



GALILEO

Galileo Funds

Semi-Annual Report 2009

Galileo High Income Plus Fund
Galileo Small/Mid Cap Fund

Galileo High Income Plus Fund

STATEMENT OF NET ASSETS

As at June 30, 2009 (unaudited) and December 31, 2008 (audited)

	2009	2008
Assets		
Investments, at fair value	\$ 7,958,494	\$ 6,278,685
Cash including foreign currency holdings, at fair value	296,314	278,609
Accrued investment income	49,214	93,820
Receivable for portfolio securities sold	297,420	263,873
Receivable for units issued	69,598	19,662
	8,671,040	6,934,649
Liabilities		
Payable for portfolio securities purchased	506,405	308,109
Payable for units redeemed	3,145	16,112
Management fees payable	13,658	-
Accrued expenses	6,242	21,141
Distributions payable to unitholders	16,644	11,434
	546,094	356,796
Net Assets representing unitholders' equity	\$ 8,124,946	\$ 6,577,853
Total Net Assets per Class		
Class A	\$ 7,976,991	\$ 6,451,394
Class F	\$ 147,955	\$ 126,459
Net Asset per Unit (note 4)		
Class A	\$ 10.40	\$ 9.03
Class F	\$ 10.69	\$ 9.25

See accompanying notes

Galileo High Income Plus Fund

STATEMENT OF OPERATIONS (unaudited)

For the six months ended June 30

	2009	2008
Income		
Interest	\$ 275,259	\$ 177,777
Dividend adjustment	(22,292)	72,502
	252,967	250,279
Expenses (note 5)		
Management fees	67,709	56,567
Custodial fees	25,142	21,336
Audit fees	9,975	2,100
Legal and regulatory fees	9,551	3,263
	112,377	83,266
Expenses waived/absorbed by the Manager	(23,474)	(12,367)
	88,903	70,899
Net Investment Income	164,064	179,380
Realized and Unrealized Gain (Loss) on Investments		
Net realized gain (loss) on sale of investments	(574,368)	201,918
Transaction costs (note 7)	(68,887)	(34,718)
Change in unrealized appreciation of investments	1,736,180	669,816
Net Gain on Investments	1,092,925	837,016
Increase in Net Assets from Operations	\$ 1,256,989	\$ 1,016,396
Increase in Net Assets from Operations per Class		
Class A	\$ 1,231,950	\$ 976,906
Class F	\$ 25,039	\$ 39,490
Increase in Net Assets from Operations per Unit		
Class A	\$ 1.71	\$ 2.35
Class F	\$ 1.83	\$ 2.40

See accompanying notes

Galileo High Income Plus Fund

STATEMENT OF CHANGES IN NET ASSETS (unaudited)

For the six months ended June 30

	2009	2008
CLASS A		
Net Assets, Beginning of Period	\$ 6,451,394	\$ 3,130,967
Increase in Net Assets from Operations	1,231,950	976,906
Distributions Paid or Payable to Unitholders		
From net investment income and return of capital	(275,219)	(242,649)
Changes Due to Unitholder Transactions (note 4)		
Amount received from the issuance of units	788,742	5,593,666
Amount received from reinvestment of distributions	195,938	177,100
Amount paid on redemptions of units	(415,814)	(267,765)
	568,866	5,503,001
Increase in Net Assets for the Period	1,525,597	6,237,258
Net Assets, End of Period	\$ 7,976,991	\$ 9,368,225
CLASS F		
Net Assets, Beginning of Period	\$ 126,459	\$ 192,919
Increase in Net Assets from Operations	25,039	39,490
Distributions Paid or Payable to Unitholders		
From net investment income	(5,325)	(8,841)
Changes Due to Unitholder Transactions (note 4)		
Amount received from the issuance of units	-	44,124
Amount received from reinvestment of distributions	4,465	8,264
Amount paid on redemptions of units	(2,683)	(35,000)
	1,782	17,388
Increase in Net Assets for the Period	21,496	48,037
Net Assets, End of Period	\$ 147,955	\$ 240,956

See accompanying notes

Galileo High Income Plus Fund

STATEMENT OF INVESTMENT PORTFOLIO (unaudited)

