

**Item I: Cover Page**

# **Galapagos Global Capital Management LLC**

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**December 2023**

This brochure ("**Brochure**") provides information about the qualifications and business practices of Galapagos Global Capital Management LLC. If you have any questions about the contents of this brochure, please contact Bruno Carvalho, Galapagos Global Capital Management LLC's Chief Compliance Officer ("**CCO**") at (305) 515-5878 or [bruno.carvalho@galapagoscapiatal.us](mailto:bruno.carvalho@galapagoscapiatal.us).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "**SEC**") or by any state securities authority.

Additional information about Galapagos Global Capital Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to Galapagos Global Capital Management LLC as a "registered investment adviser" or as being "registered" does not imply a certain level of skill or training.

**Item 2: Material Changes**

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This document is an Other-than-Annual amendment to the initial Form ADV Part 2A, also referred to as the Firm Brochure (the “**Brochure**”) for Galapagos Global Capital Management LLC, in order to confirm the Firm has met the 120 day requirement of \$100 million regulatory assets under management. Since the initial submission of the Form ADV Part 2A, the Firm has disclosed additional information under Item 9, a new real estate strategy, and managed accounts. This Brochure may be requested at any time, without charge, by contacting Galapagos Global Capital Management LLC’s CCO at [bruno.carvalho@galapagoscapiatal.us](mailto:bruno.carvalho@galapagoscapiatal.us).

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#### Item 4: Advisory Business

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Galapagos Global Capital Management LLC (“**Galapagos**” or the “**Investment Manager**” or the “**Firm**”) is a Delaware limited partnership that was formed in February 2023. Galapagos International LLC is the managing member and owner of Galapagos. Galapagos Capital Control Participacoes SA and Galapagos Capital Partnership Participacoes SA control Galapagos International LLC.

Galapagos’ principal place of business is in Miami, FL.

Galapagos offers two different strategies for which are both independent and separate: (i) a Macro Strategy and (ii) a Real Estate Strategy.

##### **Macro Funds**

Galapagos provides discretionary investment advisory services to clients that are private funds. In particular, Galapagos provides investment advisory services to Galapagos Macro Cayman, Ltd., a Cayman Islands exempted company (the “**Macro Offshore Fund**”), and Galapagos Macro Master LP, a Cayman Islands exempted limited partnership (the “**Macro Master Fund**”). The Macro Offshore Fund invests all or substantially all of its assets in, and conducts its investment activities through, the Macro Master Fund. Macro Offshore Fund and the Macro Master Fund are each referred to as a “**Macro Fund**”, and collectively, as the “**Macro Funds**”.

Galapagos Macro GP LLC is the general partner of the Macro Master Fund (the “**Macro General Partner**”). The Macro General Partner is wholly owned by Galapagos Capital Holding Limited, a Cayman Islands exempted company, which in turn has the same direct or indirect owners as Galapagos. The Macro General Partner appointed a governance committee for the Macro Master Fund (the “**Governance Committee**”). The Macro General Partner is required to obtain the approval of the Governance Committee prior to taking certain enumerated actions with respect to the Macro Master Fund. In addition, the members of the Governance Committee will also be referred to as each a “**Macro Director**” and collectively, the “**Macro Directors**”.

The Macro Directors are considered the Directors of the Macro Offshore Fund and have overall responsibility for the management of the Macro Offshore Fund.

Within the Macro Funds strategy Sergio Zanini is the Chief Investment Officer, Teo Bastos is the Chief Operating Officer and Jaime Valdivia is the Head of Macroeconomics and Strategy of Galapagos.

##### **Real Estate Funds**

In addition to the above, Galapagos currently provides discretionary investment advisory services to Galapagos US Investments SPC Ltd (the “**RE Offshore Fund**”), a Cayman registered segregated portfolio company. Within the RE Offshore Fund, there will be four initial Segregated Portfolios: a ‘multifamily’ fund, a ‘healthcare’ fund, a ‘triple net lease’ fund and an omnibus fund. It is anticipated Galapagos will establish a master fund for the RE Offshore Fund where all the investments will take place. For illustrative purposes, the anticipated master fund will be referred to as the “**RE Master Fund**”. RE Offshore Fund and the RE Master Fund are each referred to as a “**RE Fund**”, and collectively, as the “**RE Funds**”.

The Macro Master Fund and RE Master Fund will each be referred to as a “**Master Fund**” and collectively the “**Master Funds**”. The Macro Funds and RE Funds will collectively the “**Funds**”.

The Directors of RE Offshore Fund (the “**RE Directors**”) have overall responsibility for the management of the RE Offshore Fund. Galapagos MS Limited owns 100% of the management shares of RE Offshore Fund. Similar to the above, Galapagos anticipates for the RE Master Fund to have a general partner. For illustrative purposes, the general partner for the RE Master Fund will be referred to as the “**RE General Partner**”.

Rodrigo Machado is the Head of Real Estate Investments at Galapagos.

The Macro General Partner and RE General Partner will each be referred to as a “**General Partner**” and collectively the “**General Partners**”.

Galapagos manages the Funds pursuant to investment guidelines that are set forth in the relevant governing and offering documents of the Funds, including any limited partnership agreement, investment management agreement, private placement memorandum, and/or subscription agreement (each an “**Offering Document**”, and collectively, the “**Offering Documents**”). The Offering Documents contain more detailed information about the Funds, including a description of the investment objective and strategy or strategies employed by the Funds and related restrictions that serve as a limitation on Galapagos’ advice or management.

Galapagos will not tailor its advisory services to the individual investors in the Funds (each an “**Investor**”, and collectively, the “**Investors**”), or provide Investors with the right to specify or restrict the Funds’ investment objectives or any investment or trading decisions. Accordingly, an investment in a Fund does not create a client-adviser relationship between such Investor and Galapagos. Each of the Funds are expected to rely on the exception from the definition of an “investment company” provided by Section 3(c)(1) and Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

Each Investor is strongly encouraged to undertake appropriate due diligence, including but not limited to a review of relevant Offering Documents and the additional details about Galapagos’ investment strategies, methods of analysis and related risks (as discussed in Item 8 of this Brochure and each Fund’s Offering Documents) in considering whether Galapagos’ advisory services, or an investment in a Fund are appropriate to its own circumstances, based on all relevant factors including, but not limited to, the Investor’s own investment objectives, liquidity requirements, tax situation and risk tolerance before making an investment decision.

Additionally, Galapagos maintains two managed accounts (the “**Managed Account**”) for which it trades on a discretionary basis in accordance with the investment guidelines outlined in the Managed Account’s investment management agreement (the “**Investment Management Agreement**”).

Galapagos does not participate in wrap fee programs.

As of December 15, 2023 Galapagos has \$100,250,000 of regulatory assets under management between the Funds and the Managed Account on a discretionary basis.

## **Item 5: Fees and Compensation**

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### **Macro Funds**

Galapagos is entitled to receive asset-based management fees from the Macro Master Fund (in which the Macro Offshore Fund is invested). In addition, the Macro General Partner is entitled to receive performance-based compensation (if any) with respect to the Macro Master Fund (in which the Macro Offshore Fund is invested).

The fees applicable to the Macro Funds are set forth in detail in the Macro Fund’s Offering Documents. A brief summary of such fees, expenses and compensation (all of which is qualified by and subject to the language of the Fund’s Offering Document) is provided below.

There are currently three classes of interests (the “**Shares**”) in the Macro Offshore Fund, each of which are subject to a Management Fee at an annual rate of: (i) 1.0% - Founders Share Class, (ii) 1.75%

- Class A1 Shares, and (iii) 1.5% - Class A2 Shares - of the net asset value of each capital account attributable to such interests.

The Macro Master Fund will pay Galapagos a management fee, from the applicable capital accounts of the Macro Master Fund attributable to each series of Shares, monthly in advance on the first day of each calendar month, equal to the applicable management fee percentage of the net asset value of each Macro Master Fund capital account, corresponding to each series of the corresponding class of Shares as of such date.

Management fees are generally pro-rated for partial periods (i.e., less than one month). Galapagos or the Macro General Partner may reduce, waive or calculate differently the management fee for certain Fund investors, including but not limited to, members, employees, and affiliates of Galapagos. In the event of a withdrawal by an Investor in a Fund other than as of the last day of a calendar month, a pro rata portion of the management fee, based upon the actual number of days remaining in such month, will be repaid by Galapagos to such Fund for the benefit of such withdrawing Investor to the extent such management fee was taken in advance.

### **Real Estate Funds**

The Firm anticipates the Investors of the RE Offshore Fund to directly or indirectly pay (via future investments in the RE Master Fund) an amount equal to 0.5% per annum of the total commitments and 1.5% of invested capital during the investment period. After the investment period, an amount equal to 1.5% of invested capital will be payable to Galapagos or an affiliate. The management fee will be accrued quarterly and paid quarterly in arrears.

Management fees are generally pro-rated for partial periods (i.e., less than one month). Galapagos, the Directors, or its affiliates may reduce, waive or calculate differently the management fee for certain RE Offshore Fund investors, including but not limited to, members, employees, and affiliates of Galapagos. In the event of a withdrawal by an Investor in a RE Fund other than as of the last day of a calendar month, a pro rata portion of the management fee, based upon the actual number of days remaining in such month, will be repaid by Galapagos to such RE Fund for the benefit of such withdrawing Investor to the extent such management fee was taken in advance.

The Investment Manager may receive a structuring fee ("Structuring Fee") of up to 1.00% of the acquisition price (debt and equity) at the time of purchase of any asset by the Segregated Portfolio. The Structuring Fee will be paid in full immediately at the time of purchase and will include the cost basis of the asset.

The fees applicable to the RE Funds are set forth in detail in the RE Fund's Offering Documents. A brief summary of such fees, expenses and compensation (all of which is qualified by and subject to the language of the RE Fund's Offering Document) is provided below.

