



GALILEO

Galileo Funds Annual Report 2008

Galileo Absolute Return Fund
Galileo Canadian Active/Passive Fund
Galileo Fund
Galileo Global Active/Passive Fund
Galileo High Income Plus Fund
Galileo Money Market Fund
Galileo Small/Mid Cap Fund



Smith Nixon LLP
Chartered Accountants
Suite 1900, 390 Bay Street
Toronto, Ontario
M5H 2Y2

T: 416.361.1622
F: 416.367.1238
www.smith-nixon.com

AUDITORS' REPORT

To the Unitholders of:

Galileo Absolute Return Fund
Galileo Canadian Active/Passive Fund
Galileo Fund
Galileo Global Active/Passive Fund
Galileo High Income Plus Fund
Galileo Money Market Fund
Galileo Small/Mid Cap Fund
(collectively the "Funds")

We have audited the statements of investment portfolio of each of the Funds as at December 31, 2008, the statements of net assets as at December 31, 2008 and 2007, and the statements of operations and changes in net assets for the periods then ended. These financial statements are the responsibility of the Funds' manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investment portfolios of the Funds as at December 31, 2008, their net assets as at December 31, 2008 and 2007, and the results of each of their operations and changes in net assets for the periods then ended, in accordance with Canadian generally accepted accounting principles.

Smith Nixon LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Canada
February 13, 2009

Galileo Absolute Return Fund

STATEMENTS OF NET ASSETS

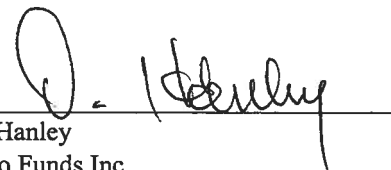
As at December 31

	2008	2007
Assets		
Investments, at fair value	\$ 2,201,720	\$ 3,143,354
Cash including foreign currency holdings, at fair value	30,626	61,082
Accrued interest and dividends receivable	4,387	9,824
	2,236,733	3,214,260
Liabilities		
Accrued expenses	4,607	7,959
Distributions payable to unitholders	4,353	100,687
	8,960	108,646
Net Assets representing unitholders' equity	\$ 2,227,773	\$ 3,105,614
Total Net Assets per Class		
Class A	\$ 29,324	\$ 38,986
Class F	\$ 2,198,449	\$ 3,066,628
Net Assets per Unit (note 5)		
Class A	\$ 10.54	\$ 14.81
Class F	\$ 10.29	\$ 14.42

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:


Michael Waring
Galileo Funds Inc.


Peter Hanley
Galileo Funds Inc.

Galileo Absolute Return Fund

STATEMENTS OF OPERATIONS

For the periods ended December 31

	2008	2007
Income		
Interest	\$ 29,695	\$ 74,851
Dividends	23,595	17,220
Gain (loss) on derivatives	65	(2,611)
	53,355	89,460
Expenses (note 4)		
Management fees	22,699	33,077
Custodial fees	35,759	31,611
Audit fees	13,794	8,418
Legal and regulatory fees	22,963	27,128
	95,215	100,234
Expenses waived/absorbed by the Manager	58,703	48,425
	36,512	51,809
Net Investment Income	16,843	37,651
Realized and Unrealized Gain (Loss) on Investments		
Net realized gain (loss) on sale of investments	(250,098)	417,881
Net realized gain (loss) on foreign currency	4,522	(577)
Transaction costs (note 8)	(7,354)	(26,863)
Change in unrealized appreciation/depreciation of investments	(639,704)	(100,032)
Net Gain (Loss) on Investments	(892,634)	290,409
Increase (Decrease) in Net Assets from Operations	\$ (875,791)	\$ 328,060
Increase (Decrease) in Net Assets from Operations per Class		
Class A	\$ (20,344)	\$ 127
Class F	\$ (855,447)	\$ 327,933
Increase (Decrease) in Net Assets from Operations per Unit		
Class A	\$ (5.53)	\$ 0.10
Class F	\$ (4.03)	\$ 1.45

See accompanying notes

Galileo Absolute Return Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31

	2008	2007
CLASS A		
Net Assets, Beginning of Period	\$ 38,986	\$ 18
Increase (Decrease) in Net Assets from Operations	(20,344)	127
Distributions Paid or payable to Unitholders		
From net investment income	-	(610)
From net realized capital gains	-	(4,738)
	-	(5,348)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	77,182	50,100
Amount received from reinvestment of distributions	-	5,348
Amount paid on redemptions of units	(66,500)	(11,259)
	10,682	44,189
Increase (Decrease) in Net Assets for the Period	(9,662)	38,968
Net Assets, End of Period	\$ 29,324	\$ 38,986

CLASS F

Net Assets, Beginning of Period	\$ 3,066,628	\$ 3,783,233
Increase (Decrease) in Net Assets from Operations	(855,447)	327,933
Distributions Paid or payable to Unitholders		
From net investment income	(20,572)	(41,823)
From net realized capital gains	-	(384,930)
	(20,572)	(426,753)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	12,000	166,629
Amount received from reinvestment of distributions	16,222	326,066
Amount paid on redemptions of units	(20,382)	(1,110,480)
	7,840	(617,785)
Decrease in Net Assets for the Period	(868,179)	(716,605)
Net Assets, End of Period	\$ 2,198,449	\$ 3,066,628

See accompanying notes

Galileo Absolute Return Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES			
	Energy - 2.51%		
59,800	NaiKun Wind Energy Group Inc.	92,237	23,322
7,500	Trinidad Drilling Ltd.	73,434	32,700
		165,671	56,022
	Financials - 6.06%		
2,000	Laurentian Bank of Canada	77,827	68,620
2,800	Power Financial Corp.	87,386	66,332
		165,213	134,952
	Industrials - 23.29%		
10,200	Aecon Group Inc.	125,914	111,894
5,500	BFI Canada Ltd.	154,697	56,980
8,800	Bombardier Inc., Class 'B'	67,192	38,896
12,200	CAE Inc.	113,040	98,332
4,000	Finning International Inc.	83,091	56,880
3,100	ShawCor Ltd., Class 'A'	56,197	56,575
2,500	SNC-Lavalin Group Inc.	91,156	99,200
		691,287	518,757
	Information Technology - 3.52%		
2,200	Thomson Reuters Corp.	66,352	78,320
	Materials - 13.11%		
1,900	Agrium Inc.	88,347	78,717
1,400	Cameco Corp.	64,736	29,330
4,800	Goldcorp Inc.	182,559	184,128
		335,642	292,175
	Utilities - 2.37%		
7,500	Inter Pipeline Fund, Class 'A'	77,802	52,875
Total Canadian equities - 50.86%		1,501,967	1,133,101
FOREIGN EQUITIES			
	Consumer Staples - 4.33%		
600	Colgate-Palmolive Co.	48,411	50,768
600	Procter & Gamble Co.	46,679	45,775
		95,090	96,543

See accompanying notes

Galileo Absolute Return Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
FOREIGN EQUITIES (cont'd)			
	Energy - 4.14%		
3,400	Covanta Holding Corp.	95,307	92,173
	Health Care Services - 5.87%		
900	Celgene Corp.	56,212	61,386
1,100	Gilead Sciences Inc.	57,420	69,378
		113,632	130,764
	Industrials - 2.11%		
2,000	Actuant Corp., Class 'A'	43,855	46,960
	Other - 1.56%		
3,700	iShares MSCI Taiwan Index Fund	65,872	34,668
Total Foreign equities - 18.01%		413,756	401,108
SHORT-TERM INVESTMENTS			
66,751	Galileo Money Market Fund*	667,511	667,511
Total short term investments - 29.96%		667,511	667,511
Transaction costs		(3,615)	
Total investments - 98.83%		2,579,619	2,201,720
Other assets, net of liabilities - 1.17%			26,053
Total net assets - 100.00%			2,227,773

* Refer to Galileo Money Market's Statement of Investment Portfolio as at December 31, 2008 for its asset composition.

