

Annual Management Report of Fund Performance

December 31, 2010

Galileo Global Opportunities Fund (formerly 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

Effective November 15, 2010, the name of the Fund was changed to Galileo Global Opportunities Fund and the mandate was expanded to be more global in scope. The Fund's objective is to provide capital growth by investing primarily in shares of smaller and medium companies located around the world that are expected to profit from future economic growth. The Portfolio Advisor uses a bottom-up, growth investment style. The Portfolio Advisor applies a growth at a reasonable price (GARP) style meaning it will only invest if it believes the share price is attractive relative to growth potential. The Portfolio Advisor also applies an active trading approach that is expected to assist in risk management and lead to high portfolio turnover.

RISK

The risks remain as discussed in the prospectus.

RESULTS OF OPERATIONS

The net assets of the Fund increased by 12% from the prior year even though net redemptions in the Fund increased by over \$768,000. The majority of the increase was due to the crystallization of capital gains in the securities held in the oil and gas, mining and Asian components of the portfolio. 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 over 8.4%. The Class A and Class F units of the Fund had performance of 22.9% and 24.3% 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 32.7%. The S&P/TSX Mid Cap Index had a return of 30.3% and the S&P/TSX Small Cap Index had a return of 35.1% for the period. The Fund underperformed relative to the benchmark, S&P/TSX Small Cap and Mid Cap Index. Our mandate to be in the higher growth areas of the market led to underperformance over the first half of 2010 and led to significant outperformance in the second half, Q4 in particular.

RECENT DEVELOPMENTS

China's ongoing appetite for energy and resources coupled with the emergence of new companies with direct leverage to the emerging Chinese middle class will be our focus in 2011. Unlike in previous years where exports were the driver, we now see domestic consumption and investment as the key drivers. The only risk we see to the Chinese economy is higher than normal inflation as a result of food prices which are 88% of the current inflation rate. Since most of this inflation is weather dependent, it is something we are watching closely yet have no control over. In other areas of the Chinese economy we see little threat. In housing, prices are up 6% yet incomes are up 11% and nearly 85% of all buyers pay cash. In addition, household savings grew 16% in 2010 as household bank deposits now top \$4.5 trillion. There is ample liquidity in China for our thesis that domestic consumption and investment will continue to drive energy and materials higher over 2011. We will continue to play these sectors in the small to mid market capitalization areas of the market where world class resource assets are likely candidates for acquisition.

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

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

Galileo Global Opportunities Fund (formerly Galileo Small/Mid Cap Fund)
December 31, 2010

RECENT DEVELOPMENTS (cont'd)

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

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 year ended December 31, 2010, the total management fees charged by Galileo Funds Inc. to the Fund was \$176,649 (December 31, 2009 - \$90,890).

The Manager is responsible for certain aspects of the day-to-day administration. For the year ended December 31, 2010, the Fund reimbursed the Manager for certain operating costs incurred in administering the Fund of approximately \$238,083 (December 31, 2009 - \$137,010). The Manager absorbed approximately \$67,697 (December 31, 2009 - \$80,056) 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. Currently the officers and directors hold 4.1%.

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 audited annual financial statements.

Net Assets per Unit ⁽⁴⁾

Class A	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net assets, beginning of year ⁽¹⁾⁽²⁾	\$14.69	\$10.54	\$14.77	\$12.47	\$11.53
Increase (decrease) from operations:					
Total revenue	0.25	0.13	0.27	0.33	0.05
Total expenses	(0.41)	(0.33)	(0.32)	(0.35)	(0.02)
Realized gains (losses) for the year	3.12	2.46	(1.19)	2.04	0.11
Unrealized gains (losses) for the year	0.69	4.06	(2.66)	(2.15)	0.30
Total increase (decrease) from operations ⁽¹⁾	3.64	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 year	\$18.12	\$14.69	\$10.54	\$14.77	\$12.47