### **Other Fees and Expenses**

The Master Funds will bear, or reimburse Galapagos and/or the General Partners for advancing, its own expenses and those of the Macro Offshore Fund and RE Offshore Fund (collectively the "**Offshore Funds**"), to the maximum extent permitted by applicable law, including, without limitation, the following: (i) expenses related to the research, execution and monitoring of actual and prospective investments (whether or not consummated) and the consummation of investments, including, without limitation, the following: third-party investment sourcing fees; consulting fees; expert fees; fees and expenses of and related to obtaining research, analytics and market data (including, without limitation, third-party data sources and any information technology hardware, software and data subscriptions (such as Bloomberg and FactSet) or other technology incorporated into the cost of obtaining such research and market data); due diligence expenses including, without limitation, consulting and appraisal fees; investment- and research-related travel expenses (consistent with Galapagos' travel

policy) (including business class fares); any outsourced trading provider fees; brokerage and prime brokerage fees, commissions and expenses (including the costs of negotiating, documenting and/or amending agreements with prime brokers, ISDAs and other agreements with trading and financing counterparties); expenses relating to borrowing securities to be sold short; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and other borrowing costs; fees and expenses of proxy research and voting services; broken deal expenses; fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys, accountants and service providers who, in each case, provide services to the Funds or provide services to Galapagos, the General Partners or their respective principals (on matters that would not have arisen but for their respective advisory relationships with the Funds); and expenses relating to engagement with a company irrespective of the outcome of such engagement, such as shareholder and management communication, soliciting proxies, hiring proxy advisory consultants, hosting shareholder forums, hiring public relations consultants and proposing or nominating directors or executives, including sourcing, recruiting, standby and indemnification and other expenses, regardless of whether the nomination is successful; (ii) organizational fees and expenses and fees and expenses incurred in connection with the offering and sale of the Shares, including, without limitation, the following: the preparation and amendment of various Offering Documents, the investment management agreement of each Fund and the Funds' subscription agreements; fees and expenses of Galapagos incurred in connection with "world sky" matters and private placement regimes, including the European Alternative Investment Fund Managers Directive, and Form D and blue sky and similar fees and expenses; and expenses incurred in connection with negotiating, documenting and complying with provisions of any side letter agreement with Investors; (iii) operational expenses, including, without limitation, the following: fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations) in connection with the activities of the Funds, and facilitate and manage the order execution of securities or otherwise manage the Funds (such as portfolio management systems and order management systems); fees and expenses of third-party risk management products, models and services; third-party administrative fees and expenses, including fees and expenses of a fund administrator and any middle and/or back office service provider; fees and expenses of third-party professionals, including, without limitation, consultants, valuation service providers, attorneys, accountants and tax preparers; third-party audit and tax preparation expenses; insurance expenses, including, without limitation, premiums for cybersecurity insurance and liability insurance (including directors and officers liability insurance and errors and omission insurance) covering the Funds, the General Partners, Galapagos and the principals, officers, employees, managers, partners, members, affiliates or agents of any of the foregoing, and the Directors and Governance Committee members (in each case, even if such insurance covers conduct for which indemnity would not be available from the Funds); fees and expenses associated with Director and Governance Committee meetings and meetings of the Investors as a whole, including, without limitation, expenses related to the organization and conduct of such meetings (including, without limitation, travel, lodging and meal expenses), and Director fees (including registration fees) and Governance Committee member fees; costs of preparing and distributing reports and notices to Investors (including the development, implementation and maintenance of an investor electronic delivery site and/or system); entity-level taxes; fees and expenses related to compliance with applicable law and regulations in connection with the activities of the Funds, including, without limitation, any governmental, regulatory, licensing, filing, reporting or registration expenses, fees or taxes (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings for the Funds or Galapagos, the General Partners (or similar) or their respective principals on matters that would not have arisen but for their respective advisory relationships with the Funds, and any filings or reporting with respect to compliance with FATCA, AEOI (each as defined herein) or similar laws enacted in other jurisdictions, as well as any foreign tax regime registrations, tax filings and associated annual fees and expenses); and any fees and expenses

related to compliance with anti-money laundering laws and regulations applicable to the Funds (including AML officer fees and expenses); and (iv) extraordinary expenses, including, without limitation, the following: the costs of any litigation or investigation involving the activities of the Funds (including attorney's fees and investigative fees and expenses); the cost of settlements and indemnification expenses (including advances thereof) (for clarity, Galapagos and the General Partners are authorized to commit the Funds to potential indemnity obligations towards certain counterparties entering into agreements with the Funds for the provisions of services and otherwise); fees and expenses incurred in connection with any tax audit by any U.S. federal, state or local authority, including, without limitation, any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, restructuring, termination, winding-up or dissolution of any of the Funds.

Generally, all expenses of the Funds will be borne by the Master Funds, other than any expenses that Galapagos determines in its discretion should be allocated to the Offshore Funds (or an additional future fund). Although the Offshore Funds will generally share or be allocated the expenses of the Master Funds on a *pro rata* basis based on their respective ownership of the Master Funds, the economic benefit that the Offshore Funds receive with respect to such expenses may not be the same.

The Funds do not have a pre-determined limit on its ordinary or extraordinary operating expenses. Each Fund's actual annual operating expenses will be disclosed in each Fund's year-end audited financial statements, which are provided to each Investor in the particular Fund.

Except as provided above, Galapagos and the General Partners will bear their own rent, operating, utilities and similar overhead expenses, in addition to the compensation and benefits of their employees.

The expenses charged to the Managed Account are outlined in its respective Investment Management Agreement.

Galapagos and/or the General Partners may, in their discretion, waive their right to be reimbursed for any of the foregoing expenses for any period of time. Any such waiver will not require Galapagos or the General Partners to waive their right to be reimbursed for such expenses in the future.

Neither Galapagos nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges, or service fees from the sale of mutual funds.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

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### **Macro Funds**

As described in Item 5, the Macro General Partner is entitled to receive performance-based compensation or a performance allocation from the Master Fund. A performance allocation is generally payable (if any) on an annual basis.

The performance allocation is equal to (i) 15% for Founders Class Shares, (ii) 20% for Class A1 Shares, and (iii) 15% for Class A2 Shares.

The existence of performance-based compensation may create certain conflicts of interest. More specifically, it may create an incentive for Galapagos to pursue riskier or more speculative investments, then it would be the case if there were no performance-based fees.

While the amount of compensation and method of payment are not generally negotiable, subject to certain conditions and limitations, the Macro General Partner generally may elect to reduce, waive or calculate differently the performance allocation with respect to any Investor in a Fund, or may assign



the performance allocation to any person, including an affiliate of Galapagos or the Macro General Partner.

**Real Estate Funds**

Similar to the Macro Funds, the RE Funds will be charged a performance fee, which will be determined on an investment-by-investment basis, an amount equal to 25.00% of the performance of such investment in excess of an 8.00% hurdle (with no catch-up). The performance fee will be paid during the life of the segregated portfolio as individual investments mature and are sold or are refinanced.

At the end of the term of the segregated portfolio, the Investment Manager or its affiliates (as applicable) will be required to return to the RE Offshore Fund an aggregate amount equal to the amount, if any, of payments in respect of the performance fee received by the Investment Manager or its affiliates (as applicable) to the extent that such payments exceed the amounts that should have been paid to the Investment Manager or its affiliates (as applicable) pursuant to the formula above, applied on an aggregate basis covering all transactions of the segregated portfolio.

**Managed Account**

The Managed Account will pay the Investment Manager a performance fee for each calculation period equal to the product of (i) the applicable performance fee percentage multiplied by (ii) the applicable accounts net profit for such calculation period reduced for any unrecouped carryforward loss, as defined and outlined in the Managed Account's Investment Management Agreement.

Because the Macro Funds and RE Funds invest in different asset classes, Galapagos does not expect to presently face any side-by-side conflict of interest issues, such as allocation decisions which may be impacted by performance-based fee differentials. However, the Macro Funds and Managed Account may invest in similar asset classes and strategies. As such, Galapagos has developed and implemented procedures that are designed to ensure that all clients are treated fairly and equally, and to prevent conflicts from influencing the allocation of investment opportunities among clients.

The terms of the performance-based compensation may differ in the future among the Funds, the Managed Account, or other future accounts or funds managed by Galapagos or an affiliate. This may result in a conflict of interest when Galapagos allocates opportunities among such clients because there will be an incentive to favor allocations to clients that have higher performance-based compensation. To avoid such conflict of interest, Galapagos would generally follow documented procedures in allocating opportunities among its clients which would not take into account the performance-based fees to which such clients are subject.

**Item 7: Types of Clients**

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Currently, Galapagos provides investment advice to the Funds and the Managed Account. The Offshore Funds' Offering Documents sets forth the eligibility criteria and minimum investment requirements for Investors. Generally, Investors in the Offshore Funds' are required to invest a minimum amount, as set forth in the Offering Documents for each class of Shares, unless otherwise waived or reduced in the discretion of Galapagos or the General Partners (as the case may be). The Managed Account is currently made up of private fund investment vehicles managed by another registered investment advisor.

**Offshore Funds**

Each investor in the Offshore Funds must be either (i) a non-U.S. Person, or (ii) a Permitted U.S. Person that qualifies as an "accredited investor," as defined in Regulation D under the Securities Act, and either a "qualified purchaser," as defined in the Company Act, or a "knowledgeable employee," as defined under Rule 3c-5 of the Company Act and must meet other suitability requirements. The subscription agreement contains representations and questionnaires relating to these qualifications.

**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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***Investment Objective and Investment Strategies******Macro Strategy***

In advising the Macro Strategy, Galapagos intends to incorporate a discretionary macro investment strategy focused on generating long-term total returns to Investors with strong risk management aiming to preserve capital and take advantage of asymmetric risk/reward opportunities. Galapagos intends to invest in a wide range of asset classes globally including fixed income, foreign exchange, sovereign credit, commodities, and equities.

The investment process is based on thorough fundamental macroeconomic analysis. Investment themes are constructed and converted into specific investment positions combining the work of Galapagos' research and the portfolio management teams. Galapagos uses proprietary quantitative market research as part of the investment process which culminates with the asset allocation and instrument selection. The investment team will also design hedging ideas aiming to protect the overall portfolio from directional and exogenous risks.

Risk management is an essential part of the investment process. The investment strategy works with three levels of risk based on target volatility. The proprietary quantitative portfolio construction model will use different windows of realized asset volatility that will define position sizing and the overall portfolio configuration. Based upon the quantitative portfolio construction model, individual ideas will start with "risk level 1". Changing the initial size will depend on the performance of the portfolio.

Total risk deployment is directly associated with the performance of the overall portfolio. Initial risk deployment will be limited to "risk level 1" and will be increased to "risk level 2" or "risk level 3" only when the strategy has accumulated positive absolute returns on any given fiscal year. Conversely, total risk deployment will be decreased when accumulated absolute returns are negative on any given fiscal year.

The risk allocation will be divided between a "CIO Book" and individual portfolio manager books that will have netting risk to the "CIO Book." Individual portfolio manager books are expected to contribute with specialized investment inputs to the "CIO Book" and are subject to strict risk management criteria including drawdown limits and stop-losses.

***Real Estate Strategy***

The RE Fund's primary purposes are to invest (i) in the acquisition of residential, commercial and mixed-used properties, and (ii) in the development of residential, commercial and mixed-used properties projects within the United States with the objective to generate income and capital gains. Further, the RE Fund will focus on three asset classes: (i) multifamily residential properties, (ii) healthcare facilities, and (iii) triple net leased properties. In addition, the RE Fund may invest in other types of real estate properties in the United States, in an opportunistic approach.

***Multi Family Investments***

In regard to Multi Family opportunities, the RE Fund will invest, through joint ventures with sponsors/developers ("JVs") or directly, in the acquisition, renovation, redevelopment, repositioning, and/or enhancement of existing multifamily housing complexes, aiming to add value to the properties for future gain upon exit. The target properties may serve as affordable or workforce housing.

The RE Fund will procure underperforming properties in target markets with strong demographic fundamentals, such as robust job growth, population expansion, and housing supply and demand imbalance with the aim to acquire them at attractive prices, often below replacement cost. After the acquisition, the properties will typically go through an enhancement and upgrade process to bolster rental income and improve value.

#### *Healthcare Investments*

For Healthcare opportunities, the RE Fund may invest, through JVs with sponsors/developers or directly, in the acquisition, sale-lease back, renovation, redevelopment, repositioning, and/or enhancement of existing healthcare facilities aiming future income generation and capital gain upon exit.

The RE Fund may also deploy capital into development projects in which the sponsors/developers usually (i) possess control over the property's construction site, (ii) have the site plan approval for the project, (iii) have secured long-term triple net leases for at least 60% of the total leasable space of the project with superior healthcare operators, (iv) have received guaranteed maximum price (GMP) quotations from reputable general contractors for project construction, and (iv) have obtained loan commitments at acceptable terms covering at least 60% of the overall project costs and expenses.