See accompanying notes

Galileo Canadian Active/Passive Fund

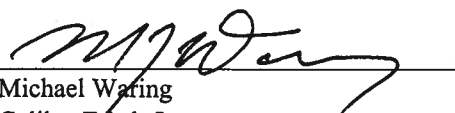
STATEMENTS OF NET ASSETS

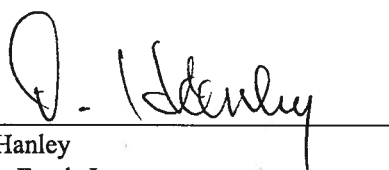
As at December 31

	2008	2007
Assets		
Investments, at fair value	\$ 324,632	\$ 631,264
Cash	42,260	64,206
Accrued interest and dividends receivable	1,260	697
Receivable for portfolio securities sold	5,081	9,190
Receivable for units issued	400	400
	373,633	705,757
Liabilities		
Payable for portfolio securities purchased	40,061	9,418
Accrued expenses	1,138	1,792
	41,199	11,210
Net Assets representing unitholders' equity	\$ 332,434	\$ 694,547
Total Net Assets per Class		
Class A	\$ 300,670	\$ 403,494
Class F	\$ 31,764	\$ 291,053
Net Assets per Unit (note 5)		
Class A	\$ 8.01	\$ 13.62
Class F	\$ 8.08	\$ 13.61

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:


 Michael Waring
 Galileo Funds Inc.


 Peter Hanley
 Galileo Funds Inc.

Galileo Canadian Active/Passive Fund

STATEMENTS OF OPERATIONS

For the periods ended December 31

	2008	2007
Income		
Interest	\$ 1,768	\$ 2,168
Dividends	9,314	2,589
Loss on derivatives	(68)	(46)
	11,014	4,711
Expenses (note 6)		
Management fees	9,667	6,412
Custodial fees	42,835	35,717
Audit fees	13,794	5,849
Legal and regulatory fees	22,963	27,128
	89,259	75,106
Expenses waived/absorbed by the Manager	76,591	66,302
	12,668	8,804
Net Investment Loss	(1,654)	(4,093)
Realized and Unrealized Gain (Loss) on Investments		
Net realized gain (loss) on sale of investments	(158,123)	15,628
Net realized loss on foreign currency	(1,190)	(211)
Transaction costs (note 8)	(9,479)	(7,545)
Change in unrealized appreciation/depreciation of investments	(126,297)	21,348
Net Gain (Loss) on Investments	(295,089)	29,220
Increase (Decrease) in Net Assets from Operations	\$ (296,743)	\$ 25,127
Increase (Decrease) in Net Assets from Operations per Class		
Class A	\$ (217,756)	\$ 5,663
Class F	\$ (78,987)	\$ 19,464
Increase (Decrease) in Net Assets from Operations per Unit		
Class A	\$ (6.12)	\$ 0.31
Class F	\$ (4.83)	\$ 1.21

See accompanying notes

Galileo Canadian Active/Passive Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31

	2008	2007
CLASS A		
Net Assets, Beginning of Period	\$ 403,494	\$ 12
Increase (Decrease) in Net Assets from Operations	(217,756)	5,663
Distributions Paid or Payable to Unitholders		
From net realized capital gains	-	(1,588)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	151,545	435,666
Amount received from reinvestment of distributions	-	1,588
Amount paid on redemptions of units	(36,613)	(37,847)
	114,932	399,407
Increase (Decrease) in Net Assets for the Period	(102,824)	403,482
Net Assets, End of Period	\$ 300,670	\$ 403,494

CLASS F

Net Assets, Beginning of Period	\$ 291,053	\$ 153,794
Increase (Decrease) in Net Assets from Operations	(78,987)	19,464
Distributions Paid or Payable to Unitholders		
From net realized capital gains	-	(4,126)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	7,196	117,795
Amount received from reinvestment of distributions	-	4,126
Amount paid on redemptions of units	(187,498)	-
	(180,302)	121,921
Increase (Decrease) in Net Assets for the Period	(259,289)	137,259
Net Assets, End of Period	\$ 31,764	\$ 291,053

See accompanying notes

Galileo Canadian Active/Passive Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES			
	Consumer Discretionary - 4.75%		
95	Canadian Tire Corp. Ltd., Class 'A'	6,880	4,100
100	Magna International Inc., Class 'A'	8,363	3,662
176	Shaw Communications Inc.	3,604	3,800
121	Tim Hortons Inc.	4,171	4,218
		23,018	15,780
	Consumer Staples - 5.37%		
500	AG Growth Income Fund	9,040	9,695
114	Loblaw Cos. Ltd.	4,115	3,983
87	Shoppers Drug Mart Corp.	4,438	4,179
		17,593	17,857
	Energy - 16.79%		
95	Canadian Natural Resources Ltd.	6,795	4,624
400	Crescent Point Energy Corp.	12,398	9,600
72	EnCana Corp.	4,960	4,086
2,200	Gran Tierra Energy	6,545	7,194
127	Husky Energy Inc.	5,548	3,918
99	Imperial Oil Ltd.	5,185	4,056
5,600	NaiKun Wind Energy Group Inc.	9,529	2,184
191	Nexen Inc.	6,099	4,072
148	Petro-Canada	7,615	3,938
3,500	Rochester Energy Corp., Warrants, 07/17/09	-	8
152	Suncor Energy Inc.	7,401	3,604
380	Talisman Energy Inc.	7,493	4,613
118	TransCanada Corp.	4,692	3,903
		84,260	55,800
	Financials - 24.51%		
1,100	Artis Real Estate Investment Trust	6,761	8,041
111	Bank of Montreal	5,878	3,465
115	Bank of Nova Scotia	5,721	3,812
500	Boardwalk Real Estate Investment Trust	11,963	12,775
216	Brookfield Asset Management Inc., Class 'A'	7,700	4,005
75	Canadian Imperial Bank of Commerce	5,885	3,823
170	Great-West Lifeco Inc.	5,584	3,517
127	IGM Financial Inc.	6,152	4,498
189	Manulife Financial Corp.	7,268	3,924
107	National Bank of Canada	6,095	3,348

See accompanying notes

Galileo Canadian Active/Passive Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES (cont'd)			
Financials - (cont'd)			
400	Power Financial Corp.	9,036	9,476
107	Royal Bank of Canada	5,649	3,852
147	Sun Life Financial Inc.	7,085	4,167
500	Royal Bank of Canada, 4.7%, Preferred, Series AB, Callable	8,020	8,960
88	Toronto-Dominion Bank (The)	6,027	3,821
		104,824	81,484
Industrials - 13.23%			
952	Bombardier Inc., Class 'B'	6,421	4,208
90	Canadian National Railway Co.	4,968	4,027
98	Canadian Pacific Railway Ltd.	7,196	4,004
288	Finning International Inc.	8,594	4,095
300	GENIVAR Income Fund	7,388	7,509
407	SNC-Lavalin Group Inc.	20,915	16,150
9,500	Zongshen PEM Power Systems Inc.	20,198	3,990
		75,680	43,983
Information Technology - 2.47%			
78	Research In Motion Ltd.	4,581	3,858
122	Thomson Reuters Corp.	4,913	4,343
		9,494	8,201
Materials - 18.47%			
101	Agnico-Eagle Mines Ltd.	3,727	6,334
126	Agrium Inc.	5,277	5,220
116	Barrick Gold Corp.	3,630	5,183
200	Cameco Corp.	8,909	4,190
432	Goldcorp Inc.	13,192	16,572
212	Kinross Gold Corp.	2,953	4,749
1,500	Migao Corp.	6,606	8,490
58	Potash Corp. of Saskatchewan Inc.	4,182	5,192
198	Teck Cominco Ltd., Class 'B'	8,330	1,186
457	Yamana Gold Inc.	5,182	4,296
		61,988	61,412

See accompanying notes

Galileo Canadian Active/Passive Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES (cont'd)			
Telecommunication Services - 2.45%			
114	Rogers Communications Inc., Class 'B'	4,699	4,170
107	Telus Corp.	5,592	3,976
		10,291	8,146
Utilities - 7.04%			
2,500	Algonquin Power Income Fund	5,484	5,775
162	BCE Inc.	6,378	4,058
101	Enbridge Inc.	3,915	3,990
157	Fortis Inc.	4,419	3,861
236	TransAlta Corp.	7,010	5,735
		27,206	23,419
Total Canadian equities - 95.08%		414,354	316,082
Fixed Income			
Energy - 2.57%			
15,000	Pacific Rubiales Energy Corp., 8.0%, 08/29/13	14,470	8,550
Total Fixed Income - 2.57%		14,470	8,550
Transaction costs		(1,851)	
Total investments - 97.65%		426,973	324,632
Other assets, net of liabilities - 2.35%			7,802
Total net assets - 100.00%			332,434

See accompanying notes

Galileo Fund

STATEMENTS OF NET ASSETS

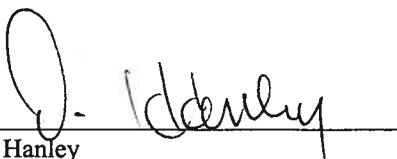
As at December 31

	2008	2007
Assets		
Investments, at fair value	\$ 1,433,139	\$ 4,273,636
Cash including foreign currency holdings, at fair value	351,430	374,052
Accrued interest and dividends receivable	4,027	1,388
Receivable for portfolio securities sold	48,142	121,166
	1,836,738	4,770,242
Liabilities		
Payable for portfolio securities purchased	175,032	148,676
Accrued expenses	4,878	13,717
Payable for units redeemed	-	106,616
Distributions payable to unitholders	-	237
Unrealized loss on derivatives	125	1,073
	180,035	270,319
Net Assets representing unitholders' equity	\$ 1,656,703	\$ 4,499,923
Total Net Assets per Class		
Class A	\$ 1,028,128	\$ 2,865,265
Class F	\$ 628,575	\$ 1,634,658
Net Assets per Unit (note 5)		
Class A	\$ 6.14	\$ 12.86
Class F	\$ 6.61	\$ 13.70

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:


Michael Waring
Galileo Funds Inc.


