Annual Management Report of Fund Performance

December 31, 2011

Galileo Global Opportunities Fund

Management Discussion of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements 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 galileofunds.ca or SEDAR at www.sedar .com.

Securityholders 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.

INVESTMENT OBJECTIVE AND STRATEGIES

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 decreased by 38% from the prior year due mainly to a significant redemption and the depreciation of the fair value of the portfolio securities during the latter part of the year. Expenses vary as a function of changes in average net asset values and unitholder activity. Management and operating expenses have increased during the year reflecting the increase in the average net asset values during the year.

The Class A and F units of the Fund underperformed its benchmark by 19.7% and 19.0% respectively. The Class A and Class F units of the Fund had performance of -31.9% and -31.1% respectively for the year ended December 31, 2011. 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 -12.1%. The S&P/TSX Mid Cap Index had a return of -7.9% and the S&P/TSX Small Cap Index had a return of -16.4% for the period. The Fund underperformed relative to the benchmark, S&P/TSX Small Cap and Mid Cap Index. Our mandate is to be in the higher growth areas of the market especially in the Energy sector which has led to underperformance in the second half of 2011.

RECENT DEVELOPMENTS

The macro doom and gloom of 2011 has served to obscure some very compelling realities. Profit margins are at 20 year highs, corporate debt is at multi-decade lows. The earnings yield of the S&P currently sits at 8.2% while 10-year Treasuries yield 1.85%. US unemployment has begun to abate with 200,000 jobs added in December. Further, recent Purchasing Managers Index numbers out of China (50.3%) and the United States (53.9%) point towards expansion, not contraction. European growth will continue to be soft and heavy borrowing for deficit refinancing will persist in 2012. In China, Gross Domestic Product (GDP) growth slowed in the 4th quarter to 8.7% from 9.1% in the 3rd quarter but this is arguably from monetary tightening on the part of the central authorities aimed at curbing inflation. Growth in Chinese Gross Domestic Product for 2012 is expected to be comfortably over 8.0% as the Peoples Band of China embarks in the other direction of policy easing over the coming months. This bodes well for our overall investment thesis. While we are aware of the threat that sovereign default in Europe represents, we believe it more constructive to focus on compelling valuations in the market.

During 2011, the S&P/TSX Energy Index decreased by 12.28% and the S&P/TSX Materials Index decreased by 21.81% which led to an 11% decline for the S&P/TSX Composite Index despite firmness in commodity prices

RECENT DEVELOPMENTS (cont'd)

throughout the course of the year. This could be understood in one of two ways: either the economy is stronger or resources are more scarce than the market believes. Ostensibly it is a combination of both. Either way, valuations look attractive. Oil proved remarkably resilient ending the year up 4.4% at $94.70/barrel. This is in stark contrast to 2008 when oil hit a high of $147 and then plummeted to $30. Evidence of value in the energy complex abounds not only from the underlying cash flow of the group but also in numerous acquisitions such as PetroChina's acquisition of Athabasca's 40% stake in the Mackay River project, China Petroleum's $2.5 billion venture with Devon Energy to develop shale oil and gas fields in North Dakota, and Teck Resources' purchase of its oil sands partner Silverbirch for $435 million. Across the board in the commodities complex, net long positions have increased 18% since October across 18 U.S. futures and options according to the Commodity Futures Trading Commission.

The divergence between commodity prices and the underlying stocks in addition to robust mergers and acquisitions activity at the outset of this year signal to us that the economy is in better shape than most investors think and that there is continued opportunity in the market. Despite the current high levels of uncertainty among investors, we remain constructive on the overall outlook.

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, 2011, the total management fees charged by Galileo Funds Inc. to the Fund was $208,530 (December 31, 2010 - $175,020).

The Manager is responsible for certain aspects of the day-to-day administration. For the year ended December 31, 2011, the Fund reimbursed the Manager for certain operating costs incurred in administering the Fund of approximately $274,382 (December 31, 2010 - $238,083). The Manager absorbed approximately $43,131 (December 31, 2010 - $63,943) 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. As at December 31, 2011 the officers and directors held 4.1% of the net asset value of the Fund.

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 five years. This information is derived from the Fund's audited annual financial statements.