#### *Triple Net Lease Investments*

The RE Fund will invest, through investment vehicles, JVs or directly, in the development and construction of single-tenant or multi-tenant properties, preferably at prices below the current market prices of existing similar properties, with the intention of selling these properties within 12 to 24 months from the commencement of construction.

Further, the RE Fund will allocate capital to development projects in which the sponsors/developers usually (i) possess control over the property's construction site, (ii) have the site plan approval for the project, (iii) have secured long-term triple net leases for at least 60% of the total leasable space of the project with creditworthy tenants, (iv) have received guaranteed maximum price (GMP) quotations from reputable general contractors for project construction, and (iv) have obtained loan commitments at acceptable terms covering at least 60% of the overall project costs and expenses.

#### ***Other Possible Investments; Development of Galapagos' Investment Strategy***

The above is a general description of the strategies that Galapagos may utilize in advising the Funds and Managed Account. Galapagos has broad and flexible investment authority. Accordingly, the Master Funds' and Managed Account's positions may at any time include a wide variety of securities and financial instruments, domestic and foreign, whether publicly traded or privately placed, including, but not limited to, equities, and debt securities, mutual fund shares, options (purchased or written), warrants, commodities, other derivatives (including swaps, forward contracts and structured instruments), currencies, monetary instruments and cash and cash equivalents.

The development of an investment strategy for the Master Funds and Managed Account is an ongoing process. The strategies, techniques and methods described above will therefore be modified by Galapagos from time to time and over time. There is no limitation on the investment strategies, techniques, methods or processes which Galapagos may adopt for the Master Funds, Managed Account or the factors that Galapagos may take into account in analyzing investments for the Master Funds and Managed Account. Depending on conditions and trends in securities markets and the economy generally, Galapagos may pursue other objectives, or employ other strategies, techniques, methods or processes, that it considers appropriate and in the best interests of the Master Funds and Managed Account, without notice to, or the consent of, Investors in the Funds or Managed Account.

**Summary of Material Risks**

There can be no assurance that Galapagos' investment objective in managing the Funds will be achieved, and that the Funds will not incur losses. Each Investor is also encouraged to consult with Galapagos to review the specific risk parameters of, and assets that comprise, each Fund at any given time and from time to time. The risk factors described below are not intended to be an exhaustive listing of all potential risks associated with an investment in the Offshore Funds or any future fund. Because the Offshore Funds will invest all of its investible assets in the Master Funds, all references herein to risk factors applicable to the Master Funds will (unless the context requires otherwise) apply to the Offshore Funds through its investment in the Master Funds.

**No Operating History.** Galapagos and the Funds are newly formed entities and have no operating history upon which Investors can evaluate their likely performance. The past investment performance of Galapagos and/or its principals or entities or accounts with which they have been associated should not be construed as an indication of future results of an investment in the Funds.

**Business Dependent Upon Key Individual.** The Investors will not have authority to make decisions or to exercise business discretion on behalf of the Funds. The authority for all such decisions is made by the Directors and/or the General Partners or has been delegated to Galapagos. The success of the Funds, therefore, is expected to be significantly dependent upon the expertise and efforts of Galapagos and its principals.

**Other Activities of Galapagos and its Affiliates.** Conflicts of interest may arise from the fact that Galapagos, the General Partners, Directors, and their affiliates and personnel may in the future provide investment management services to clients other than the Funds, including, without limitation, investment funds, managed accounts, proprietary accounts and other investment vehicles (collectively, "**Other Accounts**"), and together with the Funds, the "**Accounts**" and each, an "**Account**"). The Master Funds will not typically have an interest in any Other Accounts.

Other Accounts may have investment objectives, programs, strategies and positions that are similar to or may conflict with those of the Master Funds or Managed Account, or may compete with or have interests adverse to the Master Fund. Such conflicts could affect the prices and availability of securities in which the Master Funds or Managed Account invests. Even if an Other Account has investment objectives, programs or strategies that are similar to those of the Master Funds or Managed Account, Galapagos may give advice or take action with respect to the investments held by, and transactions of, the Other Accounts that may differ from the advice given or the timing or nature of any action taken with respect to the investments held by, and transactions of, the Master Funds or Managed Account for a variety of reasons, including, without limitation, differences between the investment strategy, financing terms, regulatory treatment and tax treatment of the Other Accounts and the Master Funds or Managed Account. As a result, the Master Funds or Managed Account and an Other Account may have substantially different portfolios and investment returns. Conflicts of interest may also arise when Galapagos makes decisions on behalf of the Master Funds or Managed Account with respect to matters where the interests of Galapagos or one or more Other Accounts differs from the interests of the Master Funds or Managed Account .

The Master Funds or Managed Account may make an investment in a position that is subordinated or senior to or otherwise adverse to a position held by one of more of the Other Accounts. For example, the Master Funds or Managed Account may own debt of a portfolio company while another fund or account managed by Galapagos or its affiliates owns equity in the same portfolio company. It is possible that the activities or strategies used for the Other Accounts could conflict with the activities and strategies employed in managing the assets of the Master Funds or Managed Account and affect the prices and availability of the securities and instruments in which the Master Funds or Managed Account invests. For example, in a situation where the Master Funds or Managed Account invests in debt securities of a company in which Other Accounts hold or are contemporaneously acquiring equity securities, questions may arise as to whether payment obligations and covenants should be enforced,

modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, raise conflicts of interest. If additional capital is necessary as a result of financial or other difficulties, Other Accounts may or may not provide such additional capital as each determines in their sole discretion. The Master Funds or Managed Account may have an interest in structuring debt securities and instruments that have financial terms (such as interest rates, repayment terms, seniority, covenants and events of default) that are more restrictive than the terms that such Other Accounts would seek to negotiate. Galapagos will seek to resolve such conflicts of interest in a fair and equitable manner. Conflict resolution may result in the Master Funds or Managed Account receiving more or less consideration than it may have otherwise received in the absence of such a conflict of interest.

**Lack of Exclusivity.** The Investment Management Agreement of the Offshore Funds and the Master Funds, and the Master Partnership Agreement do not require Galapagos, the General Partner, or their respective principals to devote all or any specified portion of their time to managing the Offshore Funds' or the Master Funds' affairs, but only to devote so much time to such affairs as they believe is necessary in good faith. Galapagos, the General Partner, and their affiliates and personnel will not be restricted from forming Other Accounts, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities may be in competition with the Master Funds and/or may involve substantial time and resources of Galapagos, the General Partner, and their affiliates or personnel. These activities could be viewed as creating a conflict of interest in that the time and effort of Galapagos, the General Partner, and their affiliates and personnel will not be devoted exclusively to the business of the Master Funds but will be allocated between the business of the Master Funds and the management of Other Accounts and businesses.

**Investments by the Principals and Employees of Galapagos in the Funds and Other Accounts.** The principals and employees of Galapagos will personally invest, directly and/or indirectly, in the Funds. Such investors may be in possession of information relating to the Funds that is not available to other Investors and prospective investors. The principals and employees of Galapagos are not required to keep any minimum investment in the Funds and may invest in Other Accounts. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to the Investors, except as expressly set forth in the Offering Documents of the Offshore Funds. Investments by the principals and employees of Galapagos in the Offshore Funds and/or Other Accounts could incentivize the principals and employees of Galapagos to increase or decrease the risk profile of the Funds.

**Allocations of Trades and Investment Opportunities.** Participation in specific trading opportunities may be appropriate, at times, to the Master Funds, Managed Account or more Other Accounts. In such cases, Galapagos will seek to allocate such opportunity between the Master Funds, Managed Account and such Other Accounts in a manner that it deems fair and equitable under the circumstances existing at such time and/or over time. In general, investments will be allocated to the Master Funds, Managed Account and Other Accounts following a substantially similar investment strategy on a *pari passu* basis. There are scenarios under which Galapagos may deviate from this general policy based upon a number of factors. Such factors that Galapagos may consider when determining which securities to allocate to each client Account include, but are not limited to: the intended objective and strategy of each Account and any applicable investment or risk restrictions or guidelines, including leverage constraints and position limits; the relative amounts of capital in each Account available for new investments of the type at issue; Galapagos' perception of the appropriate risk/reward ratio for each Account, taking into account, among other things, market exposure, anticipated volatility and diversification; the liquidity of each Account at the time of investment and thereafter; the ability to add positions to an Account on a leveraged basis; whether the position is an "odd lot"; whether the position is being added in a "de minimis" amount; applicable contractual, legal,

tax and regulatory considerations; the overall portfolio composition of each Account; and such other considerations that Galapagos determines to be relevant at such time.

Galapagos will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to, the Master Funds, Managed Account or Other Accounts solely because Galapagos purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to, an Other Account, Managed Account, or the Master Funds if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practicable or desirable for the Master Funds, Managed Account, or the Other Account.

In particular, when Other Accounts ramp up their investment and trading strategies, the Master Funds and Managed Account may receive reduced or no allocations of certain securities so that the Other Accounts obtain their desired risk and portfolio size.

**The Investment Manager Could Have Different Compensation Arrangements with Other Accounts.** Galapagos could be subject to a conflict of interest because varying compensation arrangements among the Offshore Funds, the Master Funds, Managed Account and Other Accounts could incentivize Galapagos, the General Partner, or affiliates to manage the Master Funds, Managed Account and such Other Accounts differently. These and other differences could make the Offshore Funds and Managed Accounts less profitable Galapagos than certain Other Accounts.

For example, the compensation earned by Galapagos and its affiliates from Other Accounts or entities may be greater than the compensation earned from the Offshore Funds and the Master Funds. Since Galapagos may, at times receive greater compensation from the Other Accounts than the Offshore Funds and the Master Funds, Galapagos will have a conflict of interest in allocating trades among the Master Funds and the Other Accounts. Galapagos also faces a conflict of interest if the principals, their affiliates and/or senior management employees of Galapagos have a greater financial interest in an Other Account over the Funds (or another Other Account with overlapping trading strategies). To mitigate such conflicts of interest, Galapagos will generally follow documented policies and procedures in allocating trading opportunities among its client Accounts as described above, which do not take into account the fees and/or allocations to which such accounts are subject or the financial interest that the principals, their affiliates and/or senior management employees of Galapagos may have in the Funds or any Other Account.

**Competition.** The securities industry and the varied strategies and techniques to be engaged in by Galapagos are extremely competitive and each involves a degree of risk. Galapagos will compete with firms, including many of the larger funds and securities firms, which have substantially greater financial resources and research staff.

**Investment and Trading Risks Generally.** An investment in the Funds and Managed Account involves a high degree of risk, including the risk that the entire amount invested may be lost. Galapagos invests in and actively trades securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the global equity, currency, and fixed income markets, the risks of leverage, the potential illiquidity of derivative instruments and other portfolio investments and the risk of loss from counterparty defaults and the risk of borrowing to meet withdrawal requests. No guarantee is made that Galapagos' investment program or overall portfolio of the Funds and Managed Account, or various investment strategies used, or investments made will have low correlation with each other or that the Funds' and Managed Account's returns will exhibit low long-term correlation with an Investor's traditional securities portfolio. In particular, Galapagos will use investment techniques including margin transactions, option transactions, swaps and other derivative transactions, and forward and futures contracts, which involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Funds may be subject. All investments made by Galapagos risk the loss of capital. No guarantee or representation is made that Galapagos' investment program will be successful, that the Funds or

Managed will achieve their investment objective or that there will be any return of capital invested to Investors, and investment results vary and have varied substantially over time.