Peter Hanley
Galileo Funds Inc.

Galileo Fund

STATEMENTS OF OPERATIONS

For the periods ended December 31

	2008	2007
Income		
Interest	\$ 11,432	\$ 20,239
Dividends	20,270	6,801
Loss on derivatives	(30,424)	(11,863)
	<u>1,278</u>	<u>15,177</u>
Expenses (note 6)		
Management fees	54,521	62,521
Custodial fees	58,548	57,341
Audit fees	13,794	10,643
Legal and regulatory fees	22,963	32,572
	<u>149,826</u>	<u>163,077</u>
Expenses waived/absorbed by the Manager	78,507	80,368
	<u>71,319</u>	<u>82,709</u>
Net Investment Loss	<u>(70,041)</u>	<u>(67,532)</u>
Realized and Unrealized Gain (Loss) on Investments		
Net realized gain (loss) on sale of investments	(1,308,885)	278,650
Net realized loss on foreign currency	(23,277)	(24,772)
Transaction costs (note 8)	(118,420)	(151,356)
Change in unrealized appreciation/depreciation of investments	(759,795)	189,717
Net Gain (Loss) on Investments	<u>(2,210,377)</u>	<u>292,239</u>
Increase (Decrease) in Net Assets from Operations	\$ <u>(2,280,418)</u>	\$ <u>224,707</u>
Increase (Decrease) in Net Assets from Operations per Class		
Class A	\$ (1,486,884)	\$ (209,713)
Class F	\$ (793,534)	\$ 434,420
Increase (Decrease) in Net Assets from Operations per Unit		
Class A	\$ (7.27)	\$ (1.26)
Class F	\$ (7.08)	\$ 3.31

See accompanying notes

Galileo Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31

	2008	2007
CLASS A		
Net Assets, Beginning of Period	\$ 2,865,265	\$ 13
Decrease in Net Assets from Operations	(1,486,884)	(209,713)
Distributions Paid or Payable to Unitholders		
From net realized capital gains	-	(25,557)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	700,488	5,635,599
Amount received from reinvestment of distributions	-	25,320
Amount paid on redemptions of units	(1,050,741)	(2,560,397)
	(350,253)	3,100,522
Increase (Decrease) in Net Assets for the Period	(1,837,137)	2,865,252
Net Assets, End of Period	\$ 1,028,128	\$ 2,865,265
CLASS F		
Net Assets, Beginning of Period	\$ 1,634,658	\$ 1,931,718
Increase (Decrease) in Net Assets from Operations	(793,534)	434,420
Distributions Paid or Payable to Unitholders		
From net realized capital gains	-	(24,270)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	7,459	530,046
Amount received from reinvestment of distributions	-	24,270
Amount paid on redemptions of units	(220,008)	(1,261,526)
	(212,549)	(707,210)
Decrease in Net Assets for the Period	(1,006,083)	(297,060)
Net Assets, End of Period	\$ 628,575	\$ 1,634,658

See accompanying notes

Galileo Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES			
	Energy - 28.29%		
16,000	Black Diamond Income Fund	127,872	110,400
5,000	Crescent Point Energy Trust	155,558	120,000
17,000	Gran Tierra Energy Inc.	51,121	55,590
46,500	NaiKun Wind Energy Group Inc.	65,048	18,135
10,000	OPTI Canada Inc.	89,375	17,800
20,000	Questerre Energy Corp.	56,628	40,400
100,000	Rochester Energy Corp., Warrants, 07/17/09	-	246
5,000	TriStar Oil & Gas Ltd.	73,839	56,500
6,500	Verenex Energy Inc.	43,245	44,525
300	Westcoast Energy Inc., 5.5%, Preferred, Series 7, Callable	4,587	5,055
		667,273	468,651
	Financials - 17.59%		
7,700	Artis Real Estate Investment Trust	45,999	56,287
3,500	Boardwalk Real Estate Investment Trust	79,182	89,425
3,500	Power Financial Corp.	82,192	82,915
3,500	Royal Bank of Canada, 4.7%, Preferred, Series AB, Callable	55,897	62,720
		263,270	291,347
	Industrials - 10.95%		
1,500	GENIVAR Income Fund	37,305	37,545
2,500	SNC-Lavalin Group Inc.	89,369	99,200
106,200	Zongshen PEM Power Systems Inc.	255,029	44,604
		381,703	181,349
	Materials - 17.41%		
2,000	First Quantum Minerals Ltd.	49,565	35,200
2,200	Goldcorp Inc.	70,385	84,392
9,400	Hanfeng Evergreen Inc.	46,165	52,734
12,000	Migao Corp.	55,974	67,920
10,000	Thompson Creek Metals Inc.	143,266	48,100
		365,355	288,346
	Total Canadian equities - 74.24%	1,677,601	1,229,693
FOREIGN EQUITIES			
	Energy - 1.16%		
1,000	Petrohawk Energy Corp.	31,064	19,271

See accompanying notes

Galileo Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units	Average cost \$	Fair value \$
FOREIGN EQUITIES (cont'd)		
Industrials - 5.61%		
2,000 Syngenta AG, ADR	84,498	92,975
Total Foreign equities - 6.77%	115,562	112,246
FIXED INCOME		
Energy - 5.50%		
160,000 Pacific Rubiales Energy Corp., 8.0%, 08/29/13	162,000	91,200
Total Fixed Income - 5.50%	162,000	91,200
Transaction costs	(7,371)	
Total investments - 86.51%	1,947,792	1,433,139
Other assets, net of liabilities - 13.49%		223,564
Total net assets - 100.00%		1,656,703

See accompanying notes

Galileo Fund

SCHEDULE OF DERIVATIVE INVESTMENTS

As at December 31, 2008

Forward Currency Contracts Counterparty	Delivery date	Currency bought	Par Value	Currency sold	Par Value	Contract price	Market price	Unrealized loss
CIBC Mellon Global Security Service Company	1/2/2009	CAD	7,606	HKD	48,533	6.38120	6.27801	(125)
								(\$125)

See accompanying notes

Galileo Global Active/Passive Fund

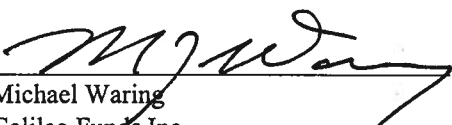
STATEMENTS OF NET ASSETS

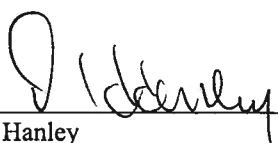
As at December 31

	2008	2007
Assets		
Investments, at fair value	\$ 1,538,905	\$ 2,413,148
Cash including foreign currency holdings, at fair value	197,164	345,543
Accrued interest and dividends receivable	5,036	2,341
Receivable for portfolio securities sold	2,899	51,263
	1,744,004	2,812,295
Liabilities		
Payable for portfolio securities purchased	56,309	28,309
Unrealized loss on derivatives	95	475
Accrued expenses	5,162	7,677
	61,566	36,461
Net Assets representing unitholders' equity	\$ 1,682,438	\$ 2,775,834
Total Net Assets per Class		
Class A	\$ 1,017,147	\$ 1,379,820
Class F	\$ 665,291	\$ 1,396,014
Net Assets per Unit (note 5)		
Class A	\$ 7.54	\$ 11.92
Class F	\$ 7.73	\$ 12.09

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:


 Michael Waring
 Galileo Funds Inc.


 Peter Hanley
 Galileo Funds Inc.