As at June 30, 2009

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES			
	Consumer Staples - 5.07%		
15,000	AG Growth International Inc.	352,857	411,750
		352,857	411,750
	Energy - 29.92%		
45,000	Black Diamond Income Fund	493,482	490,950
20,000	Canadian Energy Services L.P., Class A units	176,416	150,000
15,000	Crescent Point Energy Trust	442,654	514,200
30,000	Daylight Resources Trust	247,122	221,100
35,000	Enerflex Systems Income Fund	361,386	358,750
49,400	Pacific Rubiales Energy Corp., Warrants, 07/12/12	138,517	180,804
7,000	TransCanada Corp.	219,306	218,680
50,000	UEX Corp.	71,810	64,000
8,000	Vermilion Energy Trust	252,899	232,160
		2,403,592	2,430,644
	Financial - 27.73%		
30,000	Crombie Real Estate Investment Trust	241,730	244,500
65,000	Deans Knight Income Corp.	669,478	737,750
25,000	GMP Capital Trust	269,804	255,000
20,000	National Bank of Canada, 6.6%, Preferred, Series '24', Callable, Variable Rate	521,858	543,800
31,000	RioCan Real Estate Investment Trust	464,020	472,440
		2,166,890	2,253,490
	Industrials - 9.60%		
18,000	Armtec Infrastructure Income Fund	352,384	318,600
40,000	Westshore Terminal Income Fund	449,920	461,600
		802,304	780,200
	Materials - 3.92%		
30,000	Consolidated Thompson Iron Mines Ltd.	109,819	97,500
7,000	Labrador Iron Ore Royalty Income Fund	228,908	221,060
		338,727	318,560
	Other - 3.04%		
30,000	Horizons BetaPro S&P/TSX Capped Energy Bear Plus ETF	269,122	247,200
		269,122	247,200
Total Canadian equities - 79.28%		6,333,492	6,441,844
FOREIGN EQUITIES			
Australia			
	Energy - 1.68%		
30,000	Paladin Energy Ltd.	108,918	136,200
		108,918	136,200
Total Foreign equities - 1.68%		108,918	136,200

Galileo High Income Plus Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd) (unaudited)

As at June 30, 2009

Par Value		Average cost \$	Fair value \$
FIXED INCOME			
	Energy - 16.99%		
300,000	Daylight Resources Trust, Series 'C', Callable, 10.0%, 12/31/13	273,270	312,450
600,000	Pacific Rubiales Energy Corp., 8.0%, 08/29/13	537,251	618,000
500,000	Trinidad Drilling Ltd., Convertible, Callable, 7.75%, 07/31/12	420,222	450,000
		1,230,743	1,380,450
Total Fixed Income - 16.99%		1,230,743	1,380,450
Transaction costs		(19,745)	
Total investments - 97.95%		7,653,408	7,958,494
Other assets, net of liabilities - 2.05%			166,452
Total net assets - 100.00%			8,124,946

See accompanying notes

Galileo Small/Mid Cap Fund

STATEMENT OF NET ASSETS

As at June 30, 2009 (unaudited) and December 31, 2008 (audited)

	2009	2008
Assets		
Investments, at fair value	\$ 8,068,222	\$ 5,285,909
Cash including foreign currency holdings, at fair value	498,270	32,406
Accrued investment income	6,725	7,280
Receivable for units issued	10,000	10,000
Receivable for securities sold	1,094,409	-
	9,677,626	5,335,595
Liabilities		
Management fees payable	9,350	-
Accrued expenses	9,028	11,336
Payable for portfolio securities purchased	783,697	-
Payable for units redeemed	6,594	-
	808,669	11,336
Net Assets representing unitholders' equity	\$ 8,868,957	\$ 5,324,259
Total Net Assets per Class		
Class A	\$ 1,966,642	\$ 41,343
Class F	\$ 6,902,315	\$ 5,282,916
Net Asset per Unit (note 4)		
Class A	\$ 10.60	\$ 10.54
Class F	\$ 10.41	\$ 10.28

See accompanying notes

Galileo Small/Mid Cap Fund

STATEMENT OF OPERATIONS (unaudited)

For the six months ended June 30

	2009	2008
Income		
Interest	\$ 14,314	\$ 61,462
Dividend	18,081	25,824
Gain (loss) on derivatives	1,712	(775)
	34,107	86,511
Expenses (note 5)		
Management fees	25,619	33,514
Custodial fees	23,215	13,213
Audit fees	9,975	2,100
Legal and regulatory fees	9,551	3,263
	68,360	52,090
Expenses waived or absorbed by the Manager	(22,119)	-
	46,241	52,090
Net Investment Income	(12,134)	34,421
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on sale of investments	(543,065)	308,886
Net realized loss on foreign currency	(46,941)	9,690
Transaction costs (note 7)	(85,296)	(12,356)
Change in unrealized appreciation (depreciation) of investments	639,922	(358,719)
Net Gain (Loss) on Investments	(35,380)	(52,499)
Decrease in Net Assets from Operations	\$ (47,514)	\$ (18,078)
Decrease in Net Assets from Operations per Class		
Class A	\$ (28,186)	\$ (804)
Class F	\$ (19,328)	\$ (17,274)
Decrease in Net Assets from Operations per Unit		
Class A	\$ (0.84)	\$ (0.20)
Class F	\$ (0.04)	\$ (0.04)