**Dependence on Service Provider.** Galapagos relies on service providers for certain aspects of their business, including certain financial operations, trade related activity, IT infrastructure and systems, trade reconciliation, and margin and collateral movement. Galapagos does not control or direct these service providers and have limited transparency into such businesses' day-to-day operations. Any interruption or deterioration in the performance of such service providers could impair the quality of Galapagos' operations, negatively impact its and the reputation of the Funds and the investment strategies of the Funds and Managed Account, limit the Funds' and Managed Account's potential to grow, and ultimately expose the Investors to losses.

**Limited Liquidity of Interests.** An investment in the Funds provides limited liquidity because the interests are not freely transferable and generally an Investor has limited rights to withdraw capital from a Fund. In addition, Galapagos may limit or suspend the rights of the Investors to make withdrawals, as described herein and in the Offering Documents. Each Fund is intended for long-term investors who can accept the risks associated with investing primarily in securities that involve a high degree of financial risk and are potentially illiquid. There is no public market for the Funds' interests, and no such market is expected to develop in the future. Investors may not sell, transfer, exchange, assign, pledge, hypothecate or otherwise dispose of their Fund interests (or any portion thereof) without the consent of Galapagos and/or the General Partner, which may be withheld for any reason or no reason.

In addition, there can be no assurance that the Funds will have sufficient cash to satisfy withdrawal requests, or that it will be able to liquidate investments at favorable prices at the time of such withdrawal request. Galapagos may also (but is not required to) make in-kind withdrawal payments to Investors from the Funds' portfolio. Such investments, if distributed may not be readily marketable or saleable and may have to be held by such Investor for an indefinite period of time. Additionally, any risk of loss and delay in liquidating these securities will be borne by the Investors, with the result that such Investors may receive less cash than it would have received on the date of withdrawal.

**Portfolio Valuation.** Valuations of the Funds' portfolios, which will affect the amount of the management fee and the performance allocation, may involve uncertainties and discretionary determinations. From time to time, third party pricing information may not be generally available regarding a portion of the Master Funds' securities and other assets. In addition, to the extent third party pricing information is available, a disruption in the markets for the Master Funds investments may limit the ability of the fund administrator to obtain accurate market quotations for purposes of valuing investments and calculating the net asset value of a Master Funds' investments. Material events occurring after the close of a principal market upon which a portion of the securities or other assets of the Master Funds are traded may require Galapagos, in consultation with the fund administrator, to make a determination of the effect of a material event on the value of the securities or other assets traded on the market for purposes of determining the net asset value of the Master Funds on a valuation date. Further, because of the overall size and concentrations in particular markets and maturities of positions that may be held by the Master Funds from time to time, the liquidation values of the Master Funds' securities and other investments may differ significantly from the interim valuations of these investments derived from the valuation methods described herein or in a Fund's Offering Documents or other relevant agreements. If the fund administrator's valuation of the Master Funds' portfolio should prove to be incorrect, the net asset value of a Fund could be adversely affected. Absent bad faith or manifest error, valuation determinations in accordance with Galapagos' valuation policy will be conclusive and binding. In calculating the net asset value of a Fund, the fund administrator expects to rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including automatic processing services, third party financial models, brokers, market makers, or intermediaries, Galapagos, and any fund administrator or valuations agent of other collective investments into which the Master Funds invests. To the extent that the fund administrator relies on information supplied by Galapagos, or any brokers or other financial intermediaries engaged

by a Fund or by the fund administrator, in connection with calculating the net asset value of a Fund, the fund administrator's liability for the accuracy of such calculation is limited to the accuracy of its computations. The fund administrator is not liable for the accuracy of the underlying data provided to it. The fund administrator exercises no discretion in calculating the net asset value of the Fund and relies entirely on third party pricing vendors or models.

If and to the extent that Galapagos is responsible for or otherwise involved in the pricing of any of a Fund's assets, the fund administrator may accept, use and rely on such prices, without verification, in determining the net asset value of a Fund and will not be liable to the particular Fund, any Investor or any other person in doing so.

**No Guarantee of Return or Performance.** The obligations or performance of the Funds or the returns on investments in the Master Funds are not guaranteed in any way. Any losses of the Funds will be borne solely by Investors in the Funds. Ownership interests in the Funds are not insured by the Federal Deposit Insurance Corporation, and are not deposits, obligations of, or endorsed or guaranteed in any way, by any banking entity.

**Absence of Regulatory Oversight.** While the Offshore Fund may be considered similar to an investment Offshore Fund, the Offshore Fund is not registered as such under the U.S. Investment Offshore Fund Act of 1940, as amended (the "**1940 Act**"), in reliance upon an exemption available to privately offered investment companies under the 1940 Act, and, accordingly, the provisions of the 1940 Act (which, among other things, require investment companies to have a majority of disinterested directors, require securities held in custody to be individually segregated at all times from the securities of any other person and to be marked to clearly identify such securities as the property of such investment Offshore Fund, and regulate the relationship between the advisor and the management Offshore Fund) are not applicable. Because securities of the Offshore Fund held by brokers are generally not held in the Offshore Fund's name, a failure of any such broker is likely to have a greater adverse impact on the Offshore than if such securities were registered in the Offshore Fund's name.

In addition, while Galapagos intends to be registered as an investment adviser with the SEC under the Advisers Act, such registration does not mean that the SEC or any other regulatory authority has reviewed or endorsed this offering or will actively supervise the actions of Galapagos or the Funds.

In addition, although Galapagos intends to be registered as a commodity pool operator with the CFTC and National Futures Association - of the Offshore Fund and the Master Funds, Galapagos intends to make an election with respect to the Funds under CFTC Regulation 4.7 exempting Galapagos from certain disclosure, recordkeeping and reporting requirements under the Commodity Exchange Act and the regulations promulgated thereunder.

**Limited Liquidity; No Secondary Market.** An investment in the Offshore Fund is suitable only for sophisticated investors who have no need for current liquidity. An investment in the Offshore Fund provides limited liquidity since the Offshore Fund interests or Shares are not freely transferable and may be redeemed from the Offshore Fund only on a monthly basis, subject to certain lock-up periods and/or the early redemption charge. There is no secondary market for the Offshore Fund Shares, and none is likely to develop in the future. In addition, depending on the then current status of the financial markets, the liquidity profile of the Master Funds' portfolio may not correspond with redemption requests the Offshore Fund receives from Investors, and the Offshore Fund may suspend redemptions and redemption payments, make payments in-kind (including through liquidating entities) or take such other appropriate measures as Galapagos and the Directors deem necessary.

**Investment and Trading Risks.** All securities investments risk the loss of capital. Galapagos believes that the Master Funds' investment program and Galapagos' research techniques will moderate this risk through a careful selection of securities and other financial instruments. However, no guarantee or representation is made that the Master Funds' investment program will be successful or that the Master Funds will not incur losses. The Master Funds' investment program may utilize investment



techniques including, but not limited to, trading in put and call options and other derivatives, the use of leverage and short sales, which in practice can, in certain circumstances, increase the adverse impact to which the Master Funds may be subject.

In certain transactions, the Master Funds may not be “hedged” against market fluctuations or, in reorganization or liquidation situations, may not accurately value the assets of the Offshore Fund or the degree of legal and regulatory risk associated with investments in the securities of companies in such situations. This can result in losses, even if the proposed transaction is consummated.

Galapagos will attempt to assess the foregoing risk factors, and others, in determining the extent of the position it will take in the relevant securities and the price it is willing to pay for such securities. However, such risks cannot be eliminated.

**Investment Analysis.** When assessing investment opportunities, Galapagos relies on resources that may have limited or incomplete information. In particular, Galapagos relies on publicly available information and data filed with various government regulators or made directly available to Galapagos by the issuers of securities or through sources other than the issuers. Although Galapagos expects that it will evaluate information and data as it deems appropriate and will seek independent corroboration when reasonably available, Galapagos will not evaluate all publicly available information and data and is not in a position to confirm the completeness, genuineness or accuracy of the information and data that it evaluates.

As a result, there can be no assurance that the due diligence exercise carried out by Galapagos will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities. Any failure to have identified the relevant facts may result in an inappropriate investment decision, which may have a material adverse effect on the value of any investment in the Funds.

**Global Macro.** The success of the Master Fund’s emerging global macro investment strategy depends upon Galapagos’ ability to identify and exploit perceived fundamental, economic, financial, and political imbalances that may exist in and between markets throughout the world. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that Galapagos will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses underlying the Master Fund’s positions fail to be borne out in developments expected by Galapagos, the Master Fund may incur losses, which could be substantial.

**Concentration of Investments.** Subject to any limitations adopted by Galapagos from time to time, the Macro Master Fund is not restricted in the amount of its capital that it may commit to any issuer, security, industry sector or geographic region, and at times the Macro Master Fund may hold a relatively large concentration in a limited number of issuers, securities, industry sectors and/or geographic regions. Losses incurred in connection with those investments could have a material adverse effect on the Macro Master Fund’s overall financial condition. This is because the value of the Macro Master Fund’s investment portfolio will be more susceptible to any single occurrence affecting one or more of those issuers, securities, industry sectors or geographic regions than would be the case with a more diversified investment portfolio.

**Equity Securities.** The Macro Master Fund will invest in equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect the Macro Master Fund’s positions.

**Fixed Income Securities.** The Macro Master Fund will trade in bonds and may trade in other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations, or debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

The Macro Master Fund will trade in fixed-income securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult.

**"High Yield" Securities.** The Macro Master Fund will invest in "higher yielding" (and, therefore, higher risk) debt securities. Such securities are generally considered to be below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. In certain periods, there may be little or no liquidity in markets for these securities. Furthermore, it is likely that a major economic recession or financial crisis could have a materially adverse impact on the value of such securities. High yield securities have historically experienced greater default rates than has been the case for investment grade securities. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates. The markets for high yield securities tend to be more volatile, less liquid and less active than those for higher-rated securities, which can adversely affect the price at which these securities can be sold and may make it impractical or impossible to sell such securities at times of market dislocation. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these securities.

**Foreign Investments.** The Macro Master Fund will trade non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the U.S., as well as securities and other instruments of companies having substantial profits and/or revenues generated in non-U.S. currencies. Such transactions require consideration of certain risks not typically associated with trading in U.S. securities or other instruments. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the U.S. or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the U.S., and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States. The Master Fund might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which, in some markets, could at times fail to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Macro Master Fund's performance.

**Currency Risks.** The Macro Master Fund will invest in securities and other instruments denominated or quoted in currencies other than the U.S. Dollar, as well as securities and other instruments of

companies having substantial profits and/or revenues generated in non-U.S. currencies. In connection therewith, Galapagos may hedge against the resulting currency exposure wherever economically prudent. However, changes in currency exchange rates and/or erosion of non-U.S. currencies will affect the value of the Macro Master Fund's portfolio and the unrealized appreciation or depreciation of investments. Additionally, such hedging transactions may include a credit component pursuant to which the Macro Master Fund may be required to grant to its hedging counterparty a security interest in certain of its assets. Accordingly, in such a case, if the Macro Master Fund defaults with respect to a currency hedging transaction, then the hedging counterparty could lay claim to an interest in such assets.