Galileo Global Active/Passive Fund

STATEMENTS OF OPERATIONS

For the periods ended December 31

	2008	2007
Income		
Interest	\$ 3,895	\$ 7,252
Dividends	61,316	38,191
Loss on derivatives	(17,486)	(11,459)
	<u>47,725</u>	<u>33,984</u>
Expenses (note 6)		
Management fees	37,143	33,682
Custodial fees	54,912	63,864
Audit fees	13,794	8,420
Legal and regulatory fees	22,963	27,128
	<u>128,812</u>	<u>133,094</u>
Expenses waived/absorbed by the Manager	79,835	88,268
	<u>48,977</u>	<u>44,826</u>
Net Investment Loss	<u>(1,252)</u>	<u>(10,842)</u>
Realized and Unrealized Loss on Investments		
Net realized loss on sale of investments	(615,342)	(28,950)
Net realized loss on foreign currency	(1,731)	(18,860)
Transaction costs (note 8)	(30,785)	(33,727)
Change in unrealized appreciation/depreciation of investments	(456,352)	(111,813)
Net Loss on Investments	<u>(1,104,210)</u>	<u>(193,350)</u>
Decrease in Net Assets from Operations	\$ <u>(1,105,462)</u>	\$ <u>(204,192)</u>
Decrease in Net Assets from Operations per Class		
Class A	\$ (613,608)	\$ (106,637)
Class F	\$ (491,854)	\$ (97,555)
Decrease in Net Assets from Operations per Unit		
Class A	\$ (4.73)	\$ (1.22)
Class F	\$ (4.50)	\$ (1.09)

See accompanying notes

Galileo Global Active/Passive Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31

	2008	2007
CLASS A		
Net Assets, Beginning of Period	\$ 1,379,820	\$ 153,160
Decrease in Net Assets from Operations	(613,608)	(106,637)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	420,386	1,358,882
Amount paid on redemptions of units	(169,451)	(25,585)
	250,935	1,333,297
Increase (Decrease) in Net Assets for the Period	(362,673)	1,226,660
Net Assets, End of Period	\$ 1,017,147	\$ 1,379,820
CLASS F		
Net Assets, Beginning of Period	\$ 1,396,014	\$ 364,256
Decrease in Net Assets from Operations	(491,854)	(97,555)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	-	1,294,151
Amount paid on redemptions of units	(238,869)	(164,838)
	(238,869)	1,129,313
Increase (Decrease) in Net Assets for the Period	(730,723)	1,031,758
Net Assets, End of Period	\$ 665,291	\$ 1,396,014

See accompanying notes

Galileo Global Active/Passive Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES			
	Energy - 4.80%		
2,000	Crescent Point Energy Trust	59,368	48,000
10,000	Gran Tierra Energy	30,980	32,700
		90,348	80,700
	Industrials - 1.21%		
48,700	Zongshen PEM Power Systems Inc.	94,949	20,454
	Materials - 3.42%		
1,500	Goldcorp Inc.	44,907	57,540
Total Canadian equities - 9.43%		230,204	158,694
FOREIGN EQUITIES			
	Consumer Discretionary - 6.96%		
407	CVS Caremark Corp.	16,388	14,435
175	DaimlerChrysler AG, Registered	16,333	8,270
435	Honda Motor Co. Ltd., ADR	16,376	11,291
452	Kraft Foods Inc., Class 'A'	16,426	14,965
361	Koninklijke Philips Electronics NV, ADR	16,394	8,567
295	McDonald's Corp.	16,363	22,637
268	Sony Corp., ADR	16,398	7,015
692	Time Warner Inc.	16,417	8,585
123	Toyota Motor Corp.	16,345	9,732
412	Walt Disney Co. (The)	16,429	11,525
		163,869	117,022
	Consumer Staples - 12.14%		
690	Altria Group Inc.	15,977	12,820
232	British American Tobacco PLC, ADR	16,406	14,824
282	Coca-Cola Co. (The)	16,364	15,742
174	Diageo PLC, ADR	16,314	11,872
900	H.J. Heinz Co.	47,719	41,742
150	Imperial Tobacco Group PLC, ADR	12,264	9,851
350	Nestle SA, ADR, Registered	16,102	16,888
220	Pepsico Inc.	16,381	14,870
213	Philip Morris International Inc.	11,074	11,441
238	Procter & Gamble Co.	16,368	18,158

See accompanying notes

Galileo Global Active/Passive Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
FOREIGN EQUITIES (cont'd)			
Consumer Staples (cont'd)			
481	Unilever NV	16,417	14,593
311	Wal-Mart Stores Inc.	16,398	21,504
		217,784	204,305
Energy - 6.94%			
218	BP PLC, ADR	16,353	12,211
186	Chevron Corp.	16,311	16,927
206	ConocoPhillips	16,318	13,173
215	Eni SPA, ADR	16,347	12,352
183	Exxon Mobil Corp.	16,376	17,987
346	Halliburton Co.	15,943	7,757
204	Royal Dutch Shell PLC, ADR, Class 'A'	16,364	13,128
194	Schlumberger Ltd.	16,382	10,138
197	TOTAL SA, ADR	16,381	13,154
		146,775	116,827
Financials - 9.86%			
671	Allianz SE, ADR	16,423	8,624
235	American Express Co.	16,390	5,381
326	AXA, ADR	16,396	8,864
603	Banco Bilbao Vizcaya Argentaria SA, ADR	16,423	8,961
814	Banco Santander Central Hispano SA, ADR	16,262	9,429
290	Bank of America Corp.	16,367	4,998
338	Bank of New York Mellon Corp.	16,151	11,821
256	Barclays PLC, ADR	16,342	2,788
274	Citigroup Inc.	16,367	2,266
196	Credit Suisse Group, ADR	16,323	6,479
94	Deutsche Bank AG, Registered	16,338	4,719
65	Goldman Sachs Group Inc.	16,257	6,772
158	HSBC Holdings PLC, ADR	16,291	9,282
326	ING Groep NV, ADR	16,399	4,101
284	JPMorgan Chase & Co.	16,394	11,054
317	Lloyds TSB Group PLC, ADR	16,375	2,935
1,341	Mitsubishi UFJ Financial Group Inc., ADR	16,419	10,026
1,800	Mizuho Financial Group Inc., ADR	14,060	12,634
107	Royal Bank of Scotland Group PLC, ADR	16,463	2,005
432	U.S. Bancorp	16,392	13,338

See accompanying notes

Galileo Global Active/Passive Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
FOREIGN EQUITIES (cont'd)			
Financials (cont'd)			
244	UBS AG, Registered	16,715	4,283
414	Wells Fargo & Co.	16,396	15,067
		357,943	165,827
Health Care Services - 12.14%			
255	Abbott Laboratories	16,372	16,801
246	Amgen Inc.	16,349	17,459
278	AstraZeneca PLC, ADR	16,423	13,850
214	Baxter International Inc.	15,945	14,158
498	Bristol-Myers Squibb Co.	16,408	14,281
264	GlaxoSmithKline PLC, ADR	16,358	12,038
732	Johnson & Johnson	52,241	54,020
278	Medtronic Inc.	16,358	10,780
283	Merck & Co. Inc.	16,380	10,614
259	Novartis AG, ADR	16,387	15,831
551	Pfizer Inc.	16,423	12,047
317	Sanofi-Aventis, ADR	16,371	12,348
		232,015	204,227
Industrials - 12.03%			
174	3M Co.	16,316	12,360
653	ABB Ltd., ADR	16,475	11,800
242	ArcelorMittal NY Registry Shares	16,570	7,126
226	BASF SE, ADR	16,130	10,681
157	Boeing Co. (The)	16,330	8,264
400	Fluor Corp.	22,626	22,157
399	General Electric Co.	16,403	7,965
400	Jacobs Engineering Group Inc.	24,155	23,752
724	Panasonic Corp., ADR	16,404	10,949
120	Siemens AG, ADR	16,277	10,871
1,000	Syngenta AG, ADR	44,344	46,487
3,000	Solar Integrated Technologies Inc.	6,301	1,331
211	United Parcel Service Inc., Class 'B'	16,395	14,368
217	United Technologies Corp.	16,373	14,356
		261,099	202,467

