Interim Management Report of Fund Performance

June 30, 2010

Galileo Small/Mid Cap 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 primarily in shares of smaller and medium Canadian, Australian, and Pacific Rim companies that are expected to profit from future economic growth, and may also invest in income and royalty trusts.

The portfolio manager uses a bottom-up, growth investment style. It seeks to invest in companies at an early stage of their development and hold them until they achieve success through rising sales, earnings and cash flow.

RISK

The Fund continues to hold an increased position in companies originated from the Pacific Rim at 19.4%.

Investors in the Fund should have a long-term investment horizon. As this Fund invests in smaller and medium sized companies, there are general risks such as stock market and smaller company risks, among other risks, which are associated with such investments.

RESULTS OF OPERATIONS

The net assets of the Fund decreased by 1% from the prior year even though net subscriptions in the Fund were over $668,000. The majority of the decrease was due to the depreciation in the values of those securities in the oil and gas sectors of the portfolio. Income declined as the investment strategy focused on purchasing those securities with more growth potential through capital appreciation than income generation. 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 year.

The Fund underperformed its benchmark by approximately 6.8% during the first half of 2010. The Class A and Class F units of the Fund had performance of –6.7% and –6.2% respectively for 2010. The benchmark is a blend of 50% the S&P/TSX Small Cap Index and 50% the S&P/TSX Mid Cap Index. The blended benchmark had a return of 0.05%. The S&P/TSX Mid Cap Index had a return of 0.03% and the S&P/TSX Small Cap Index had a return of 0.1% for the period. The Fund underperformed relative to the benchmark, S&P/TSX Small Cap and Mid Cap Index. While our mandate to be in the higher growth areas of the market had us outperforming over the first quarter, the correction that began in May had us lagging our benchmark towards the end of the period. Specifically, our sectorial focus on energy and materials coupled with our exposure to the Pacific Rim led to larger than average losses. We continue, however, to have conviction in our overall investment strategy and the associated securities in the portfolio.

RECENT DEVELOPMENTS

Going forward in the year, we believe the critical growth areas of the market are oversold. The continuing equation to watch in the capital markets is China and its ongoing appetite for energy and raw materials from the resource rich regions of the world. While China's growth has slowed from 12% to 9% GDP over this last quarter, the slowing resides in the measures of Chinese authorities who want to set growth on a more sustainable path. The current scenario is very similar to 2004 with solid gains in the second half of the year likely to occur due to earnings upgrades and low valuations. The ongoing story as it relates to resources is not merely a matter of Chinese demand but continued shortness of supply of the key inputs to the ongoing infrastructure build up – namely energy and materials. In this regard, we believe that a strategy of patience and cautious optimism is warranted in maintaining a sectorial focus on resources and companies of a smaller market capitalization who may become the target of a takeover or buyout.

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 $85,685 (June 30, 2009 - $25,619).

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 $32,126 (June 30, 2009 - $20,622). The Manager absorbed approximately $24,233 (June 30, 2009 - $22,119) 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-months ended June 30, 2010 and audited annual financial statements since inception.

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]	**$14.69**	**$10.54**	**$14.77**	**$12.47**	**$11.53**
Increase (decrease) from operations:					
Total revenue	0.02	0.13	0.27	0.33	0.05
Total expenses	(0.19)	(0.33)	(0.32)	(0.35)	(0.02)
Realized gains (losses) for the period	2.33	2.46	(1.19)	2.04	0.11
Unrealized gains (losses) for the period	(3.36)	4.06	(2.66)	(2.15)	0.30
Total increase (decrease) from operations [1]	**(1.20)**	**6.32**	**(3.90)**	**(0.13)**	**0.44**
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions[3]	-	-	-	-	-
Net assets, end of period	**$13.71**	**$14.69**	**$10.54**	**$14.77**	**$12.47**

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

Class F	**6/30/2010**	**12/31/2009**	**12/31/2008**	**12/31/2007**	**12/31/2006**
Net assets, beginning of period (1)(2)	**$14.49**	**$10.28**	**$14.40**	**$12.11**	**$11.12**
Increase (decrease) from operations:					
Total revenue	0.02	0.08	0.26	0.31	0.36
Total expenses	(0.11)	(0.17)	(0.18)	(0.19)	(0.06)
Realized gains (losses) for the period	2.35	0.83	(1.14)	1.93	1.99
Unrealized gains (losses) for the period	(3.12)	3.57	(2.97)	0.42	(0.93)
Total increase (decrease) from operations (1)	**(0.86)**	**4.31**	**(4.03)**	**2.47**	**1.36**
Distributions:					
From income (excluding dividends)	-	-	0.02	0.03	0.31
From dividends	-	-	0.08	0.11	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions(3)	**-**	**-**	**0.10**	**0.14**	**0.31**
Net assets, end of period	**$13.59**	**$14.49**	**$10.28**	**$14.40**	**$12.15**

(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 Fund was launched in September 2000 with 1 class of units. It was sold via an offering memorandum and was therefore open only to accredited investors. In November 2006, the various provincial securities commissions approved the prospectus of the Fund. At this time, the original class of units became Class F and a 2nd class of units, Class A, was launched. As such, the beginning of the 2006 period for Class A is November 14th, 2006 and for Class F is January 1st, 2006.