FINANCIAL HIGHLIGHTS (cont'd)

Net Assets per Unit [4]

Class A	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Net assets, beginning of year [1][2]	**$18.12**	**$14.69**	**$10.54**	**$14.77**	**$12.47**
Increase (decrease) from operations:					
Total revenue	0.13	0.25	0.13	0.27	0.33
Total expenses	(0.43)	(0.41)	(0.33)	(0.32)	(0.35)
Realized gains (losses) for the year	(1.51)	3.12	2.46	(1.19)	2.04
Unrealized gains (losses) for the year	(3.98)	0.69	4.06	(2.66)	(2.15)
Total increase (decrease) from operations [1]	**(5.79)**	**3.64**	**6.32**	**(3.90)**	**(0.13)**
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions[3]	-	-	-	-	-
Net assets, end of year	**$12.34**	**$18.12**	**$14.69**	**$10.54**	**$14.77**

Class F	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Net assets , beginning of year [1][2]	**$18.08**	**$14.49**	**$10.28**	**$14.40**	**$12.11**
Increase (decrease) from operations:					
Total revenue	0.12	0.13	0.08	0.26	0.31
Total expenses	(0.25)	(0.23)	(0.17)	(0.18)	(0.19)
Realized gains (losses) for the year	(1.38)	2.93	0.83	(1.14)	1.93
Unrealized gains (losses) for the year	(4.23)	(0.50)	3.57	(2.97)	0.42
Total increase (decrease) from operations [1]	**(5.74)**	**2.30**	**4.31**	**(4.03)**	**2.47**
Distributions:					
From income (excluding dividends)	-	-	-	0.02	0.03
From dividends	-	-	-	0.08	0.11
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions[3]	**-**	**-**	**-**	**0.10**	**0.14**
Net assets, end of year	**$12.45**	**$18.08**	**$14.49**	**$10.28**	**$14.40**

(1) Net assets and distributions are based on the 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) Distributions were paid in cash or reinvested in additional units of the Fund.

(3) The net assets per unit presented in the financial statements differ 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	**12/31/2011**	**12/31/2010**	**12/31/2009**	**12/31/2008**	**12/31/2007**
Total net asset value(1)	$4,769,080	$ 6,719,792	$ 3,530,065	$ 41,420	$ 77,962
Number of units outstanding(1)	383,706	368,295	237,765	3,923	5,260
Management expense ratio(2)	2.71%	2.63%	2.60%	2.41%	2.42%
Management expense ratio before waivers or absorptions	3.05%	3.38%	4.11%	3.01%	2.86%
Portfolio turnover rate(3)	259.76%	410.96%	435.88%	83.48%	96.96%
Trading expense ratio(4)	2.18%	3.89%	3.21%	0.32%	0.54%
Closing net asset value per unit	$ 12.43	$ 18.25	$ 14.85	$ 10.56	$ 14.82

Class F	**12/31/2011**	**12/31/2010**	**12/31/2009**	**12/31/2008**	**12/31/2007**
Total net asset value(1)	$ 3,762,433	$ 7,049,378	$ 8,786,560	$ 5,295,753	$ 7,966,569
Number of units outstanding(1)	300,044	387,332	599,979	513,804	551,264
Management expense ratio(2)	1.55%	1.52%	1.53%	1.37%	1.40%
Management expense ratio before waivers or absorptions	1.89%	1.96%	2.42%	1.96%	1.84%
Portfolio turnover rate(3)	259.76%	410.96%	435.88%	83.48%	96.96%
Trading expense ratio(4)	2.15%	3.89%	3.21%	0.32%	0.54%
Closing net asset value per unit	$ 12.54	$ 18.20	$ 14.64	$ 10.31	$ 14.45

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio for each class of units is based on total expenses of the Fund, incurred by or allocated to that class of units for the period shown and is expressed as an annualized percentage of 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 year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. 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 HST, and is calculated and accrued daily. The Fund is required to pay Harmonized Sales Tax (HST) on the management fee.