Further, the Macro Master Fund may incur costs in connection with conversions between various currencies. Foreign currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Macro Master Fund at one rate, while offering a lesser rate of exchange should the Master Fund desire immediately to resell that currency to the dealer. The Macro Master Fund will conduct its currency exchange transactions on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market. The Macro Master Fund may also take speculative positions in currencies, which will be subject to the same risks discussed above.

**Incentive Allocation / Performance Allocation.** The reallocation of a percentage of Master Fund's net profits to the General Partner may create an incentive for Galapagos to invest the assets of the Master Fund in investments that are riskier or more speculative than would be the case if this reallocation were not made. Since the reallocation is calculated on a basis which includes unrealized appreciation of assets, such allocation may be greater than if it were based solely on realized gains.

**Investment in Emerging and Frontier Markets.** The Macro Master Fund will have significant investments in securities and other financial instruments, or related derivatives positions, of issuers domiciled in, or with significant operations in emerging and frontier market countries. In addition to business uncertainties and to the risks associated with investments in non-U.S. securities or currencies, such investments may be particularly affected by political, social and economic uncertainty affecting a country or region. In addition, such countries' legal and regulatory environment and financial accounting practices and standards may be different and less transparent than that of the United States. Furthermore, many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced (and in some cases be almost totally illiquid) and price volatility (including substantial downward price movements) may be higher. The 2008 economic crisis and the COVID-19, for example, has severely impacted many developing countries accentuating existing and additional risks.

The Macro Master Fund may be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and other assets and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise.

Income received by the Macro Master Fund from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Macro Master Fund will reduce its net income or return from such investments. While Galapagos intends to take these factors into consideration in making investment decisions for the Macro Master Fund, no assurance can be given that the Macro Master Fund will be able to fully avoid these risks.

**Trading Costs in Emerging and Frontier Market Investments.** Trading and trading-related costs, such as bid-offer spreads, commissions and price sensitivity to trading volume, in emerging and frontier market countries are generally higher as compared to such costs in highly developed markets. Such

costs, which at times may be substantial, will reduce the return to the Macro Master Fund on its investments.

**Government Involvement in the Private Sector.** Government involvement in the private sector varies in degrees among the emerging countries in which the Master Fund may invest. Such involvement may include government ownership, wage and price controls or imposition of trade barriers or other protectionist measures.

**Leverage.** Galapagos will use leverage as part of the Master Fund's investment program and the amount of leverage which the Master Fund may have outstanding at any time may be substantial in relation to its capital. Leverage may be obtained by borrowing funds to make trades or by purchasing or entering into derivative instruments that are inherently leveraged, such as swaps, options, futures and forward contracts.

If the interest expense on borrowings were to exceed the net return on the positions acquired with borrowed funds, the Master Fund's use of leverage would result in a lower rate of return than if the Master Fund were not leveraged. If the amount of borrowings which the Master Fund may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Master Fund's portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any gains made with the additional monies borrowed will generally cause the value of the Master Fund's assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost to the Master Fund, the value of the Master Fund's assets will generally decline faster than would otherwise be the case. The amount of any borrowing may also be limited by regulations imposed by the Federal Reserve Board or by the availability and cost of credit, as well as due to overall market conditions. If, due to market fluctuations or other reasons, the value of the Master Fund's assets should fall below required regulatory or counterparty-imposed levels, the Master Fund will be required to reduce its debt by selling securities in its long portfolio. The Master Fund may also be unable to carry-out its investment program if it is not able to obtain leverage on reasonable terms.

In the case of derivative instruments, because many derivatives are "leveraged," such instruments provide significantly more market exposure than the money paid or deposited when the transaction is entered into and, thus, a relatively small adverse market movement in the underlying asset can not only result in the loss of the entire investment, but may also expose the Master Fund to the possibility of a loss exceeding the original amount invested.

In addition, in transactions involving derivative instruments, counterparties and lenders will likely require the Master Fund to post collateral to support its obligations. Should the securities and other assets pledged as collateral decline in value, or should brokers increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), the Master Fund could be subject to a "margin call" pursuant to which it must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. In the event of a precipitous drop in the value of pledged securities, the Master Fund might not be able to liquidate assets quickly enough to pay off the margin debt or provide additional collateral and may suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses. Furthermore, secured counterparties and lenders will generally have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by the Master Fund. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Master Fund may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral.

Galapagos will engage in the trading of options on futures for the account of the Master Fund, typically for hedging purposes. If Galapagos, on behalf of the Master Fund, buys an option (either to sell or buy

a futures contract or commodity), the Master Fund will be required to pay a “premium” representing the market value of the option. Unless the price of the futures contract or commodity underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Master Fund may lose the entire amount of the premium.

**Hedging Transactions.** The Master Fund may utilize financial instruments, both for investment purposes and for risk management purposes in order (i) to protect against possible changes in the market value of the Master Fund’s portfolio resulting from fluctuations in the securities markets and changes in interest rates, (ii) to protect the Master Fund’s unrealized gains in the value of the Master Fund’s portfolio, (iii) to facilitate the sale of any such investments, (iv) to enhance or preserve returns, spreads or gains on any investment in the Master Fund’s portfolio, (v) to hedge the interest rate or currency exchange rate on any of the Master Fund’s liabilities or assets, (vi) to protect against any increase in the price of any securities the Master Fund anticipates purchasing at a later date, or (vii) for any other reason that Galapagos deems appropriate.

The success of the Master Fund’s hedging strategy will depend, in part, upon Galapagos’ ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Master Fund’s hedging strategy will also be subject to Galapagos’ ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Master Fund may enter into hedging transactions in an effort to reduce risk, such transactions may result in a poorer overall performance for the Master Fund than if it had not engaged in such hedging transactions. For a variety of reasons, Galapagos may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Master Fund from achieving the intended hedge or expose the Master Fund to risk of loss. Galapagos may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Master Fund’s portfolio holdings.

**Short Sales.** The Macro Master Fund will engage in the short selling of securities, currencies or other instruments. A short sale involves the sale of a security, currency or other instrument that the Macro Master Fund does not own in the expectation of purchasing the same security, currency or other instrument (or a security, currency or other instrument exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Macro Master Fund must borrow the security, currency or other instrument and the Macro Master Fund is obligated to return the security, currency or other instrument to the lender, which is accomplished by a later purchase of the security, currency or other instrument by the Macro Master Fund. When the Macro Master Fund makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a non-U.S. exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security, currency or other instrument that would result in a theoretically unlimited loss to the Macro Master Fund. The extent to which the Macro Master Fund will engage in short sales will depend upon Galapagos’ investment strategy and perception of market direction and the value of individual securities, currencies or other instruments (as applicable). Galapagos may engage in short sales on behalf of the Macro Master Fund as a hedge against potential market declines and/or based on its fundamental analysis of the subject issuers.

**Call Options.** There are risks associated with the sale and purchase of call options in which the Macro Master Fund will engage. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security

below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

**Put Options.** There are risks associated with the sale and purchase of put options in which the Macro Master Fund will engage. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

**Derivatives Generally.** The Master Fund will invest in derivative instruments. Derivative instruments, or “derivatives,” include options, futures, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, financial assets, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, financial asset, currency or index at a fraction of the cost of investing in the underlying asset. The Master Fund will seek to acquire derivatives for these or other reasons, however, there is no assurance that derivatives that the Master Fund wishes to acquire will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement in the underlying asset can not only result in the loss of the entire investment, but may also expose the Master Fund to the possibility of a loss exceeding the original amount invested. Over-the-counter (“**OTC**”) derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The OTC market for derivatives is relatively illiquid. In the case of OTC derivatives contracts, the Master Fund is subject to the credit risk of the counterparty.

In advising the Master Fund, Galapagos may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the trading objective of the Master Fund and legally permissible. Special risks may apply to instruments that are invested in by the Master Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Master Fund.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) enables the Commodity Futures Trading Commission (“**CFTC**”) and the SEC to enact new regulations on certain OTC derivatives. Pursuant to CFTC regulations, certain OTC derivatives contracts (including certain interest rate swaps and certain credit default index swaps) are required to be traded on

regulated trading platforms (i.e., swap execution and facilities) and cleared through registered clearing organizations subject to regulation by the CFTC. Such contracts are traded more like futures and options contracts, and parties to such transactions trade standardized contracts and face clearing organizations as contractual counterparties, rather than facing the credit risk of counterparties under individually negotiated bilateral OTC agreements. In the future, additional categories of OTC derivative contracts may be subject to mandatory clearing. The SEC recently adopted rules establishing margin, capital and collateral segregation requirements for security-based swap dealers. These rules became effective on October 6, 2021, which was the registration deadline for security-based swap dealers.

CFTC-registered swap dealers, SEC-registered security-based swap dealers and major swap (including major security-based swap) participants (entities who are not swap dealers, but whose level of activity makes them subject to rules governing dealers) are subject to regulatory oversight and requirements with respect to OTC derivatives, which include mandatory margin requirements, business conduct requirements, such as know-your-customer rules, increased risk disclosure and rules requiring trades to be documented within certain time frames. Derivative contracts, whether cleared or traded OTC, must be reported to registered swap data repositories. Despite these changes, parties to OTC derivative trades will continue to bear counterparty credit risk.

The effect that the foregoing regulatory changes will continue to have on the price of derivative contracts, liquidity and administrative costs, and the effects resulting from increased transparency, among other things, still remains unclear. In addition, the CFTC and SEC are both expected to conduct further rulemaking and potentially revisit previously finalized rules with respect to the Dodd-Frank Act. Depending upon any such changes, there may be significant differences in the future with respect to the risks associated with derivatives trading. The impact of any such changes is currently unknown, and neither Galapagos, the General Partner, the Offshore Fund, nor the Master Fund undertakes to update the Shareholders upon such changes or upon finalization of any CFTC or SEC regulations promulgated under the Dodd-Frank Act.

**Risk of Default or Bankruptcy of Third Parties.** The Master Fund will engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, the Master Fund could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid.

In addition, the Master Fund could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Master Fund does business, or to which securities have been entrusted for custodial purposes. For example, if one of the Master Fund's prime brokers or custodians were to become insolvent or file for bankruptcy, the Master Fund could suffer significant losses with respect to any securities held by such firm.

Additionally, under CFTC regulations, "futures commission merchants" ("**FCMs**"), such as the Master Fund's prime brokers, are required to maintain customers' assets in a segregated account. If the Master Fund's FCM fails to do so, under certain circumstances, such as the inability of another customer of the FCM or the FCM itself to satisfy substantial deficiencies in the other customer's account, the Master Fund may be subject to a risk of loss of its assets on deposit with such prime broker. In the case of any bankruptcy or customer loss, the Master Fund might recover, even with respect to property specifically traceable to the Master Fund, only a *pro rata* share of all property available for distribution to all of the FCM's customers.

**Counterparty Risk.** Some of the markets in which the Master Fund effects its transactions are "OTC" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes the Master Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit

or liquidity problem, thus causing the Master Fund (and thereby the Offshore Fund) to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of counterparties. Galapagos is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of Galapagos to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund.

The Master Fund’s investment strategy requires use of transactions that expose the Master Fund to the credit of its counterparties, and vice versa. For example, the Master Fund will seek to borrow securities intending to sell them short and may enter into long and short derivative positions. All of these transactions, and transactions similar to them, are governed by documents, industry standards, market customs and practices, the parties’ prior course of dealing and by the covenant of good faith and fair dealing. At times, and especially in times of market stress, these credit exposures may come under stress, normal business conduct may be interrupted and normal legal protections may prove inadequate or may fail to provide timely relief. Should it become necessary to remove or reduce exposure to a particular counterparty, there can be no guarantee that a satisfactory alternative will be available, or even if one is available, that the Master Fund will be able to avail itself of that alternative. As a consequence, it is possible that any unwinding of the credit exposure may prove costly and thereby damage the Master Fund.