Galileo Global Opportunities Fund (formerly Galileo Small/Mid Cap Fund)
December 31, 2010

FINANCIAL HIGHLIGHTS (cont'd)

Net Assets per Unit ⁽⁴⁾ (cont'd)

Class F	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net assets, beginning of year ⁽¹⁾⁽²⁾	\$14.49	\$10.28	\$14.40	\$12.11	\$11.12
Increase (decrease) from operations:					
Total revenue	0.13	0.08	0.26	0.31	0.36
Total expenses	(0.23)	(0.17)	(0.18)	(0.19)	(0.06)
Realized gains (losses) for the year	2.93	0.83	(1.14)	1.93	1.99
Unrealized gains (losses) for the year	(0.50)	3.57	(2.97)	0.42	(0.93)
Total increase (decrease) from operations ⁽¹⁾	2.30	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 year	\$18.08	\$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 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.

Galileo Global Opportunities Fund (formerly Galileo Small/Mid Cap Fund)
December 31, 2010

FINANCIAL HIGHLIGHTS (cont'd)

Ratios and Supplemental Data

Class A	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net asset value ⁽¹⁾	\$ 6,719,792	\$ 3,530,065	\$ 41,420	\$ 77,962	\$ 13
Number of units outstanding ⁽¹⁾	368,295	237,765	3,923	5,260	1
Management expense ratio ⁽²⁾	2.63%	2.60%	2.41%	2.42%	1.27%
Management expense ratio before waivers/absorptions	3.38%	4.11%	3.01%	2.86%	1.68%
Trading expense ratio ⁽⁴⁾	3.89%	3.21%	0.32%	0.54%	0.63%
Portfolio turnover rate ⁽³⁾	410.96%	435.88%	83.48%	96.96%	132.02%
Net asset value per unit	\$ 18.25	\$ 14.85	\$ 10.56	\$ 14.82	\$ 12.51

Class F	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Net asset value ⁽¹⁾	\$ 7,049,378	\$ 8,786,560	\$ 5,295,753	\$ 7,966,569	\$ 7,017,113
Number of units outstanding ⁽¹⁾	387,332	599,979	513,804	551,264	575,693
Management expense ratio ⁽²⁾	1.52%	1.53%	1.37%	1.40%	0.54%
Management expense ratio before waivers/absorptions	1.96%	2.42%	1.96%	1.84%	1.23%
Trading expense ratio ⁽⁴⁾	3.86%	3.21%	0.32%	0.54%	0.63%
Portfolio turnover rate ⁽³⁾	410.96%	435.88%	83.48%	96.96%	132.02%
Net asset value per unit	\$ 18.20	\$ 14.64	\$ 10.31	\$ 14.45	\$ 12.19

- (1) This information is provided at December 31 of the period shown, as applicable.
- (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 HST 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, including GST or HST, and is calculated and accrued daily. The Fund is required to pay Harmonized Sales Tax (HST) on the management fee.