See accompanying notes

Galileo Small/Mid Cap Fund

STATEMENT OF CHANGES IN NET ASSETS (unaudited)

For the six months ended June 30

CLASS A

	2009	2008
Net Assets, Beginning of Period	\$ 41,343	\$ 77,688
Decrease in Net Assets from Operations	(28,186)	(804)
Changes Due to Unitholder Transactions (note 4)		
Amount received from the issuance of units	69,674	1,500
Amount received from the issuance of units due to merger (note 12)	1,945,987	-
Amount paid on redemptions of units	(62,176)	(30,573)
	1,953,485	(29,073)
Increase (Decrease) in Net Assets for the Period	1,925,299	(29,877)
Net Assets, End of Period	\$ 1,966,642	\$ 47,811

CLASS F

Net Assets, Beginning of Period	\$ 5,282,915	\$ 7,936,959
Decrease in Net Assets from Operations	(19,327)	(17,274)
Changes Due to Unitholder Transactions (note 4)		
Amount received from the issuance of units	-	20,000
Amount received from the issuance of units due to merger (note 12)	2,498,163	-
Amount paid on redemptions of units	(859,436)	(491,748)
	1,638,727	(471,748)
Increase (Decrease) in Net Assets for the Period	1,619,400	(489,022)
Net Assets, End of Period	\$ 6,902,315	\$ 7,447,937

See accompanying notes

Galileo Small/Mid Cap Fund

STATEMENT OF INVESTMENT PORTFOLIO (unaudited)

As at June 30, 2009

Number of shares/units		Average cost \$	Fair value \$
CANADIAN EQUITIES			
	Energy - 18.39%		
100,000	Bankers Petroleum Ltd.	237,000	196,000
12,000	Crescent Point Energy Trust	364,891	411,360
200,000	Longford Energy Inc.	90,616	108,000
300,000	NaiKun Wind Energy Group Inc.	262,138	183,000
15,000	Pacific Rubiales Energy Corp.	107,322	142,500
55,000	Pacific Rubiales Energy, Warrants, 07/12/12	151,183	201,300
20,462	Southern Pacific Resources, Warrants, 07/17/09	478	15
225,000	UEX Corp.	316,478	288,000
100,000	Vast Exploration Inc.	62,900	41,500
60,000	Zongshen Pem Power Systems Inc.	62,415	60,000
		1,655,421	1,631,675
	Industrials - 10.40%		
70,000	ATS Automation Tooling Systems Inc.	310,955	304,500
25,000	Black Diamond Income Fund	278,131	272,750
30,000	Flint Energy Services Ltd.	285,054	345,600
		874,140	922,850
	Information Technology - 0.00%		
2	Nortel Networks Corp.	-	-
		-	-
	Materials - 16.18%		
100,000	Consolidated Thompson Iron Mines Ltd.	339,340	325,000
125,000	Energold Drilling Corp.	232,840	236,250
30,000	IAMGOLD Corp.	345,292	353,400
20,000	Sino-Forest Corp.	254,332	247,200
55,000	Yalian Steel Corp.	117,891	104,500
97,800	Yalian Steel Corp. 09/20/09	166,260	168,637
		1,455,955	1,434,987
	Others - 4.65%		
50,000	Horizons BetaPro S&P/TSX Capped Energy Bear Plus	455,738	412,000
		455,738	412,000
Total Canadian equities - 49.62%		4,441,254	4,401,512

Galileo Small/Mid Cap Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd) (unaudited)