(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)]	$ 3,900,148	$ 3,530,065	$ 41,420	$ 77,962	$ 13
Number of units outstanding[(1)]	281,627	237,765	3,923	5,260	1
Management expense ratio[(2)]	2.54%	2.60%	2.41%	2.42%	1.27%
Management expense ratio before waivers/absorptions	2.92%	4.11%	3.01%	2.86%	1.68%
Trading expense ratio[(4)]	4.20%	3.21%	0.32%	0.54%	0.63%
Portfolio turnover rate[(3)]	225.12%	435.88%	83.48%	96.96%	132.02%
Net asset value per unit	$ 13.85	$ 14.85	$ 10.56	$ 14.82	$ 12.51

Class F	6/30/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net asset value[(1)]	$ 8,236,005	$ 8,786,560	$ 5,295,753	$ 7,966,569	$ 7,017,113
Number of units outstanding[(1)]	599,798	599,979	513,804	551,264	575,693
Management expense ratio[(2)]	1.49%	1.53%	1.37%	1.40%	0.54%
Management expense ratio before waivers/absorptions	1.87%	2.42%	1.96%	1.84%	1.23%
Trading expense ratio[(4)]	4.20%	3.21%	0.32%	0.54%	0.63%
Portfolio turnover rate[(3)]	225.12%	435.88%	83.48%	96.96%	132.02%
Net asset value per unit	$ 13.73	$ 14.64	$ 10.31	$ 14.45	$ 12.19

(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 1.95% of the net asset value of Class A and 0.95% 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.

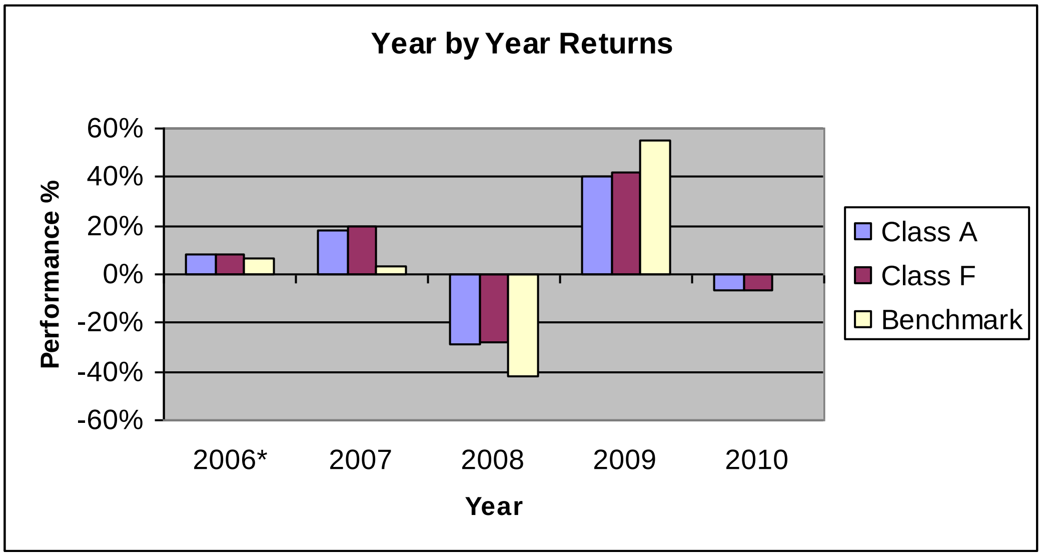
Of the management fees paid by the Fund to the Manager for the Class A units, approximately 48% was used to pay for sales and trailer commissions and 52% was for portfolio management services. Of the management fees paid by the Fund to the Manager for the Class F units, 100% was for portfolio management 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 50% the S&P/TSX Small Cap Index and 50% the S&P/TSX Mid Cap Index for the periods ended June 30, 2010. The inception of the Fund offered by simplified prospectus was November 14, 2006.

	YTD	Since Inception
Class A	-6.7%	5.2%
Class F	-6.2%	6.2%
Blended Benchmark	0.05%	(1.1%)
S&P/TSX Small Cap Index	0.1%	(3.7%)
S&P/TSX Mid Cap Index	0.03%	1.5%

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

Top 25 Positions	% of Net Assets*
Bankers Petroleum Ltd.	6.3%
Medoro Resources Ltd.	5.7%
China Yuchai International Ltd.	5.3%
Fronteer Gold Inc.	5.2%
SouthGobi Energy Resources Ltd.	5.1%
TriOil Resources Ltd., Class 'A'	5.0%
Vero Energy Inc.	4.5%
Secure Energy Services Inc,.	4.4%
Reliable Energy Ltd.	4.3%
Fook Woo Group Holdings Ltd.	3.9%
Sino-Forest Corp.	3.7%
Thompson Creek Metals Co. Inc., Warrants, 10/23/11	3.5%
Cash & Other Net Assets	3.4%
Alange Energy Corp.	3.1%
East Asia Minerals Corp.	3.0%
AuEx Ventures Inc.	2.8%
Exeter Resource Corp.	2.7%
DPF India Opportunities Fund	2.6%
Emerge Oil & Gas Inc.	2.6%
Singapore Airlines Ltd.	2.3%
KWG Property Holding Ltd.	2.2%
Mirabela Nickel Ltd.	2.2%
Market Vectors Vietman ETF	2.2%
EVA Precision Industrial Holdings Ltd.	2.0%
Road King Infrastructure Ltd.	2.0%
Aggregate % of top holdings	90.0%

Sector Allocation	% of Net Assets*
Materials	40.8%
Energy	30.5%
Industrials	12.7%
Other	4.8%
Consumer Staples	3.9%
Cash & Other Net Assets	3.4%
Financials	2.2%
Consumer Discretionery	1.7%
Total sector allocation	100.0%

Geographic Allocation	% of Net Assets*
Canada	72.2%
Hong Kong	7.9%
Bermuda	5.3%
Cayman Islands	3.9%
Cash & Other Net Assets	3.4%
United States	2.8%
Singapore	2.3%
Australia	2.2%
Total sector 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.

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