**Exchange Traded Funds (“ETFs”).** The Macro Master Fund will trade in ETFs. ETFs are generally structured to invest in all or a representative sample of the securities that generally replicate the price and yield performance of an underlying market index or sector such as a broad stock market, industry sector, domestic or international equity or fixed income, or U.S. or foreign government bond. ETF shares are traded on stock exchanges and markets at open market prices that generally track the net asset value per share of the ETF. Direct issuances and redemption of ETF shares at the ETF’s net asset value per share only occur in large blocks (or creation units) transacted between the ETF and authorized institutional purchasers on an in-kind basis. An exchange traded sector fund may be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic and/or political instability in other nations and/or other factors. Although index-based ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, ETFs may not be able to replicate exactly the performance of the indices because of their expenses and other factors. ETF shares may trade at either a discount or premium to their underlying net asset value. The purchase or sale of ETF shares on the secondary market involves the payment of brokerage commissions, and the purchase and redemption of creation units involves other transaction costs and brokerage commissions. Investors in ETFs also directly bear the ETF’s costs associated with its payment of investment management fees and fees for administrative, custodial or other services and thus the Shareholders will indirectly incur an additional layer of fees and expenses.

**Index or Index Options.** The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Macro Master Fund will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

**Index Futures.** The Macro Master Fund will trade in index futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance



requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Macro Master Fund also is subject to Galapagos' ability to correctly predict movements in the direction of the market.

**Swaps.** The Macro Master Fund will trade swaps. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Whether the Macro Master Fund's use of swap agreements or swaptions will be successful will depend, in part, on Galapagos' ability to select appropriate transactions for the Macro Master Fund. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, non-U.S. currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Macro Master Fund's portfolio. Moreover, the Macro Master Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Macro Master Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Macro Master Fund to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Macro Master Fund's ability to terminate swap transactions or to realize amounts to be received under such transactions.

**Options on Futures.** Trading options on futures involves a high degree of risk. The risks of trading options on futures are similar to the risks of trading securities options, but often involve even greater leverage and risks. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

**Commodity Trading.** The prices of commodities and all derivative instruments, including futures and options prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, U.S. and non-U.S. governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent Galapagos from promptly liquidating unfavorable positions and subject it to substantial losses. In addition, the Dodd–Frank Act significantly expands the CFTC's authority to impose broader aggregate position limits.

**Interest Rate Risk.** Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The Master Funds may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Master Funds will be successful in fully mitigating the impact of interest rate changes.

**Risks of Real Estate Lending.** Galapagos will invest the assets of the Funds in real estate-related debt investments, including loans that may be subordinated to other loans made to the same borrower.

These types of investments are subject to the risk of default by the borrower, mismanagement or decline in the value of the collateral for the loan, and the cost, delay and uncertainty associated with enforcement following default, including the bankruptcy of the debtor and claims of lender liability or violation of usury or other laws. Real estate-related debt investments are also subject to inflation risk where the interest rate is fixed.

**General Real Estate Considerations.** Real estate historically has experienced significant fluctuations and cycles in value that may result in reductions in the value of real estate-related investments. The marketability and value of the investments undertaken by Galapagos on behalf of the Funds depends on many factors beyond the control of Galapagos. The ultimate performance of such investments is subject to the varying degrees of risk generally incident to the financing, ownership, market, and operation of the underlying real property. The ultimate value of a Fund's loan is very dependent upon the underlying real property and depends upon the real property owner's ability to operate the real property in a manner sufficient to maintain or increase revenues in excess of operating expenses and debt service or, in the case of all properties, the ability of any lessees to make rental payments.

**Real Estate or Real Estate-Related Investments.** Galapagos will recommend real estate-related investments for Funds. Historically real estate has experienced significant fluctuations and cycles in value and local market conditions which result in reductions in real estate opportunities, value of real property interests and, possibly, the amount of income generated by real property. All real estate-related investments are subject to the risk attributable to, but not limited to: (i) inability to consummate investments on favorable terms; (ii) inability to complete renovation, expansion or development on advantageous terms; (iii) adverse government, environmental, financing, and tax regulations; (iv) leasing delays, tenant bankruptcies and low occupancy levels and lease rates; and (v) changes in the liquidity of real estate markets. Real estate investment strategies which employ leverage are subject to risks normally associated with debt financing, including the risk that: (a) cash flow after debt service will be insufficient to accumulate sufficient cash for distributions; (b) existing indebtedness (which is unlikely to be fully amortized at maturity) will not be able to be refinanced; (c) terms of available refinancing will not be as favorable as the terms of existing indebtedness; or (d) that the loan covenants will not be complied with. It is possible that property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

**Inside Information.** From time to time, Galapagos and its affiliates may come into possession of inside information concerning specific companies. Under applicable securities laws, this may limit the Master Funds' ability to buy or sell securities issued by such companies. If the Master Funds holds the securities of the Offshore Fund with respect to which Galapagos is in possession of inside information, the Master Funds may be restricted from trading the securities of such Offshore Fund for an indefinite period of time, which could result in losses to the Master Funds.

**Alternative Data Risk.** Galapagos may use so-called "alternative data," which generally refers to data that is not the traditional exchange or accounting data that has been widely used by the mainstream investment industry. Risks associated with alternative data include the possibility of new legal and regulatory frameworks targeting the collection and use of the data or technological changes that may make the data less useful or available. There is also the possibility that the organizations providing alternative data may cease operations, change business models, or suffer temporary outages due to technical issues. Insider trading and "fair practice" laws are generally untested in this area. Investment decisions based on alternative data may be flawed for various reasons, such as incomplete, "dirty" or misunderstood data, or problems with the technology used to collect and analyze it.

**Changes and Uncertainty in U.S. and International Regulation.** The Funds may be adversely affected by uncertainties such as international and domestic political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries to which the Funds' assets are exposed through their investments or investor base. During this period of uncertainty, market participants may react quickly to unconfirmed reports or information and as a result there may be increased market volatility. This unpredictability could cause Galapagos to alter investment

and trading plans, including the holding period of positions and the nature of instruments used to achieve the Master Funds' investment objectives.

In the United States, the Funds, Galapagos, and the General Partners may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the Financial Stability Oversight Council, and other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In addition, the securities and futures markets are subject to comprehensive statutes and regulations, including margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The Dodd-Frank Act and the rules promulgated thereunder could result in the Funds, Galapagos and the General Partners becoming subject to additional regulatory compliance burdens and trade reporting, which may add significant costs to the Funds. The Dodd-Frank Act endows the SEC, the CFTC, and other regulators with discretionary authority to write and interpret new rules. The ultimate impact of the Dodd-Frank Act on the Funds, Galapagos and the General Partners are unclear and will depend in large part on the regulations that the CFTC and SEC promulgate, as well as any legislative changes that may be made. There is speculation that some of the provisions of the Dodd-Frank Act and rules and regulations promulgated thereunder may be revised, repealed or amended.

In 2021 and 2022, the SEC released a wave of proposed rules and/or rule amendments that would directly and materially impact private fund advisers such as Galapagos (the “**Private Fund Proposals**”). The adoption of all or any part of the Private Fund Proposals would result in the Funds, Galapagos and the General Partners becoming subject to additional regulatory compliance burdens, which may add significant costs to, or have other adverse impacts on, the Funds. Furthermore, Galapagos may have to amend certain of its policies and procedures and/or the terms of the Offshore Funds applicable to Investors in order to comply with the Private Fund Proposals, which could adversely impact Investors, including bearing costs associated with revising fund documentation.

The impact of any such changes is unknown. Neither Galapagos, the General Partners, nor the Funds undertakes to update Investors upon such changes or finalization of any such regulations.

**Market Disruption Events and Geopolitical Risks.** The Master Funds may trade in different markets and different kinds of instrument types. It is possible that as a result of war, terrorist act, natural disaster, outbreak of infectious disease, epidemic, pandemic or other serious public health concern, or geopolitical or other extraordinary or unforeseen circumstance or event (a “**Market Disruption Event**”), one or more of these markets may cease operating for a limited or indeterminable period of time. In that event, it may be difficult for Galapagos to value the positions that trade in the affected markets, and the Funds may be exposed to significant movements in the perceived value of instruments without having the ability to trade those instruments.

Additionally, Market Disruption Events may have a substantial effect on economies and securities markets in the U.S. or worldwide and could materially adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of the Master Funds' investments. Market Disruption Events could also affect the principal prime brokers, FCMs, and custodians that carry and clear the Master Fund's trades and positions. The inability of key marketplace intermediaries to function could have an adverse impact upon liquidity as well as the ability of the Master Funds to trade its positions. Market Disruption Events could also have a direct physical impact upon the Funds' and/or Galapagos' operations, including the destruction of their facilities and/or incapacity or loss of life to key personnel.

Furthermore, in late February 2022, Russia launched a large-scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, and NATO countries generally, including the United States. In response to the military action by Russia, various countries, including the United States, the United Kingdom, and European Union (the

“EU”) issued broad-ranging economic sanctions against Russia. The ramifications of the hostilities and sanctions, however, may not be limited to Russia and Russian companies but may spill over to and negatively impact other regional and global economic markets of the world (including Europe and the United States), companies in other countries (particularly those that have done business with Russia) and on various sectors, industries and markets for securities and commodities globally, such as oil and natural gas. Accordingly, the potential for a wider conflict could increase financial market volatility, cause severe negative effects on regional and global economic markets, industries, and companies and have a negative effect on the performance of the Funds beyond any direct exposure to Russian issuers or those of adjoining geographic regions.

While Galapagos has taken steps intended to mitigate the adverse consequences that could arise from the occurrence of a Market Disruption Event, the inability to predict the timing, location, source and severity of such event or events make it difficult to provide assurances that the Funds would not suffer material adverse consequences should a Market Disruption Event occur.

**Inflation Risk.** Due to a convergence of different economic factors, including scarcity of workers, pent-up demand and insufficient supply, inflation has recently hit a 40-year-high. High inflation may undermine the performance of the Master Funds’ investments by reducing the value of such investments and/or the income received from such investments and/or increasing the borrowing costs incurred by the Master Funds.

Generally, for example, when inflation rises, the Federal Reserve will increase interest rates to decrease borrowing, driving the value of the dollar down even as the cost of goods rises and spending power drops. This causes bond yields (interest) to increase as investors demand compensation for inflation risk. Ultimately, the price of the bonds is expected to drop as investors lose interest in it, lowering the value of any such investments. Furthermore, for example, on discounted cash flow calculations and the presumption that interest rates will change, growth stocks are typically negatively impacted by high inflation. Rising inflation is also expected to lead to general market uncertainty and therefore could impact all types of investments made by the Master Funds.