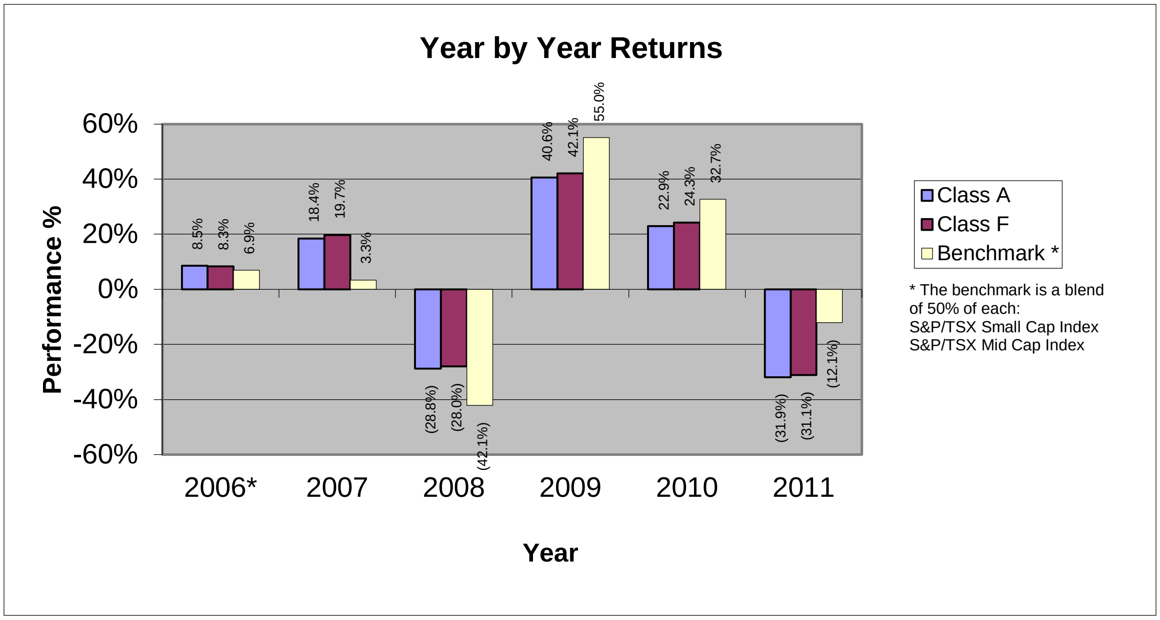
Of the management fees paid by the Fund to the Manager for the Class A units, approximately 51% was used to pay for sales and trailer commissions and 49% was for portfolio management services. Of the management fees paid by the Fund to the Manager for the Class F units, 100% was for portfolio management services.

PAST PERFORMANCE

The performance information shown below assumes that all distributions made by the Fund in the periods 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. The inception of the Fund offered by simplified prospectus was November 14, 2006.

	1 Year	3 Year	5 Year	Since Inception
Class A	(31.9%)	5.6%	(0.1%)	1.5%
Class F	(31.1%)	6.8%	1.0%	2.5%
Blended Benchmark	(12.1%)	21.7%	1.5%	2.8%
S&P/TSX Small Cap Index	(16.4%)	22.4%	0.2%	1.6%
S&P/TSX Mid Cap Index	(7.9%)	21.1%	2.8%	3.9%

SUMMARY OF INVESTMENT PORTFOLIO
Portfolio breakdown as at December 31, 2011

Top 25 Positions	% of Net Asset Value *
Cash & other net assets	12.4%
Pure Energy Services Ltd.	6.4%
Spartan Oil Corp.	6.2%
Canyon Services Group Inc.	5.7%
C&C Energia Ltd.	5.5%
Ivanhoe Mines Ltd.	5.4%
Renegade Petroleum Ltd.	5.2%
Detour Gold Corp.	5.1%
Gasfrac Energy Services Inc.	5.0%
Continental Gold Ltd.	5.0%
First Quantum Minerals Ltd.	4.2%
Celtic Exploration Ltd.	4.1%
Bankers Petroleum Ltd.	4.0%
Delphi Energy Corp.	3.8%
Conifex Timber Inc.	3.6%
Fook Woo Group Holdings Ltd.	3.0%
Whitecap Resources Inc.	3.0%
SouthGobi Resources Ltd.	2.9%
China Metal Recycling Holdings Ltd.	2.6%
PetroNova Inc.	2.5%
Ping An Insurance (Group) Co. of China Ltd.	2.0%
Petrofrontier Corp.	1.4%
Galway Resources Ltd. Wts 2013/01/13, Restricted	1.0%
Aggregate % of top holdings	100.0%

Sector Allocation	% of Net Asset Value*
Energy	52.8%
Materials	27.2%
Cash & other net assets	12.4%
Consumer Staples	3.0%
Other	2.6%
Financials	2.0%
Total sector allocation	100.0%

Geographic Allocation	% of Net Asset Value*
Canada	80.0%
Cash & other net assets	12.4%
Hong Kong	4.6%
Cayman Islands	3.0%
Total geographic allocation	100%

* calculated as a percentage of the net asset value of the Fund as at December 31, 2011.

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