See accompanying notes

Galileo Global Active/Passive Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
FOREIGN EQUITIES (cont'd)			
	Information Technology - 8.11%		
115	Apple Computer Inc.	16,469	12,117
254	Canon Inc., ADR	16,412	9,582
547	Cisco Systems Inc.	16,390	10,993
700	Dell Inc.	14,346	8,832
335	Hewlett-Packard Co.	16,385	15,004
144	IBM Corp.	16,406	14,957
666	Intel Corp.	16,386	12,061
488	Microsoft Corp.	16,408	11,711
583	Nokia OYJ, ADR	16,389	11,105
778	Oracle Corp.	16,416	17,000
304	SAP AG, ADR	16,503	13,065
		178,510	136,427
	Materials - 2.50%		
460	Anglo American PLC, ADR	15,455	6,311
211	Bayer AG, ADR	16,321	14,986
287	BHP Billiton Ltd., ADR	16,388	15,039
54	Rio Tinto PLC, ADR	16,228	5,712
		64,392	42,048
	Telecommunication Services - 7.26%		
374	AT&T Inc.	16,379	13,159
233	BT Group PLC, ADR	16,364	5,591
849	Deutsche Telekom AG, ADR	16,435	15,632
497	France Telecom SA, ADR	16,397	17,023
31	Google Inc., Class 'A'	16,128	11,763
300	Qualcomm Inc.	14,660	13,259
217	Telefonica SA, ADR	16,364	17,706
361	Verizon Communications Inc.	16,369	15,108
509	Vodafone Group PLC, ADR	16,419	12,812
		145,515	122,053

See accompanying notes

Galileo Global Active/Passive Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
FOREIGN EQUITIES (cont'd)			
Utilities - 1.56%			
188	Exelon Corp.	16,108	12,904
220	National Grid PLC, ADR	17,381	13,354
		33,489	26,258
Total Foreign equities - 79.50%		1,801,391	1,337,461
FIXED INCOME			
Energy - 2.54			
75,000	Pacific Rubiales Energy Corp., 8.0%, 08/29/13	73,775	42,750
Total investments		2,105,370	1,538,905
Transaction costs		(6,291)	
Total investments - 91.47%		2,099,079	1,538,905
Other assets, net of liabilities - 8.53%			143,533
Total net assets - 100.00%			1,682,438

See accompanying notes

Galileo Global Active/Passive Fund

SCHEDULE OF DERIVATIVE INVESTMENTS

As at December 31, 2008

Forward Currency Contracts Counterparty	Delivery date	Currency bought	Par Value	Currency sold	Par Value	Contract price	Market price	Unrealized loss
CIBC Mellon Global Security	1/2/2009	CAD	2,852	HKD	18,199	6.38121	6.27802	(47)
Service Company	1/2/2009	GBP	2,231	CAD	4,008	0.55667	0.56341	(48)
								(95)

See accompanying notes

Galileo High Income Plus Fund

STATEMENTS OF NET ASSETS

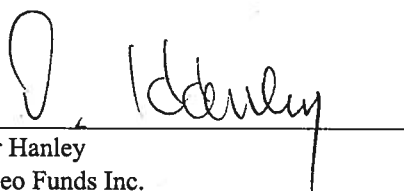
As at December 31

	2008	2007
Assets		
Investments, at fair value	\$ 6,278,685	\$ 3,010,883
Cash including foreign currency holdings, at fair value	278,609	334,696
Accrued interest and dividends receivable	93,820	34,588
Receivable for portfolio securities sold	263,873	-
Receivable for units issued	19,662	46,642
	6,934,649	3,426,809
Liabilities		
Payable for portfolio securities purchased	308,109	86,498
Payable for units redeemed	16,112	-
Accrued expenses	21,141	9,306
Distributions payable to unitholders	11,434	7,119
	356,796	102,923
Net Assets representing unitholders' equity	\$ 6,577,853	\$ 3,323,886
Total Net Assets per Class		
Class A	\$ 6,451,394	\$ 3,130,967
Class F	\$ 126,459	\$ 192,919
Net Assets per Unit (note 5)		
Class A	\$ 9.03	\$ 12.53
Class F	\$ 9.25	\$ 12.69

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:


 Michael Waring
 Galileo Funds Inc.


 Peter Hanley
 Galileo Funds Inc.

Galileo High Income Plus Fund

STATEMENTS OF OPERATIONS

For the periods ended December 31

	2008	2007
Income		
Interest	\$ 471,044	\$ 142,074
Dividends	116,441	16,495
Loss on derivatives	(695)	-
	586,790	158,569
Expenses (note 6)		
Management fees	137,201	39,595
Custodial fees	44,871	32,428
Audit fees	13,794	9,054
Legal and regulatory fees	22,963	27,128
	218,829	108,205
Expenses waived/absorbed by the Manager	47,136	58,146
	171,693	50,059
Net Investment Income	415,097	108,510
Realized and Unrealized Loss on Investments		
Net realized loss on sale of investments	(1,398,085)	(104,026)
Net realized and unrealized loss on foreign currency	(6,386)	-
Transaction costs (note 8)	(105,986)	(15,597)
Change in unrealized appreciation/depreciation of investments	(1,410,427)	(21,777)
Net Loss on Investments	(2,920,884)	(141,400)
Decrease in Net Assets from Operations	\$ (2,505,787)	\$ (32,890)
Increase (Decrease) in Net Assets from Operations per Class		
Class A	\$ (2,506,434)	\$ (41,046)
Class F	\$ 647	\$ 8,156
Increase (Decrease) in Net Assets from Operations per Unit		
Class A	\$ (4.47)	\$ (0.29)
Class F	\$ 0.05	\$ 0.60

See accompanying notes

Galileo High Income Plus Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31

	2008	2007
CLASS A		
Net Assets, Beginning of Period	\$ 3,130,967	\$ 528,034
Decrease in Net Assets from Operations	(2,506,434)	(41,046)
Distributions Paid or Payable to Unitholders		
From net investment income	(334,702)	(99,589)
Return of capital	(226,857)	(51,785)
	(561,559)	(151,374)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	7,207,927	2,970,865
Amount received from reinvestment of distributions	418,808	109,993
Amount paid on redemptions of units	(1,238,315)	(285,505)
	6,388,420	2,795,353
Increase in Net Assets for the Period	3,320,427	2,602,933
Net Assets, End of Period	\$ 6,451,394	\$ 3,130,967
CLASS F		
Net Assets, Beginning of Period	\$ 192,919	\$ 156,199
Increase in Net Assets from Operations	647	8,156
Distributions Paid or Payable to Unitholders		
From net investment income	(7,710)	(6,147)
Return of capital	(5,226)	(5,479)
	(12,936)	(11,626)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	143,188	168,615
Amount received from reinvestment of distributions	11,232	11,575
Amount paid on redemptions of units	(208,591)	(140,000)
	(54,171)	40,190
Increase (Decrease) in Net Assets for the Period	(66,460)	36,720
Net Assets, End of Period	\$ 126,459	\$ 192,919

See accompanying notes

Galileo High Income Plus Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

Number of shares/units/ par value		Average cost \$	Fair value \$
CANADIAN EQUITIES			
	Consumer Staples - 4.72%		
16,000	AG Growth Income Fund	310,112	310,240
	Energy - 37.37%		
10,000	ARC Energy Trust	228,286	200,500
60,000	Black Diamond Income Fund	683,555	414,000
30,000	Canadian Energy Services L.P. Class. A units	334,257	207,000
18,000	Crescent Point Energy Trust	547,900	432,000
40,000	Gran Tierra Energy	123,558	130,800
25,000	Keyera Facilities Income Fund	462,613	445,250
13,000	Vermilion Energy Trust	439,975	325,390
18,000	Westcoast Energy Inc., 5.5%, Preferred, Series 7, Callable	296,970	303,300
		3,117,114	2,458,240
	Financials - 23.12%		
50,900	Artis Real Estate Investment Trust	253,130	372,079
11,000	Boardwalk Real Estate Investment Trust	249,461	281,050
8,000	First Capital Realty Inc.	150,029	150,880
25,000	GMP Capital Trust	375,780	126,000
10,000	Power Corp. of Canada	240,672	222,100
4,000	Power Financial Corp.	95,343	94,760
15,300	Royal Bank of Canada, 4.7%, Preferred, Series AB, Callable	258,508	274,176
		1,622,923	1,521,045
	Industrials - 17.01%		
25,000	Armtec Infrastructure Income Fund	554,973	424,750
15,000	Bombardier Inc., 5.5%, Preferred Series 'B', Callable	281,552	139,650
11,000	GENIVAR Income Fund	257,656	275,330
22,000	Mullen Group Income Fund	386,933	279,400
		1,481,114	1,119,130
	Utilities - 5.27%		
150,000	Algonquin Power Income Fund	363,328	346,500
Total Canadian equities - 87.49%		6,894,591	5,755,155

See accompanying notes

Galileo High Income Plus Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units/ par value		Average cost \$	Fair value \$
FIXED INCOME			
	Energy - 5.82%		
111,000	Fairborne Energy Ltd., 6.5%, 12/31/11	111,880	82,140
527,000	Pacific Rubiales Energy Corp., 8.0%, 08/29/13	511,695	300,390
		623,575	382,530
	Materials - 2.14%		
235,000	New Gold Inc., 10.0%, 06/28/17	208,898	141,000
Total Fixed Income - 7.96%		832,473	523,530
Transaction costs		(17,285)	
Total investments - 95.45%		7,727,064	6,278,685
Other assets, net of liabilities - 4.55%			299,168
Total net assets - 100.00%			6,577,853

See accompanying notes

Galileo Money Market Fund

STATEMENTS OF NET ASSETS

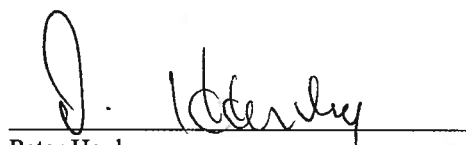
As at December 31

	2008	2007
Assets		
Investments, at fair value	\$ 2,604,094	\$ 4,290,109
Cash	796	9,475
	2,604,890	4,299,584
Liabilities		
Accrued expenses	1,642	3,612
Net Assets representing unitholders' equity	\$ 2,603,248	\$ 4,295,972
Net Assets per Unit (note 5)	\$ 10.00	\$ 10.00

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:


Michael Waring
Galileo Funds Inc.


