management expense ratio[(2)]	1.43%	1.49%	1.44%	1.61%	0.90%
Management expense ratio before waivers/absorptions	1.47%	1.96%	2.12%	4.45%	15.49%
Trading expense ratio[(4)]	1.12%	1.54%	1.52%	0.76%	3.12%
Portfolio turnover rate[(3)]	113.46%	275.15%	318.97%	101.68%	7.36%
Net asset value per unit	$ 13.62	$ 13.70	$ 9.31	$ 12.74	$ 12.53

(1) This information is provided as at June 30, 2010 and as at December 31 of the years shown.

(2) Management expense ratio for each class of units is based on the total expenses of the Fund, incurred by or allocated to that class of units for the period shown, expressed as an annualized percentage of the daily average net asset value of that class during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

MANAGEMENT FEES

The Fund pays an annual fee of 1.90% of the net asset value of Class A and 0.90% of the net asset value of Class F plus GST to the Fund Manager in consideration for the provision of management, distribution and Fund advisory services. This management fee is calculated as a percentage of the Fund's net asset value per class and is calculated and credited daily. The Fund is required to pay Goods and Services Tax (GST) on the management fee.

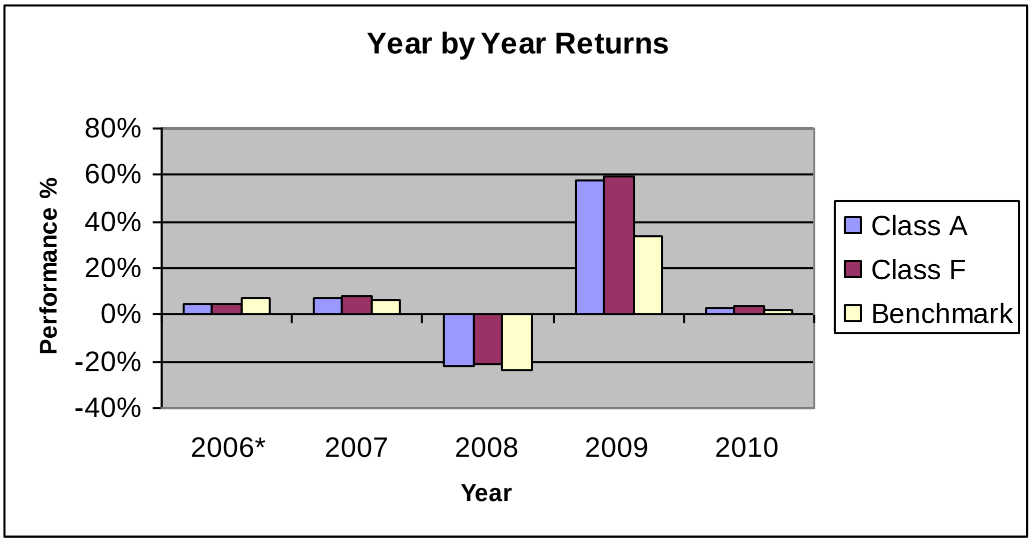
Of the management fees paid by the Fund to the Manager for the Class A units, approximately 50% was used to pay for sales and trailer commissions and 50% was for portfolio management services. Of the management fees paid by the Fund to the Manager for the Class F units, 100% was for portfolio management services.

PAST PERFORMANCE

The performance information shown below assumes that all distributions made by the Fund in the period shown were reinvested in additional units of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. It is important to note that the past performance of the Fund does not tell you how the Fund will perform in the future.

Year-by-year Returns

The following bar chart indicates the Fund's historical annual returns, which will vary from period to period. It shows the percentage change in value of an investment from the first day to the last day of each fiscal period, as applicable.



* Return is for a partial year starting November 14th, 2006 (the date the Fund first became eligible for purchase via simplified prospectus).

Annual Compound Returns

The following table shows the Fund's historical average annual compound returns compared with its benchmark, a blend of 60% S&P/TSX Capped Income Trust Index, 25% S&P/TSX Composite Index and 15% DEX Bond Universe Index for the periods ended June 30, 2010. The inception of the Fund offered through simplified prospectus was November 14, 2006.

	YTD	Since Inception
Class A	2.9%	10.3%
Class F	3.5%	11.3%
Blended Index	1.6%	17.2%
S&P/TSX Capped Income Trust Index	3.6%	27.2%
S&P/TSX Composite Index	(4.7%)	(9.0%)
DEX Bond Universe Index	4.2%	21.1%

SUMMARY OF INVESTMENT PORTFOLIO
Portfolio breakdown as at June 30, 2010

Top 25 Positions	% of Net Asset Value*
Bonterra Energy Corp.	6.6%
Black Diamond Group Ltd.	6.2%
Student Transportation Inc.	5.8%
Cash & other net assets	5.7%
Inter Pipeline Fund L.P., Class A units	5.7%
Canadian Energy Services & Technology Corp.	5.5%
Baytex Energy Trust	5.3%
Bird Construction Income Fund	5.1%
Bonavista Energy Trust	4.9%
Crombie Real Estate Investment Trust	4.8%
Brookfield Infrastructure Partners L.P.	4.8%
Phoenix Techonology Income Fund	4.8%
CanWel Building Materials Group Ltd.	4.3%
Daylight Energy Ltd.	4.2%
Cervus Equipment Corp.	3.8%
Pembina Pipeline Income Trust	3.4%
Penn West Energy Trust	2.9%
Deans Knight Income Corp.	2.9%
ARC Energy Trust Units	2.8%
Student Transportation, Conv., 6.75%, 06/30/15	2.4%
MOSAID Technologies Inc.	2.3%
H&R REITrust, Conv., 6.0%, 06/30/17	2.2%
Algonquin Power & Utilities Corp., Conv 7.5%, 11/30/14	2.0%
Pacific Northern Gas Ltd.	1.6%
Aggregate % of top holdings	100.0%

Sector Allocation	% of Net Asset Value*
Energy	48.2%
Industrials	22.4%
Financial	7.1%
Cash & other net assets	5.7%
Utilities	5.7%
Consumer Discretionary	3.8%
Other	2.9%
Information Technology	2.3%
Corporate	2.0%
Total sector allocation	100.0%

Geographic Allocation	% of Net Asset Value*
Canada	89.5%
United States	4.8%
Cash & Other Net Assets	5.7%
Total geographic allocation	100.0%

* calculated as a percent of the net asset value of the Fund as at June 30, 2010.

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund and updates will be available on a quarterly basis.

A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. Such statements are generally identifiable by the terminology used, such as “plan”, “anticipate”, “believe”, “intent”, “expect”, “estimate” or other similar wording.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

Galileo Funds

Galileo High Income Plus Fund
Galileo Small/Mid Cap Fund

Additional information about the Galileo Funds is available in the Funds' Prospectus, Annual Information Form and Annual and Semi Annual Financial Statements.

Copies of these documents and other information about the Galileo Funds, such as information circulars and material contracts, are available on our website at www.galileofunds.ca or at www.sedar.com. Some of this information is available on our website in English only.

Galileo Funds Inc.
TD Canada Trust Tower, Suite 4730, 161 Bay Street
P.O. Box 205, Toronto, ON M5J 2S1
Toll-free 1-888-912-2288 Fax (416) 594-0991
Website: www.galileofunds.ca
Email: clientservices@galileofunds.ca