



Hatteras Ramius Advantage Funds Monthly Commentary | July 2010

As of 7/31/10	Month	YTD	Since Inception*
Hatteras Ramius Advantage Fund	0.09%	-2.01%	-1.43%
Hatteras Ramius Advantage Institutional Fund	0.12%	-1.88%	-1.22%

* Inception date: 11/1/2009

Quarter-End Performance: As of 6/30/2010, the since inception average annual return for the Hatteras Ramius Advantage Fund and the Hatteras Ramius Advantage Institutional Fund is -1.55% and -1.32%, respectively.

*Performance results and calculations after the Funds' most recent fiscal year are unaudited. The principal value of the Funds will fluctuate so that an investor's units, when redeemed, may be worth more or less than the original cost. Returns are net of all expenses of the Funds, including the management fee, and reflect reinvestment of all distributions, if applicable. Returns do not reflect payment of the 5% redemption fee or upfront placement fees, which could be up to 2% if applicable, which would reduce the returns shown above. **Past performance does not guarantee future results and current performance may be lower or higher than the figures shown.** The Investment Manager has contractually agreed to waive fees and/or reimburse certain expenses so that the total annual expenses will not exceed 3.35% for the Hatteras Ramius Advantage Fund and 3.00% for the Hatteras Ramius Advantage Institutional Fund. Please see the current prospectus for detailed information regarding expenses of the Funds.*

The Hatteras Ramius Advantage Fund and Hatteras Ramius Advantage Institutional Fund appreciated by 0.09% and 0.12%, respectively, over the month. In July, appetite for risk assets returned as concerns over sovereign debt in the Eurozone were eased by a series of successful bond auctions, stronger economic data, and a generally positive market reaction to the banking stress tests. Strong earnings results out of the U.S. also buoyed equity markets despite the weaker growth picture in the U.S. that was characterized by Federal Reserve Chairman Bernanke as "unusually uncertain." Leading indicators continued to trend lower with the latest Institute for Supply Management New Order reading at 53.5, down from 58.5 in June. Growth is also decelerating in China, with the latest Purchasing Managers' Index ("PMI") reading of 51.2 at its lowest point since early 2009. While the recent rally in global risk is encouraging, private sector job growth in the U.S. and the pace of Chinese economic deceleration will likely continue to have a strong impact on global growth looking forward.

Long/Short Equity posted solid gains in July against the backdrop of a global equity rally. The markets mean-reverted as the countries, sectors, and stocks that came under the most pressure during the second quarter of 2010 rallied the most during the opening month of the third quarter. The move was aided by strong earnings, attractive valuations, and the relatively under-invested position of many investors. Generally, riskier areas of the market outperformed during July with the exception of small caps, which slightly lagged large caps. The best performing sectors included financials, materials, and industrials while healthcare and consumer staples underperformed. With the strong upward move in equity markets, it is not surprising that the more directionally net long managers outperformed. Those managers with tighter risk parameters, or who had de-risked their books during the second quarter, struggled to keep up with the market's momentum. Managers generally reversed last month's sector rotations, moving away from consumer discretionary and industry names in favor of underperforming healthcare and energy names.

Event Driven had a positive July after two consecutive months of negative performance in May and June. Value creation sub-strategies performed best, with the HFRX Activist Index returning 7.0% as managers benefited from taking advantage of the weakness in May and June to add to their positions. Gains for distressed sub-strategies were more modest despite strong performance in high yield markets, as many managers reduced exposures during the second quarter. Equity-focused event opportunities including merger arbitrage, recapitalizations, and spin-offs were also positive in July. Merger spreads tightened significantly and deal activity remained sluggish. While the market still anticipates an increase in corporate activity, activity will likely remain subdued until macroeconomic fears are addressed.

Credit-Based sub-strategies had only slightly positive returns during July despite the strong rally across the credit markets, as managers entered the month with significantly reduced exposures owing to heightened levels of spread volatility and poor liquidity conditions. The environment was not particularly favorable to long/short credit sub-strategies. The market traded with a high degree of correlation, preventing managers from adding alpha via security selection. After witnessing large outflows in May and June, money poured back into high yield mutual funds, defaults slowed, and yields remained attractive relative to money market funds. Investors have shown a clear predilection for credit versus equity risk, likely driven by the consensus view that the economic recovery will be less robust than in other cycles due to continued deleveraging by the consumer. With the Federal Reserve maintaining accommodative monetary policy, the opportunity cost of holding cash is formidable. This has been a key technical underpinning for the credit markets thus far in 2010.

Multi-Strategy/Relative Value performed strongly in July with contributions from hedged equity, fixed income arbitrage, convertible arbitrage, and event sub-strategies outpacing small losses in some credit-oriented and systematic sub-strategies. Exposures have increased slightly as managers added to positions during the rally.