As at June 30, 2009

Number of shares/units		Average cost \$	Fair value \$
FOREIGN EQUITIES			
	Consumer Staples - 3.53%		
175,000	Belle International Holdings Ltd.	172,407	177,273
900,000	NagaCorp Ltd.	137,814	136,214
		310,221	313,487
	Energy - 8.38%		
85,000	Mantra Resources Ltd.	272,640	288,897
100,000	Paladin Energy Ltd.	424,642	454,000
		697,282	742,897
	Financials - 5.30%		
150,000	Hopson Development Holdings Ltd.	288,605	269,282
80,000	Shimao Property Holdings Ltd.	188,228	180,540
25,000	Shui On Land Ltd.	14,536	19,930
		491,369	469,752
	Industrials - 6.25%		
150,000	China Shipping Development Co. Ltd., Class 'H'	253,337	224,776
500,000	First Tractor Co. Ltd., Class 'H'	191,109	166,334
100,000	Zhuzhou CSR Times Electric Co. Ltd., Series 'H'	164,241	163,637
		608,687	554,747
	Materials - 11.55%		
400,000	Luks Group (Vietnam Holdings) Co. Ltd.	220,058	245,156
20,000	Macarthur Coal Ltd.	124,747	122,619
120,000	Mirabela Nickel Ltd.	302,912	278,400
70,000	Western Areas NL	363,150	378,000
		1,010,867	1,024,175
	Utilities - 1.11%		
250,000	Towngas China Co. Ltd.	86,128	98,152
		86,128	98,152
	Total Foreign equities - 36.12%	3,204,554	3,203,210

Galileo Small/Mid Cap Fund

STATEMENT OF INVESTMENT PORTFOLIO (cont'd) (unaudited)

As at June 30, 2009

Par Value		Average cost \$	Fair value \$
FIXED INCOME			
	Energy - 5.23		
450,000	Pacific Rubiales Energy Corp., 8.0%, 08/29/13	391,845	463,500
Total Fixed income - 5.23%		391,845	463,500
Transaction costs		(25,335)	
Total investments - 90.97%		8,012,318	8,068,222
Other assets, net of liabilities - 9.03%			800,735
Total net assets - 100.00%			8,868,957

See accompanying notes

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

1. THE FUNDS

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

Galileo High Income Plus Fund	September 14, 2006
Galileo 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.

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. 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.

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.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

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

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 June 30, 2009 and 2008 (unaudited)

2. 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 8.

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.

3. DISTRIBUTION OF INCOME AND CAPITAL GAINS

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

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 Small/Mid Cap Fund, the net investment income and net realized capital gains on the sale of investments are distributed to unitholders annually at the end of the calendar year.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

4. 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 investment income and net realized capital gains on a proportionate basis. The Funds have no restrictions or specific capital requirements on the subscription and redemption of units. The Statements of Changes in Net Assets identify changes in each Fund's capital during the period. The Funds' Manager manages the capital of the Funds in accordance with the Funds' investment objectives. Unit transactions during the periods were as follows:

January 1 to June 30, 2009

Fund	Units Outstanding Beginning of Year	Subscriptions	Issued from Merger	Redeemed	Reinvestments	Units Outstanding June 30, 2009
Galileo High Income Plus						
Class A	714,094	78,097	-	45,566	20,683	767,308
Class F	13,678	-	-	300	458	13,836

Galileo Small/Mid Cap

Class A	3,923	6,499	180,803	5,776	-	185,449
Class F	513,804	-	236,748	87,208	-	663,344

January 1 to June 30, 2008

Fund	Units Outstanding Beginning of Period	Issued	Redeemed	Reinvested from Distributions	Units Outstanding End of Period
Galileo High Income Plus					
Class A	249,963	409,899	20,113	12,904	652,653
Class F	15,206	3,078	2,397	602	16,489
Galileo Small/Mid Cap					
Class A	5,260	103	2,107	-	3,256
Class F	551,264	1,380	35,044	-	517,600

5. EXPENSES

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. 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 June 30, 2009 and 2008 (unaudited)

5. 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 High Income Plus Fund	1.90%	0.90%
Galileo Small/Mid Cap Fund	1.95%	0.95%

During the period 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

6. 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.

	Total Capital Loss (\$)	Total Non Capital Loss (\$)
Galileo High Income Plus Fund	1,471,008	-
Galileo Small/Mid Cap Fund	2,608,631	-

7. TRANSACTION COSTS

The total fees paid to brokers in connection with investment portfolio transactions for the periods ended June 30, 2009 and 2008 are as follows:

	2009 (\$)	2008 (\$)
Galileo High Income Plus Fund	68,887	34,718
Galileo Small/Mid Cap Fund	79,411	12,356

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

8. 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, bid prices (for investments held) and ask prices (for investments sold short) are used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining net asset value. 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 on the net asset value per unit and the net assets per unit of the Funds are as follows:

As at June 30, 2009:

	Net Asset Value per unit \$	Section 3855 Adjustments \$	Net Assets Per Unit \$
Galileo High Income Plus			
Class A	10.46	0.06	10.40
Class F	10.76	0.07	10.69
Galileo Small/Mid Cap			
Class A	10.67	0.07	10.60
Class F	10.47	0.06	10.41

As at June 30, 2008:

Fund	Net Asset Value per unit \$	Bid Price Adjustment \$	Net Assets Per Unit \$
Galileo High Income Plus			
Class A	14.39	(0.03)	14.36
Class F	14.64	(0.03)	14.61
Galileo Small/Mid Cap			
Class A	14.71	(0.03)	14.68
Class F	14.42	(0.03)	14.39

9. SOFT DOLLARS

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

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

10. 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 2.