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

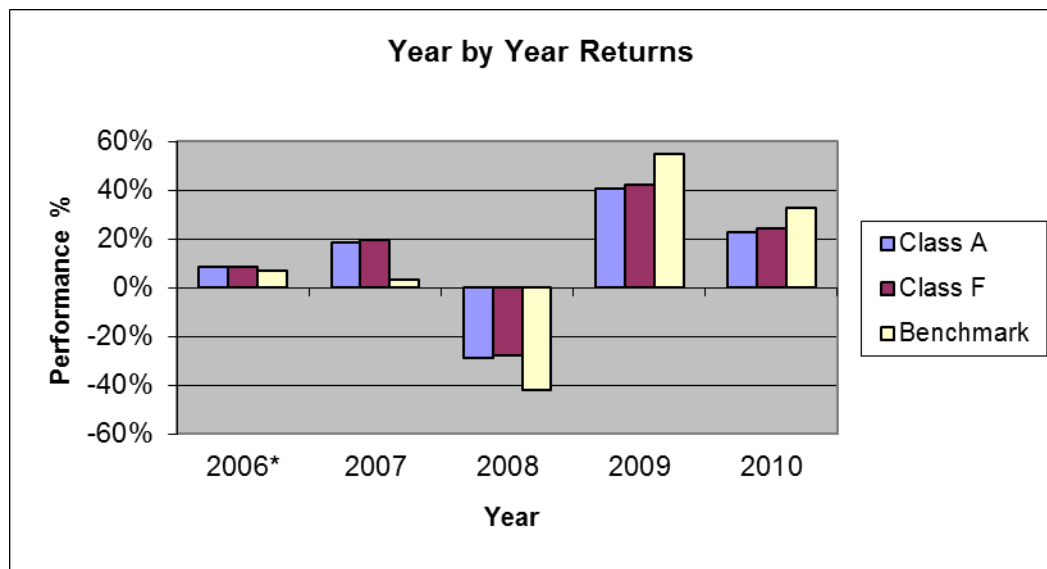
Galileo Global Opportunities Fund (formerly Galileo Small/Mid Cap Fund)
December 31, 2010

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 year ended December 31, 2010. The inception of the Fund offered by simplified prospectus was November 14, 2006.

	1 Year	3 Year	Since Inception
Class A	22.9%	7.2%	11.8%
Class F	24.3%	8.3%	12.9%
Blended Benchmark	32.7%	5.9%	6.8%
S&P/TSX Small Cap Index	35.1%	6.1%	6.6%
S&P/TSX Mid Cap Index	30.3%	5.6%	7.0%

Galileo Global Opportunities Fund (formerly Galileo Small/Mid Cap Fund)
December 31, 2010

SUMMARY OF INVESTMENT PORTFOLIO

Portfolio breakdown as at December 31, 2010

Top 25 Positions	% of Net Asset Value *	Sector Allocation	% of Net Asset Value*
Spartan Exploration Ltd.	6.2%	Energy	47.1%
Essential Energy Services Trust	5.0%	Materials	27.5%
Renegade Petroleum Ltd.	4.9%	Industrials	14.1%
East Asia Minerals Corp.	4.8%	Cash & Other Net Assets	4.6%
Painted Pony Petroleum Ltd., Class 'A'	4.8%	Other	3.3%
Whitecap Resources Inc.	4.6%	Consumer Staples	2.0%
Bankers Petroleum Ltd.	4.4%	Financials	1.4%
Secure Energy Services Inc.	4.2%	Technology	0.0%
Eastern Platinum Ltd.	4.1%	Total sector allocation	100.0%
PetroNova Inc.	4.0%		
North Country Gold Corp	3.5%		
Pinecrest Energy Inc.	3.5%		
Fibria Celulose SA, ADR	3.5%		
China Yuchai International Ltd.	3.4%		
China Metal Recycling Holdings Ltd.	3.4%		
Hollysys Automation Technologies Ltd.	3.3%		
Petro Uno Resources Ltd.	2.8%		
Fronteer Gold Inc.	2.5%		
Reliable Energy Ltd.	2.5%		
Quadra FNX Mining Ltd.	2.4%		
Gran Colombia Gold Corp.	2.4%		
Grande Cache Coal Corp.	2.3%		
Shenzhen Expressway Co. Ltd., Class 'H'	2.1%		
Zhuzhou CSR Times Electric Co. Ltd., Series 'H'	2.1%		
Fook Woo Group Holdings Ltd.	2.0%		
Aggregate % of top holdings	88.7%		

Geographic Allocation	% of Net Asset Value*
Canada	75.1%
Hong Kong	11.6%
Cash & Other Net Assets	4.6%
Brazil	3.4%
Bermuda	3.4%
Cayman Islands	1.9%
Total geographic allocation	100.0%

* calculated as a percent of the net asset value of the Fund as at December 31, 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 Global Opportunities Fund

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

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

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