**Operational and Information Security Risk from Cyberattacks; Cyber-Fraud; Disaster Recovery.** The Funds and their service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cyberattacks affecting the Funds, Galapagos, the General Partners, the fund administrator, the Master Funds’ prime brokers, FCM, custodians, and other third-party service providers may adversely impact the Funds. For instance, cyberattacks may interfere with the processing of investor transactions, impact the ability to calculate the Master Funds’ and the Offshore Funds’ net asset values, cause the release of private investor information or other confidential information, impede trading, subject the Funds and their service providers to regulatory fines or financial losses and cause reputational damage. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for the Funds, and may cause the Master Funds’ investments to lose value. The Funds may also be the targets of cyber-fraud that could result in the theft of assets from the Funds, especially as computer malware, viruses and computer hacking, fraudulent use attempts and phishing and spoofing attacks have become more prevalent. In the hedge fund industry, these attacks have included third party actors submitting fraudulent redemption and transfer requests, resulting in the theft of the rightful investor’s assets. The Funds and their service providers may incur additional costs relating to cybersecurity preparations, including in order to comply with the SEC’s Private Fund Proposals relating to cybersecurity, which would require, if adopted, an SEC-registered investment adviser to undergo an annual review and assessment of cybersecurity policies and procedures, and such preparations, though taken in good faith, may be inadequate. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change.

While Galapagos has put in place certain safeguards in case of disruption of information technology, including transmission failures, there can be no guarantee that such measures will be effective against all situations or will be implemented in time and each of the Funds may be adversely affected thereby.

**Pandemic Risk.** The outbreak of the novel coronavirus, COVID-19, has substantially impacted global commercial activity and contributed to significant volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus.

**Business Continuity.** Various force majeure events, including acts of God, natural disasters such as fire, flood or earthquakes, wars, terrorist acts, outbreaks of infectious disease, epidemics, pandemics or other serious public health concerns, cyber-attacks, technology and/or power failures, labor strikes, or geopolitical or other extraordinary, or other unforeseen circumstances or events, may materially disrupt Galapagos' business and operations, or the business and operations of any counterparty or service provider to Galapagos or the Funds, and the Funds may be adversely affected thereby. For example, if a significant number of Galapagos' personnel were to be unavailable in a force majeure event (such as war, terror attack or an outbreak of infectious disease), Galapagos' ability to effectively conduct the Funds' business could be severely compromised. In addition, the cost to the Funds, Galapagos, or its affiliates of repairing or replacing damaged assets or systems resulting from such force majeure event could be considerable. While Galapagos has adopted certain policies and procedures designed to restore and/or continue its business and operations in such situations, there is no guarantee that such policies and procedures will be effective in any of such situations or will be implemented in time, and the Funds may be adversely affected thereby.

## **Item 9: Disciplinary Information**

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Galapagos is required to disclose all material facts regarding any legal or disciplinary events that would be material to a prospective investor or current Investor's evaluation of our business or the integrity of Galapagos. Galapagos has not been subjected to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction.

Regarding the persons involved in the management of Galapagos, Sergio Zanini, the Chief Investment Officer of the registrant, has been subject to the following disciplinary events:

### **Administrative Proceeding:**

Sergio Zanini, the Chief Investment Officer of the registrant, has been named on July 1, 2015 in an administrative proceeding by the Brazilian administrative anti-competitive authority (Conselho Administrativo de Defesa Econômica - CADE) with regards to alleged anti-competitive trade activities in 2008/2009 while employed by Royal Bank of Canada by, among others, alleged artificial fixing of spreads in the derivatives market involving NDF products related to Brazilian Reais (BRL) and US Dollar (USD) foreign exchange. The proceeding alleged the violation of provisions of the Brazilian Competition Law (Law 12.529/2011).

Royal Bank of Canada and CADE entered into a Cease and Desist Agreement ("TCC") on June 13, 2018, which included an adhesion clause that enabled related individuals to adhere to the agreement and be entitled to its benefits. Through the TCC, Royal Bank of Canada (i) acknowledged participation in part of the conduct under investigation by CADE, with regards to sharing sensitive information with competitors and with regards to spreads in the NDF BRL market but not with regards to the fixing of the BRL currency exchange rate calculated by the Brazilian Central Bank ("PTAX") or currency index

manipulation, (ii) agreed to cooperate with the investigation, and (iii) agreed to pay a pecuniary contribution.

Sergio Zanini's request for adhesion to the TCC was granted by CADE's Tribunal on March 20, 2019. He paid a pecuniary contribution of BRL 150,000 (approximately USD 30,000). As a result, the proceeding was suspended in relation to Royal Bank of Canada and Sergio Zanini and currently awaits judgment by the CADE's Tribunal, when it is expected that there will be recognition of compliance by Sergio Zanini with the obligations set out in the TCC and therefore no condemnation of Sergio Zanini by CADE.

Sergio Zanini, the Chief Investment Officer of the registrant, has been named on July 1, 2015 in an administrative proceeding by the Brazilian administrative anti-competitive authority (Conselho Administrativo de Defesa Econômica - CADE) with regards to alleged anti-competitive trade activities in 2008/2009 while employed by Royal Bank of Canada by, among others, alleged artificial fixing of prices in the derivatives market involving NDF products related to Brazilian Reais (BRL) and US Dollar (USD) foreign exchange spread. The proceeding alleged the violation of provisions of the Brazilian Competition Law (Law 12.529/2011).

Royal Bank of Canada and CADE entered into a Cease and Desist Agreement ("TCC") on June 13, 2018, which included an adhesion clause that enabled related individuals to adhere to the agreement and be entitled to its benefits. Through the TCC, Royal Bank of Canada (i) acknowledged participation in part of the conduct under investigation by CADE, with regards to sharing sensitive information with competitors and with regards to spreads in the NDF BRL market but not with regards to the fixing the PTAX or currency index manipulation, (ii) agreed to cooperate with the investigation, and (iii) agreed to pay a pecuniary contribution.

Sergio Zanini's request for adhesion to the TCC was granted by CADE's Tribunal on March 20, 2019. He paid a pecuniary contribution of BRL 150,000 (approximately USD 30,000). As a result, the proceeding was suspended in relation to Royal Bank of Canada and Sergio Zanini and currently awaits judgment by the CADE's Tribunal, when it is expected that there will be recognition of compliance by Sergio Zanini with the obligations set out in the TCC and therefore no condemnation of Sergio Zanini by CADE.

#### Criminal Proceeding:

Sergio Zanini, the Chief Investment Officer of the registrant, was charged on September 21, 2017 by the Brazilian Federal Public Prosecutor for alleged anti-competitive trade activities in 2008/2009 while employed by Royal Bank of Canada related to alleged BRL interbank offshore derivative spreads fixing and obstructing other players from participating in the interbank offshore non-deliverable forward ("NDF") BRL market.

Following Sergio Zanini's vigorous preliminary defense of these charges, which included explaining the nature of the offshore BRL NDF market and its counterpart credit restrictions, the Brazilian prosecutor's office decided not to pursue the criminal proceeding and, as per Brazilian legal procedures, granted Sergio Zanini a conditional suspension of the proceeding, which was accepted by Sergio Zanini, confirmed by the Brazilian 2nd Federal Criminal Court of the Judicial Subsection on May 08, 2023, and imposed the following conditions: (i) monthly appearance by Sergio Zanini in court to be performed by videoconferencing or e-mail and (ii) payment of BRL 200,000 (approximately USD 40,000) in 10 instalments. Pursuant to Brazilian law, this suspension does not imply the admission of guilt by Sergio Zanini.

Once the 2-year period is concluded and the above conditions are met, the criminal proceeding will be automatically terminated without any registration on Sergio Zanini's criminal records.

**Item 10: Other Financial Industry Activities and Affiliations**

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Galapagos does have an application pending to register as a commodity pool operator with the National Futures Association.

Neither Galapagos nor the Macro General Partner are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

The Macro General Partner of the Macro Master Fund, a related person of Galapagos, serves as the Macro Master Fund's General Partner. This relationship creates an incentive for Galapagos to make investment allocations that are riskier or more speculative than would be the case if the Macro General Partner did not receive incentive compensation from the Macro Master Fund for serving as the Macro General Partner to such Macro Master Fund.

***Affiliated Investment Advisers of Galapagos***

Certain principals and employees of Galapagos also work for affiliated entities of the Investment Manager. These individuals furnish investment management and advisory service to Other Accounts that are clients of the affiliated advisers of Galapagos.

Galapagos and affiliates may make recommendations to and take actions on behalf of others (including but not limited to the Funds), which may be the same as or different from recommendations made to other future clients of Galapagos, or current clients of an affiliate of Galapagos. In addition, Galapagos or any affiliate may make recommendations to trade, purchase or sell for a client regarding any investment opportunity which Galapagos or an affiliate may recommend purchase or sell for its own account or for the account of any other client (or recommend to any other client); and Galapagos or its affiliates may not give clients the same advice as may be given to any other client. Galapagos or any affiliate may also act as investment adviser, manager or custodian to other clients. Galapagos and affiliates may from time to time have positions in or transact in investment opportunities recommended to other clients. Such transactions may differ from or be inconsistent with the advice given, or the timing or nature of Galapagos' advice given with respect to a client. Galapagos and its affiliates always acts in the best interest of its clients and in accordance with a client's investment objectives and has a robust compliance program in place to generally deal with conflicts of interest that come up from time to time on an objective basis.

Neither Galapagos nor the Macro General Partner recommend or select other investment advisers for the Funds.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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***Code of Ethics***

Galapagos has adopted a Code of Ethics pursuant to Rule 204A-1 of the Advisers Act (the "**Code**") that establishes certain standards of conduct and rules for its employees and/or access persons (as applicable). A summary of the Code is provided below. All access persons of Galapagos must acknowledge annually that they understand and agree to the terms of the Code.

The Code incorporates the following general principles that all employees are expected to uphold at all times:

- Employees must place the interest of clients first;

- Employees must conduct all personal securities transactions in a manner consistent with the Code and seek to avoid both actual conflicts of interest and the appearance thereof; and
- Employees may not take inappropriate advantage of their own positions with Galapagos for their own personal benefit.

***Personal Trading***

The Code provides that access persons are only permitted to purchase or sell individual publicly-traded securities for their own accounts or accounts that the access person controls or which the access person may be deemed to have beneficial ownership (such as an account of a spouse or minor child) with preapproval from the CCO. Galapagos believes that this mitigates the most likely conflict of interest that may arise from personal trading activity.

Access persons are permitted to buy and sell private securities (such as investments in hedge fund, private equity funds and private companies) with prior approval. Access persons are also permitted to invest in mutual funds, ETFs and U.S. and non-U.S. government issued obligations without prior approval. In addition, Galapagos may permit access persons to maintain accounts that are managed on a discretionary basis by a third party if the access person has no direct or indirect influence or control over the investments for the account.

Exceptions to the personal trading policy are handled on a case-by-case basis. For example, an exception may be granted for legacy positions that were held by an access person (or a covered family member) prior to that access person joining Galapagos or to sell an investment that was originally made when the company was private and subsequently became publicly traded. In such a case, the access person would be required to obtain prior approval to sell such positions and may be subject to other restrictions as deemed appropriate by Galapagos under the circumstances.

***Gifts and Entertainment, Political Activities and Outside Activities***

The Code provides that gifts and entertainment must be reasonable in light of industry practices and should never be given or received if the purpose is to influence the recipient. Galapagos requires access persons to report or receive approval for the receipt or giving of gifts and entertainment under certain circumstances.

The Code also generally requires access persons to obtain prior approval before the access person, a spouse or certain other immediate family members makes a political contribution or engages in certain campaign-related fundraising activities. This policy is intended to prevent scenarios whereby an access person may make a contribution or engage in an activity for the selection of Galapagos as an investment adviser for a governmental equity.