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 Small Mid Cap Fund held units in the Galileo Money Market Fund during the year. Due to the short term nature of the instruments held by the Galileo Money Market Fund, the Galileo Small/Mid Cap Fund was 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 High Income Plus Fund and the Galileo Small/Mid Cap 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 Funds' assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates as the period end.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

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

Market Risk (cont'd)

a) Interest Rate Risk (cont'd)

Galileo High Income Plus Fund

Investment	Less than 1 year	1 – 5 years	More than 5 years	5 – 10 years	Total
Bonds	\$-	\$1,380,450	\$-	\$-	\$1,380,450

Galileo Small/Mid Cap Fund

Investment	Less than 1 year	1 – 5 years	More than 5 years	5 – 10 years	Total
Bonds	\$-	\$463,500	\$-	\$-	\$463,500

At June 30, 2009, 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 High Income Plus Fund	46,692
Galileo Small/Mid Cap Fund	16,830

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 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 would have increased by \$110,376. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material. The Galileo High Income Plus Fund has been excluded as it is not subject to currency risk.

Galileo Small/Mid Cap Fund

Currency	Investments	Cash and Equivalents (including foreign currency)	Total
Hong Kong Dollar	1,681,669	254,597	1,936,266
Australian Dollar	411,516	72,461	483,977
U.S. Dollar	403	(213,136)	(212,733)

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

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

Market Risk (cont'd)

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 June 30, 2009, 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 High Income Plus Fund	328,902
Galileo Small/Mid Cap Fund	380,23

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 High Income Plus Fund and the Galileo Small/Mid Cap Fund have significant credit risk. The Funds' greatest concentration of credit risk is in bonds. 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 June 30, 2009. 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 June 30, 2009 are noted below:

	Debt Rating as a Percentage of Net Assets	
	Unrated	Total
Galileo High Income Plus Fund	17.0%	17.0%
Galileo Small/Mid Cap Fund	5.2%	5.2%

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.

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

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

Market Risk (cont'd)

e) 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.

11. 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.

12. MERGERS AND TERMINATIONS

Fund Merger

At the close of business on May 31, 2009, the following Funds merger took place:

Terminating Funds	\$ NAV/unit	Outstanding Units to be fully redeemed	Total Dollar amount (\$)	Merge in Shares
Galileo Canadian Active/Passive Fund - Series A	9.374	34,288.11	321,417	29,863.12
Galileo Canadian Active/Passive Fund - Series F	9.456	2,887.64	27,305	2,587.71
Galileo Global Active/Passive Fund - Series A	7.629	60,248.50	459,636	42,705.18
Galileo Global Active/Passive Fund - Series F	7.853	86,106.45	676,194	64,082.07
Galileo Fund - Series A	8.214	138,152.90	1,134,788	105,434.17
Galileo Fund - Series F	8.875	95,036.28	843,447	79,932.43
Galileo Absolute Return Fund - Series A	10.457	2,882.87	30,146	2,800.91
Galileo Absolute Return Fund - Series F	10.184	93,403.04	951,217	90,145.62

Galileo Mutual Funds

Notes to the Financial Statements

For the periods ended June 30, 2009 and 2008 (unaudited)

12. MERGERS AND TERMINATIONS (cont'd)

Continuing Fund	\$ NAV/unit	Units Outstanding as of May 29, 2009	Subscription from closed funds	
			Total Dollar amount (\$)	Total Units
Galileo Small/Mid Cap Fund - Series A	10.7630	3,063.28	1,945,987	180,803.38
Galileo Small/Mid Cap Fund - Series F	10.5517	426,595.90	2,498,163	236,747.83

The merger was carried out on a taxable basis under the Income Tax Act (Canada). The terminating funds had a deemed year-end for tax purposes on May 31, 2009, after which the funds were wound up. All unrealized losses of the Terminating funds were deemed to be realized. Any unutilized capital and non-capital loss carry forwards of the terminating funds expired upon the merger. None of the costs related to the mergers have been charged to the Funds.

The Continuing Fund assumed all the liabilities applicable of the Terminating Funds, in return for the issuance by the Continuing Fund of units equal in value to the net assets acquired from the Terminating Funds. As a result, the unit holders of each Terminating Fund became unit holders of the Continuing Fund.