Peter Hanley
Galileo Funds Inc.

Galileo Money Market Fund

STATEMENTS OF OPERATIONS

For the periods ended December 31

	2008	2007
Income		
Interest	\$ 74,082	\$ 115,895
Expenses (note 6)		
Management fees	12,369	12,904
Custodial fees	25,148	21,381
Audit fees	13,794	5,000
Legal and regulatory fees	11,482	27,128
	62,793	66,413
Expenses waived/absorbed by the Manager	47,624	50,507
	15,169	15,906
Net Investment Income	58,913	99,989
Increase in Net Assets from Operations	\$ 58,913	\$ 99,989
Increase in Net Assets from Operations per Unit	\$ 0.26	\$ 0.40

See accompanying notes

Galileo Money Market Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31

	2008	2007
Net Assets, Beginning of Period	\$ 4,295,972	\$ 225,932
Increase in Net Assets from Operations	58,913	99,989
Distributions Paid or Payable to Unitholders		
From net investment income	(58,913)	(99,989)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	2,240,273	8,247,656
Amount received from reinvestment of distributions	58,708	99,620
Amount paid on redemptions of units	(3,991,705)	(4,277,236)
	(1,692,724)	4,070,040
Increase (Decrease) in Net Assets for the Period	(1,692,724)	4,070,040
Net Assets, End of Period	\$ 2,603,248	\$ 4,295,972

See accompanying notes

Galileo Money Market Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

Par Value		Average cost \$	Fair value \$
SHORT-TERM INVESTMENTS			
	Government - 96.77%		
2,330,000	Government of Canada	2,329,621	2,329,621
	Canada Treasury Bill, 01/08/09, 0.848%		
190,000	Government of Canada	189,568	189,568
	Canada Treasury Bill, 02/19/09, 1.700%		
		2,519,189	2,519,189
	Banker's Acceptance - 3.26%		
85,000	Royal Bank of Canada		
	Banker's Acceptance, 01/14/09, 3.242%	84,905	84,905
Total short-term investments - 100.03%		2,604,094	2,604,094
Total investments - 100.03%		2,604,094	2,604,094
Other assets, net of liabilities - (0.03%)			(846)
Total net assets - 100.00%			2,603,248

See accompanying notes

Galileo Small/Mid Cap Fund

STATEMENTS OF NET ASSETS

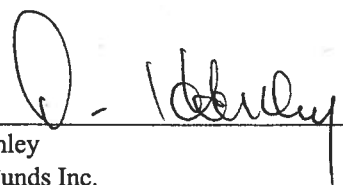
As at December 31

	2008	2007
Assets		
Investments, at fair value	\$ 5,285,909	\$ 7,921,316
Cash including foreign currency holdings, at fair value	32,406	85,224
Accrued interest and dividends receivable	7,280	16,407
Receivable for units issued	10,000	9,542
	5,335,595	8,032,489
Liabilities		
Accrued expenses	11,336	17,842
Net Assets representing unitholders' equity	\$ 5,324,259	\$ 8,014,647
Total Net Assets per Class		
Class A	\$ 41,343	\$ 77,688
Class F	\$ 5,282,916	\$ 7,936,959
Net Assets per Unit (note 5)		
Class A	\$ 10.54	\$ 14.77
Class F	\$ 10.28	\$ 14.40

See accompanying notes

On behalf of Galileo Funds Inc., the Trustee:


 Michael Waring
 Galileo Funds Inc.


 Peter Hanley
 Galileo Funds Inc.

Galileo Small/Mid Cap Fund

STATEMENTS OF OPERATIONS

For the periods ended December 31,

	2008	2007
Income		
Interest	\$ 57,973	\$ 123,760
Dividends	40,871	58,889
Other income	36,898	-
Gain (loss) on derivatives	639	(5,743)
	136,381	176,906
Expenses (note 6)		
Management fees	59,011	70,634
Custodial fees	36,531	31,676
Audit fees	13,794	14,776
Legal and regulatory fees	22,963	27,128
	132,299	144,214
Expenses waived/absorbed by the Manager	39,999	34,584
	92,300	109,630
Net Investment Income	44,081	67,276
Realized and Unrealized Gain (Loss) on Investments		
Net realized gain (loss) on sale of investments	(725,038)	1,127,051
Net realized gain (loss) on foreign currency	146,322	(2,632)
Transaction costs (note 8)	(21,252)	(41,805)
Change in unrealized appreciation/depreciation of investments	(1,556,839)	218,806
Net Gain (Loss) on Investments	(2,156,807)	1,301,420
Increase (Decrease) in Net Assets from Operations	\$ (2,112,726)	\$ 1,368,696
Increase (Decrease) in Net Assets from Operations per Class		
Class A	\$ (14,111)	\$ (814)
Class F	\$ (2,098,615)	\$ 1,369,510
Increase (Decrease) in Net Assets from Operations per Unit		
Class A	\$ (3.90)	\$ (0.13)
Class F	\$ (4.03)	\$ 2.47

See accompanying notes

Galileo Small/Mid Cap Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended December 31,

	2008	2007
CLASS A		
Net Assets, Beginning of Period	\$ 77,688	\$ 12
Decrease in Net Assets from Operations	(14,111)	(814)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	14,000	382,717
Amount paid on redemptions of units	(36,234)	(304,227)
	(22,234)	78,490
Increase (Decrease) in Net Assets for the Period	(36,345)	77,676
Net Assets, End of Period	\$ 41,343	\$ 77,688

CLASS F

Net Assets, Beginning of Period	\$ 7,936,959	\$ 6,971,012
Increase (Decrease) in Net Assets from Operations	(2,098,615)	1,369,510
Distributions Paid or Payable to Unitholders		
From net investment income	(49,475)	(74,864)
Changes Due to Unitholder Transactions		
Amount received from the issuance of units	20,000	1,998
Amount received from reinvestment of distributions	49,475	74,864
Amount paid on redemptions of units	(575,428)	(405,561)
	(505,953)	(328,699)
Increase (Decrease) in Net Assets for the Period	(2,654,043)	965,947
Net Assets, End of Period	\$ 5,282,916	\$ 7,936,959

See accompanying notes

Galileo Small/Mid Cap Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES			
	Energy - 2.51%		
175,000	NaiKun Wind Energy Group Inc.	171,580	68,250
15,000	Trinidad Drilling Ltd.	147,855	65,400
		319,435	133,650
	Financials - 3.22%		
5,000	Laurentian Bank of Canada	194,567	171,550
	Industrials - 25.20%		
24,400	Aecon Group Inc.	301,204	267,668
14,300	BFI Canada Ltd.	402,263	148,148
29,100	CAE Inc.	268,677	234,546
9,600	Finning International Inc.	205,682	136,512
11,700	ShawCor Ltd., Class 'A'	213,215	213,525
8,600	SNC-Lavalin Group Inc.	273,153	341,248
		1,664,194	1,341,647
	Information Technology - 6.44%		
2	Nortel Networks Corp.	-	1
4,200	Open Text Corp.	146,754	153,972
5,300	Thomson Reuters Corp.	159,847	188,680
		306,601	342,653
	Materials - 14.22%		
4,500	Agrium Inc.	208,705	186,435
3,500	Cameco Corp.	161,840	73,325
22,200	Kinross Gold Corp.	459,628	497,280
		830,173	757,040
	Utilities - 1.25%		
9,500	Inter Pipeline Fund, Class 'A'	97,587	66,975
Total Canadian equities - 52.84%		3,412,557	2,813,515
FOREIGN EQUITIES			
	Consumer Staples - 4.07%		
1,300	Colgate-Palmolive Co.	104,891	109,996
1,400	Procter & Gamble Co.	108,918	106,809
		213,809	216,805

See accompanying notes

Galileo Small/Mid Cap Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2008

Number of shares/units		Average cost \$	Fair value \$
FOREIGN EQUITIES (cont'd)			
	Energy - 4.28%		
8,400	Covanta Holding Corp.	235,465	227,721
	Industrials - 2.12%		
4,800	Actuant Corp., Class 'A'	105,253	112,705
Total Foreign equities - 10.47%		554,527	557,231
SHORT-TERM INVESTMENTS			
191,516	Galileo Money Market Fund*	1,915,163	1,915,163
Total short term investments - 35.97%		1,915,163	1,915,163
Transaction costs		(9,227)	
Total investments - 99.28%		5,873,020	5,285,909
Other assets, net of liabilities - 0.72%			38,350
Total net assets - 100.00%			5,324,259

* Refer to Galileo Money Market's Statement of Investment Portfolio as at December 31, 2008 for its asset composition.