Finally, the Code provides that, without prior approval, access persons are generally not permitted to engage in certain types of outside business activities. This policy is intended to prevent material conflicts of interest that could arise from an access person's personal activities.

***Participation or Interest in Client Transactions***

Galapagos, its principals and employees do not purchase or sell any securities for their own accounts to or from the Funds. Furthermore, Galapagos currently only provides investment advisory services to the Funds and executes all trades in the Master Funds. If in the future Galapagos advises additional private funds or separately managed accounts, Galapagos may deem it appropriate to effect rebalancing or internal cross transactions, subject to the Funds' investment guidelines and restrictions. In such cases, Galapagos may determine that it would be in the best interests of the Fund(s) and one or more other accounts to transfer a security from one account to another (each such transfer, a "**Cross Trade**") for a variety of reasons, including tax purposes, liquidity purposes, to rebalance the portfolios



of the accounts, or to reduce transaction costs that may arise in an open market transaction. If Galapagos decides to engage in a Cross Trade, Galapagos will determine that the trade is in the best interests of both of the accounts involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those accounts.

Galapagos generally intends to execute Cross Trades, if at all, with the assistance of a broker-dealer that executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross transaction between two fund clients may occur as an “internal cross”, where Galapagos instructs the custodian for the accounts to book the transaction at the price determined in accordance with Galapagos’ Valuation Policy. If Galapagos effects an internal cross, Galapagos will not receive any fee in connection with the completion of the transaction.

### ***Additional Considerations***

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities, partners and personnel in connection with client transactions. Galapagos has established written policies and procedures, which contain procedures to monitor and resolve conflicts and will endeavor to resolve conflicts in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

### **Item 12: Brokerage Practices**

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Galapagos has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

Portfolio transactions for the Macro Master Fund and Managed Account will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to Galapagos and/or certain accounts, but not beneficial to all accounts. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, Galapagos may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: the ability of the brokers and dealers to effect the transaction; the brokers’ or dealers’ facilities, reliability and financial responsibility; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the prices and commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Macro Master Fund and Managed Account by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. Galapagos need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither Galapagos, Macro Master Fund, nor the Managed Account separately compensates any broker or dealer for any of these other services. Galapagos maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

### ***Soft Dollar Usage***

Galapagos does not currently have any soft dollar arrangements with broker-dealers; however, in the future, Galapagos may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Macro Master Fund and Managed Account transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-

dealer. If Galapagos decides to obtain research or other services with “soft dollars”, Galapagos will adhere to the following guidelines.

Galapagos will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). Galapagos believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by the Master Fund may be used by Galapagos to service one or more other accounts, including accounts that may not have paid for the soft dollar benefits. Galapagos will not seek to allocate soft dollar benefits to accounts in proportion to the soft dollar credits the accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to Galapagos (i.e., a “mixed use” item), Galapagos will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of Galapagos’ allocation of the costs of such benefits and services between those that primarily benefit the Investment Manager and those that primarily benefit the accounts.

When Galapagos uses brokerage commissions (or markups or markdowns) generated by any accounts to obtain research or other products or services, Galapagos receives a benefit because it does not have to produce or pay for such products or services. While Galapagos is obligated to seek best execution for each account, the fact that Galapagos can obtain or receive such products or services may create an incentive for it to select or recommend a particular broker-dealer based on Galapagos’ interests, to the exclusion of another broker-dealer that offers business terms that are also favorable to one or more accounts.

At least annually, Galapagos will consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon and attempts to allocate a portion of the brokerage business of its accounts on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Galapagos make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

### **Trade Errors**

Trade errors involving transactions in any account directly or indirectly held by the Macro Master Fund or Managed Account or any derivatives contract or other similar agreement of the Macro Master Fund, Managed Account, and/or any trading vehicle (each, a “**Trade Error**”) may occur. Trade Errors include the placement of orders (either purchases or sales) in excess of, or less than, the amount of securities the account intended to trade; the sale of a security when it should have been purchased; the purchase of a security when it should have been sold; the purchase or sale of the wrong security; and the purchase or sale of a security for the wrong account and the post-settlement discovery of such purchase or sale. Trades implemented as a result of faulty data, systems, coding, modeling or analysis, trades that are properly executed but result in losses, errors committed by other persons (including brokers and custodians), or that are otherwise caused by human error other than those specifically described above, are not considered Trade Errors. The loss of an investment opportunity is not considered a Trade Error. Such errors may result in losses or gains. Galapagos will use reasonable efforts to detect such errors prior to settlement and promptly correct them. To the extent

that an error is caused by a counterparty, such as a broker-dealer, Galapagos will use reasonable efforts to recover any losses associated with such error from the counterparty.

Pursuant to the exculpation and indemnification provided by the Macro Master Fund and the Managed Account to Galapagos and its affiliates and personnel, Galapagos and its affiliates and personnel will generally not be liable to the Macro Master Fund and Managed Account for any act or omission, absent bad faith, gross negligence, willful misconduct or actual fraud of such person, and the Macro Master Fund and Managed Account will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Macro Master Fund and Managed Account, absent bad faith, gross negligence, willful misconduct or actual fraud of such person. As a result of these provisions, the Macro Master Fund and Managed Account (and not Galapagos) will benefit from any gains resulting from Trade Errors and other errors and will be responsible for any losses (including additional trading costs) resulting from Trade Errors and other errors, absent bad faith, gross negligence, willful misconduct or actual fraud of the relevant person. Galapagos will not offset any such gains and losses resulting from Trade Errors and other errors unless the underlying transactions constitute a single transaction or closely related series of transactions. Galapagos will reimburse the Macro Master Fund and Managed Account for losses for which the Investment Manager is responsible under the exculpation provisions. Given the potentially large volume of transactions executed by Galapagos on behalf of the Macro Master Fund and Managed Account, Investors should assume that Trade Errors and other errors will occur and that, to the extent permitted by applicable law and under the Fund's respective offering documents, the Macro Master Fund and Managed Account will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of Galapagos' personnel.

#### ***Trade Aggregation and Allocation Policies and Procedures***

It is the policy of Galapagos to allocate investment opportunities to the Macro Master Fund, Managed Account and to any other accounts on a fair and equitable basis, to the extent practical and in accordance with the Macro Master Fund's, Managed Account's, or other accounts' applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among those accounts for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: whether the risk-return profile of the proposed investment is consistent with an account's objectives, the potential for the proposed investment to create an imbalance in an account's portfolio, the liquidity requirements of an account, potentially adverse tax consequences, regulatory restrictions that would or could limit an account's ability to participate in a proposed investment, and the need to re-size risk in an account's portfolio.

Galapagos will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to, the Macro Master Fund, Managed Account or other accounts solely because Galapagos purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to, another account, the Macro Master Fund, or Managed Account if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practicable or desirable for the Macro Master Fund, Managed Account or the other account.

In particular, when the Macro Master Fund or Managed Account is ramping up its investment or trading strategies, it may receive larger allocations of certain securities than the other accounts in order to obtain its desired risk and portfolio size. Conversely, when other accounts ramp up their investment and trading strategies, the Macro Master Fund or Managed Account may receive reduced or no allocations of certain securities.

**Brokerage for Client Referrals and Directed Brokerage**

Galapagos does not compensate brokers for client referrals nor does Galapagos consider this fact in selecting brokers.

Galapagos does not recommend, request, require or permit a client to direct it to execute transactions through a specific broker.

**Item 13: Review of Accounts**

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Galapagos performs daily reviews of the Funds' and Managed Account's portfolio, as well as various other periodic formal and informal reviews.

Investors in the Funds generally receive monthly commentary letters and monthly unaudited capital account statements. Galapagos may, in its discretion, provide certain investors with additional information on a more frequent basis upon request. In addition, Galapagos issues investors tax reports, as well as audited financial statements concerning their respective Funds within 90 days of the end of each Fund's fiscal year.

**Item 14: Client Referrals and Other Compensation**

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Galapagos currently does not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to our clients.

Galapagos may enter into agreements or arrangements with third party placement agents, solicitors or marketing agents who solicit and refer investors in one or more of the Funds to us or as a managed account. For their placement agent and other services, such persons receive or may receive various types of fees and compensation from us or our affiliates including, without limitation, (i) a percentage of the management fee and/or performance-based compensation payable or allocable to us or our affiliates, and/or (ii) a flat fee or retainer payment. Except as otherwise disclosed to or agreed by an investor, investors generally will not be charged any higher or additional fee as a result of such agreements or arrangements (except as otherwise set forth in the applicable offering or governing and account documents of a Fund). Investors will generally not be subject to any incremental fees in connection with the referral unless incremental fees are payable by the investor directly to the placement agent under the terms of the separate agreement between the investor and the placement agent (to which Galapagos is not a party).

The referral arrangements described above involve potential conflicts of interest because the placement agent may have an incentive to favor sales of interests in a Fund over sales of other investment products for which the agent will receive no or lower fees. Prospective and existing investors should consider this potential conflict of interest when evaluating any recommendation or referral by an agent regarding an investment in a Fund.

**Item 15: Custody**

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Galapagos will comply with the requirements of the Rule 206(4)-2 of the Advisers Act ("**Custody Rule**") with regards to Galapagos' custody of each Fund's assets.

In accordance with the Custody Rule, a qualified custodian maintains all Fund assets. Likewise, in order to comply with the custody rule: (i) each Fund is audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) each Fund's audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) Galapagos delivers such annual audited financial statements to investors in each Fund within 120 days after the end of each Fund's fiscal year. However, for the Funds that

are registered with the NFA, the audited financial statements will be distributed within 90 days of fiscal year end.

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**Item 16: Investment Discretion**

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Galapagos has full discretionary authority to manage the Funds and Managed Account, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions paid. Galapagos' authority is limited by its own internal policies and procedures and each Fund's and Managed Account's investment guidelines. These terms are set out in the Offering Documents of each Fund and Investment Management Agreement of the Managed Account.

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**Item 17: Voting Client Securities**

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***Proxy Voting Policies and Procedures***

Galapagos has established proxy voting policies and procedures designed to ensure that proxies, to the extent Galapagos has been delegated authority to vote such proxies on behalf of the Funds and elects to vote, are voted in the best interest of the Funds. When voting proxies, Galapagos must identify and address material conflicts that may arise between Galapagos' interests and those of the Funds. Specifically, Galapagos monitors the potential for conflicts of interest that might arise from personal relationships that Galapagos or its employees may have with parties involved in the vote, significant Investor relationships with those parties, and other special circumstances.

Galapagos will vote proxies as it deems necessary or appropriate, on a case-by-case basis. Prior to voting, the CCO will determine whether the conflict is material to the vote and will either resolve the conflict or refer the proxy vote to an outside service for its independent consideration.

Galapagos has been designated authority to vote proxies on behalf of the Managed Account. The same policies and procedures will be utilized to ensure the Firm votes in the best interest of the Managed Client.

Investors or clients may also contact Galapagos via e-mail or telephone to request a copy of its proxy voting policy.

***Class Action Participation Procedures***

To the extent that Galapagos has discretion to participate in class action lawsuits filed against companies or issuers in which the Funds are invested, Galapagos may participate in such class action lawsuits if it believes that such participation is in the best interest of the Funds on a case-by-case basis.

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**Item 18: Financial Information**

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Galapagos has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors and has not been the subject of a bankruptcy proceeding.