See accompanying notes

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

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 Absolute Return Fund	June 15, 2000
Galileo Canadian Active/Passive Fund	September 14, 2006
Galileo Fund	June 15, 2000
Galileo Global Active/Passive Fund	September 14, 2006
Galileo High Income Plus Fund	September 14, 2006
Galileo Money Market Fund	September 14, 2006
Galileo Small/Mid Cap Fund	June 15, 2000
[the "Funds"]	

On November 7, 2006, Galileo Funds Inc. filed a simplified prospectus for an initial public offering to sell an unlimited number of class A and F units of the Funds, except the Galileo Money Market Fund which only has Class A units.

The Funds are referred to individually as a "Fund" and collectively as the "Funds". Galileo Funds Inc. acts as the Trustee and the Manager of the Funds (the "Funds' Manager"). As such, the Funds are dependent on the Funds' Manager for the administration and management of all matters relating to their operation. Galileo Global Equity Advisors Inc. is the portfolio advisor for the Funds.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2008, the Funds adopted CICA Section 1535, Capital Disclosures ("Section 1535") Section 3862, Financial Instruments – Disclosures ("Section 3862") and CICA Section 3863, Financial Instruments – Presentation ("Section 3863"), replacing Section 3861. Section 1535 provides additional disclosures about the Funds' capital and how it is managed. Refer to note 5 for the Funds' capital disclosures. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Funds manage those risks. Section 3863 carries forward unchanged the presentation requirements of Section 3861 with respect to the presentation of financial instruments. The impact of the adoption of these changes has been disclosed in note 11.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") within the framework of the significant accounting policies summarized below:

Valuation of investments

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.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Valuation of investments (cont'd)

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/depreciation of investments" and in the Statements of Net Assets in "unrealized gain or loss on derivatives". When foreign currency contracts are closed out, gains and losses are realized and are included in "net realized gain or loss on foreign currency" in the Statements of Operations.

Use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to 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 period. Significant estimates include the valuation of investments. Actual results could differ from those estimates.

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/depreciation of investments."

Realized foreign currency gains or losses on assets, liabilities and income other than investments denominated in foreign currency 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.

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 REITs 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 and reduce the average cost of the underlying investment. Dividends are recorded net of any related withholding tax.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 in accordance with CICA Section 3855 ("net assets"). A reconciliation of net asset value and net assets is described in note 9.

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 year, by class, divided by the weighted average units outstanding per class during the year.

Future accounting standards

The Canadian Accounting Standards Board ("AcSB") confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. IFRS will apply to fiscal years beginning on or after January 1, 2011.

4. 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 tax. Distributions are recorded on the business day immediately following the record date.

For the Galileo Money Market Fund, all of the net investment income is credited to the unitholders pro rata on a daily basis and paid monthly.

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 calendar year.

For the other Funds, the net investment income and net realized capital gains on the sale of investments are distributed to unitholders annually at the end of the calendar year.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

5. UNITS OF THE 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 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. The Funds' Manager manages the capital of the Funds in accordance with the Funds' investment objectives. Unit transactions during the years were as follows:

January 1 to December 31, 2008

Fund	Units Outstanding		Redeemed	Reinvested from Distributions	Units Outstanding End of Year
	Beginning of Year	Issued			
Galileo Absolute Return					
Class A	2,632	5,071	4,921	-	2,782
Class F	212,647	850	1,396	1,573	213,674
Galileo Canadian Active/Passive					
Class A	29,618	12,062	4,120	-	37,560
Class F	21,386	662	18,117	-	3,931
Galileo Fund					
Class A	222,766	58,109	113,540	-	167,335
Class F	119,325	649	24,883	-	95,091
Galileo Global Active/Passive					
Class A	115,722	37,083	17,883	-	134,922
Class F	115,440	-	29,333	-	86,107
Galileo High Income Plus					
Class A	249,963	538,573	108,764	34,322	714,094
Class F	15,206	14,157	16,554	869	13,678
Galileo Money Market					
Class A	429,597	224,027	399,170	5,871	260,325
Galileo Small/Mid Cap					
Class A	5,260	1,234	2,571	-	3,923
Class F	551,264	1,380	43,640	4,800	513,804

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

5. UNITS OF THE FUNDS (cont'd)

January 1 to December 31, 2007

Fund	Units Outstanding		Redeemed	Reinvested from Distributions	Units Outstanding End of Year
	Beginning of Year	Issued			
Galileo Absolute Return					
Class A	1	2,907	636	360	2,632
Class F	248,420	10,115	68,419	22,531	212,647
Galileo Canadian Active/Passive					
Class A	1	32,219	2,718	116	29,618
Class F	12,521	8,563	-	302	21,386
Galileo Fund					
Class A	1	412,124	191,305	1,946	222,766
Class F	168,295	36,659	87,381	1,752	119,325
Galileo Global Active/Passive					
Class A	12,453	105,326	2,057	-	115,722
Class F	29,510	98,438	12,508	-	115,440
Galileo High Income Plus					
Class A	42,268	221,156	21,837	8,376	249,963
Class F	12,510	12,107	10,279	868	15,206
Galileo Money Market					
Class A	22,593	824,766	427,724	9,962	429,597
Galileo Small/Mid Cap					
Class A	1	25,791	20,532	-	5,260
Class F	575,693	158	29,768	5,181	551,264

6. EXPENSES

The Funds' Manager has, at its discretion, agreed to absorb certain expenses. The absorbed amounts are shown 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.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

6. EXPENSES (cont'd)

The management fees before GST for the Class A and Class F units are based on a percentage of average net asset value per annum as follows:

	Class A	Class F
Galileo Absolute Return Fund	1.90%	0.90%
Galileo Canadian Active/Passive Fund	1.85%	0.85%
Galileo Fund	1.90%	0.90%
Galileo Global Active/Passive Fund	1.95%	0.95%
Galileo High Income Plus Fund	1.90%	0.90%
Galileo Money Market Fund	0.50%	N/A
Galileo Small/Mid Cap Fund	1.95%	0.95%

During the year, certain funds held units of other Galileo mutual funds. Adjustments to the management fees were made to ensure no duplication of management fees applied to a Fund holding units of another Galileo mutual fund. Other reasonable expenses incurred in the operation of the Funds, such as audit, legal, custodian and other professional fees are charged in the Statements of Operations.

7. INCOME TAXES

The Funds are unit trusts under the provisions of the Income Tax Act (Canada) and accordingly, are subject to taxes on their net investment income, including net realized capital gains for the period which are not paid or payable to their unitholders as at the end of the year. 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 tax purposes and taxable to the unitholders, this excess distribution is a return on capital and is not immediately taxable to unitholders.

As at December 31, 2008, the Funds had the following capital and non-capital losses to be carried forward. The non-capital losses will expire in 2027 and 2028.

	Total Capital Loss (\$)	Total Non Capital Loss (\$)
Galileo Absolute Return Fund	258,039	-
Galileo Canadian Active/Passive Fund	152,673	-
Galileo Fund	1,301,944	66,832
Galileo Global Active/Passive Fund	673,288	17,114
Galileo High Income Plus Fund	1,471,008	-
Galileo Small/Mid Cap Fund	2,608,631	-

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

8. TRANSACTION COSTS

The total fees paid to brokers in connection with investment portfolio transactions for the periods ended December 31, 2008 and 2007 are as follows:

	2008 (\$)	2007 (\$)
Galileo Absolute Return Fund	7,354	26,863
Galileo Canadian Active/Passive Fund	9,479	7,545
Galileo Fund	118,420	151,356
Galileo Global Active/Passive Fund	30,785	33,727
Galileo High Income Plus Fund	105,986	15,597
Galileo Money Market Fund	-	-
Galileo Small/Mid Cap Fund	21,252	41,805

9. RECONCILIATION OF NET ASSET VALUE

In accordance with the decision made by the Canadian securities regulatory authorities, 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 where bid prices (for investments held) and ask prices (for investments sold short) to be 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. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment fund industry. These changes account for the difference between net asset value and net assets.

The impact of Section 3855 on the net asset value per unit and the net assets per unit of the Funds are as follows:

As at December 31, 2008:

	Net Asset Value per unit \$	Section 3855 Adjustments \$	Net Assets Per Unit \$
Galileo Absolute Return			
Class A	10.56	0.02	10.54
Class F	10.31	0.02	10.29
Galileo Canadian Active/Passive			
Class A	8.03	0.02	8.01
Class F	8.11	0.03	8.08
Galileo Fund			
Class A	6.19	0.05	6.14
Class F	6.66	0.05	6.61
Galileo Global Active/Passive			
Class A	7.61	0.07	7.54
Class F	7.80	0.07	7.73

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

9. RECONCILIATION OF NET ASSET VALUE (cont'd)

	Net Asset Value per unit \$	Section 3855 Adjustments \$	Net Assets Per Unit \$
Galileo High Income Plus			
Class A	9.10	0.07	9.03
Class F	9.31	0.06	9.25
Galileo Money Market			
Class A	10.00	0.00	10.00
Galileo Small/Mid Cap			
Class A	10.56	0.02	10.54
Class F	10.31	0.03	10.28

As at December 31, 2007:

	Net Asset Value per unit \$	Section 3855 Adjustments \$	Net Assets Per Unit \$
Galileo Absolute Return			
Class A	14.87	0.06	14.81
Class F	14.47	0.05	14.42
Galileo Canadian Active/Passive			
Class A	13.69	0.07	13.62
Class F	13.67	0.06	13.61
Galileo Fund			
Class A	13.01	0.15	12.86
Class F	13.85	0.15	13.70
Galileo Global Active/Passive			
Class A	11.97	0.05	11.92
Class F	12.14	0.05	12.09
Galileo High Income Plus			
Class A	12.58	0.05	12.53
Class F	12.74	0.05	12.69
Galileo Money Market			
Class A	10.00	0.00	10.00
Galileo Small/Mid Cap			
Class A	14.82	0.05	14.77
Class F	14.45	0.05	14.40

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

10. SOFT DOLLARS

No soft dollar expenses were incurred by the Funds during the year.

11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES

Fair Value

Financial instruments of the Funds consist of cash, accrued income receivable, receivable for portfolio securities sold, receivables for units issued, payable for portfolio securities purchased, distributions payable to unitholders, payables for units redeemed and accrued expenses. There are no significant differences between the carrying values of these financial instruments and their fair value. Investments are carried at their fair value as described in note 3.

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 credit risk, liquidity risk, and market risk, which includes interest rate risk, currency risk and equity and other price risk. These risks and related risk management practices employed by the Funds are discussed below. The sensitivity analysis shown in the notes to the 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. 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

a) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments. The Galileo Absolute Return Fund and the Galileo Small Mid Cap Fund hold units in the Galileo Money Market Fund. Due to the short term nature of the instruments held by the Galileo Money Market Fund, neither the Galileo Absolute Return Fund, the Galileo Small Mid Cap Fund or the Galileo Money Market Fund are exposed to a significant risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

The Galileo Canadian Active/Passive Fund, Galileo Fund, Galileo Global Active/Passive Fund and the Galileo High Income Plus Fund invest in fixed income securities which bear interest at fixed rates and, as such, they are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates.

The table below summarizes these funds' 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 re-pricing or maturity dates as at December 31, 2008.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES (cont'd)

Market Risk (cont'd)

a) Interest rate risk (cont'd)

Galileo Canadian Active/Passive Fund

Investment	Less than 1 year	1 – 5 years	More than 5 years	5 – 10 years	Total
Bonds	\$-	\$8,550	\$-	\$-	\$8,550

Galileo Fund

Investment	Less than 1 year	1 – 5 years	More than 5 years	5 – 10 years	Total
Bonds	\$-	\$91,200	\$-	\$-	\$91,200

Galileo Global Active/Passive Fund

Investment	Less than 1 year	1 – 5 years	More than 5 years	5 – 10 years	Total
Bonds	\$-	\$42,750	\$-	\$-	\$42,750

Galileo High Income Plus Fund

Investment	Less than 1 year	1 – 5 years	More than 5 years	5 – 10 years	Total
Bonds	\$-	\$382,530	\$141,000	\$-	\$523,530

At December 31, 2008, should interest rates have increased or decreased by 100 basis points with all other variables remaining constant, the following chart shows the amount which the net assets of the respective funds would have increased or decreased:

Fund	Potential impact on net assets (\$)
Galileo Canadian Active/Passive Fund	340
Galileo Fund	3,631
Galileo Global Active/Passive Fund	1,702
Galileo High Income Plus Fund	21,009

b) 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 significant exposure as at the period end in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Funds' net assets, all other variables held constant, as a result of a 5% change in these currencies relative to the Canadian dollar. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material. Galileo Canadian Active/Passive Fund, Galileo High Income Plus Fund and Galileo Money Market Fund have been excluded as none of these funds are subject to currency risk.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES (cont'd)

Market Risk (cont'd)

b) Currency risk (cont'd)

Galileo Absolute Return Fund

Currency	Investments	Cash and Equivalents	Total	Impact on Net Assets
US Dollar	\$401,108	\$2,336	\$403,444	\$20,172

Galileo Fund

Currency	Investments	Cash and Equivalents	Total	Impact on Net Assets
US Dollar	\$112,246	\$ -	\$112,246	\$5,612

Galileo Global Active/Passive Fund

Currency	Investments	Cash and Equivalents	Total	Impact on Net Assets
US Dollar	\$1,336,130	\$-	\$1,336,130	\$66,807

Galileo Small/Mid Cap Fund

Currency	Investments	Cash and Equivalents	Total	Impact on Net Assets
US Dollar	\$557,231	\$ -	\$557,231	\$27,862

c) Equity and 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 investment 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 advisor 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.

As of December 31, 2008, had the prices on the respective stock exchanges for these securities raised or lowered by 5%, with all other variables held constant, the following chart shows the amount which the net assets of the respective funds would have increased or decreased:

Fund	Change in net assets (\$)
Galileo Absolute Return Fund	76,710
Galileo Canadian Active/Passive Fund	15,804
Galileo Fund	67,097
Galileo Global Active/Passive Fund	74,808
Galileo High Income Plus Fund	287,785
Galileo Money Market Fund	-
Galileo Small/Mid Cap Fund	168,537

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES (cont'd)

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 Absolute Return Fund, Galileo Money Market Fund and Galileo Small/Mid Cap Fund do not have a significant credit risk exposure as at December 31, 2008. The carrying amount of other assets represents their maximum credit risk exposure, as they will be settled in the short term.

The Galileo Canadian Active/Passive Fund, Galileo Fund, Galileo Global Active/Passive Fund and the Galileo High Income Plus Fund have significant credit risk. The Funds' greatest concentration of credit risk is in bonds and preferred shares. These funds limit their exposure to credit loss by placing their cash investments with high credit quality borrowers. The fair value of debt securities includes consideration of the credit worthiness of the debt issues. The carrying amount of investments represents the maximum credit risk exposure as at December 31, 2008. These funds invest in financial assets, which have an investment grade as rated by Standard & Poor's. Ratings for securities that subject each Fund to credit risk at December 31, 2008 are noted below:

	Debt Rating as a Percentage of Net Assets	
	Unrated	Total
Galileo Canadian Active/Passive Fund	2.6%	2.6%
Galileo Fund	5.5%	5.5%
Galileo Global Active/Passive Fund	2.5%	2.5%
Galileo High Income Plus Fund	8.0%	8.0%

All transactions in listed securities are settled/paid for upon 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.

The Funds do not perform securities lending transactions.

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). 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 all funds is considered minimal.

In addition, the Funds have financial liabilities outstanding including distributions payable and accrued liabilities. These financial liabilities are all current and are due within 30 days.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended December 31, 2008 and 2007

12. 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.

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

13. STATEMENT OF PORTFOLIO TRANSACTIONS

An unaudited statement of portfolio transactions for the Funds for the year ended December 31, 2008 may be obtained, without charge, by writing to the Funds' Manager:

Galileo Funds Inc.
TD Canada Trust Tower
Suite 4730, 161 Bay Street, PO Box 205
Toronto, Ontario M5J 2S1