Global Macro/Managed Futures had a difficult month. Most managers posted negative performance in July as the sharp reversal of risk appetites caught many off-guard following the risk aversion that pervaded the markets in May and June. Bearish positioning in the macro strategy, such as short equities, short credit, swap spread wideners, long gold, long USD (vs. G3), were all negative contributors during the month. Additionally, the compression in implied volatility across equity, fixed income, and foreign exchange markets also had a meaningful drag on performance as *Global Macro* is generally an inherently long volatility strategy. On the *Managed Futures* side, long-term trend-followers had mixed performance on the month with a bias toward fixed income exposure (particularly in short rates) providing positive performance and a bias toward commodity exposure (particularly in agriculturals and metals) contributing negatively. Short-term systematic models employing both volatility breakout and trend-following sub-strategies were hurt by equity index trading, as the sharp reversal of June's bearish trends during the rally in the first week in July coupled with the choppiness during the third week of the month resulted in poor performance. On the positive side, long EUR/USD positioning offset some losses as the shorter-term programs benefited from this reversal and follow-through.

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Funds in the future. These statements are based on the Investment Manager's predictions and expectations concerning certain future events and their expected impact on the Hatteras Funds, such as performance of the economy as a whole and of specific industry sectors, changes in the levels of interest rates, the impact of developing world events, and other factors that may influence the future performance of the funds. Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in portfolio management strategies from those currently expected to be employed. It is intended solely for the use of the person to whom it is given and may not be reproduced or distributed to any other person. This should be read in conjunction with or preceded by a current prospectus. The information and statistics in this report are from sources believed to be reliable, but are not warranted by Hatteras to be accurate or complete.

IMPORTANT DISCLOSURES AND KEY RISK FACTORS

This is not an offering to subscribe for units in any fund and is intended for informational purposes only. An offering can only be made by delivery of the Prospectus to "accredited investors" or "qualified clients" within the meaning of U.S. securities laws. **Please carefully consider the investment objectives, risks, and charges and expenses of the Funds (as defined below) before investing. Please read the Prospectus carefully before investing as it contains important information on the investment objectives, composition, fees, charges and expenses, risks, suitability, and tax obligations of investing in the Funds. Copies of the Prospectus and performance data current to the most recent month-end may be obtained online at www.hatterasfunds.com or by contacting Hatteras at 1-866-388-6292.** Past performance does not guarantee future results.

The Hatteras Ramius Advantage Fund (the "Fund") and the Hatteras Ramius Advantage Institutional Fund (the "Master Fund" and collectively with the Fund, the "Hatteras Ramius Advantage Funds" or the "Funds") are Delaware statutory trusts registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as non-diversified, closed-end management investment companies whose units are registered under the Securities Act of 1933, as amended. Hatteras Capital Investment Management, LLC ("HCIM"), an investment adviser registered with the Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940, as amended, will serve as the investment manager to the Master Fund (in such capacity, the "Investment Manager"). Ramius Alternative Solutions LLC ("Ramius"), an investment adviser registered with the SEC under the Advisers Act, will serve as sub-adviser to the Master Fund (in such capacity, the "Sub-Adviser").

The Funds' investment objective is to provide returns in excess of the broad equity markets over a full market cycle. The Funds' secondary objective is to achieve returns with moderate volatility and correlation to equity markets. To achieve their objectives, the Funds will provide shareholders with access to a broad range of investment strategies and asset categories by investing assets primarily in funds managed by investment advisers and by providing overall asset allocation services typically available on a collective basis to larger institutions. To achieve its objectives, the Fund will invest substantially all of its assets in the Master Fund, which has the same investment objectives as the Fund.

The Hatteras Ramius Advantage Funds are funds of alternative investments. As such, the Funds invest in private hedge funds and other private investments. Hedge funds are speculative investments and are not suitable for all investors, nor do they represent a complete investment program. A hedge fund can be described generally as a private and unregistered investment pool that accepts investors' money and employs hedging and arbitrage techniques using long and short positions, leverage and derivatives, and investments in many markets.

Key Risk Factors: The Hatteras Ramius Advantage Fund (through its investment in the Master Fund) and the Hatteras Ramius Advantage Institutional Fund will invest substantially all of their assets in underlying funds that are generally not registered as investment companies under the 1940 Act and, therefore, the Funds will not have the benefit of various protections provided under the 1940 Act with respect to an investment in those underlying funds. The Funds can be highly volatile, carry substantial fees, and involve complex tax structures. Investments in the Funds involve a high degree of risk, including loss of entire capital. The underlying funds may engage in speculative investment strategies and practices, such as the use of leverage, short sales, and derivatives transactions, which can increase the risk of investment loss. The Funds provide limited liquidity, and units in the Funds are not transferable.

Liquidity will be provided only through repurchase offers made by the Funds from time to time, generally on a quarterly basis upon prior written notice.

The success of the Funds is highly dependent on the financial and managerial expertise of its principals and key personnel of the Funds' Investment Manager and Sub-Adviser. Although the Investment Manager and the Sub-Adviser for the Funds expect to receive detailed information from each underlying fund on a regular basis regarding its valuation, investment performance, and strategy, in most cases the Investment Manager and Sub-Adviser have little or no means of independently verifying this information. The underlying funds are not required to provide transparency with respect to their respective investments. By investing in the underlying funds indirectly through the Funds, investors will be subject to a dual layer of fees, both at the Funds and underlying fund levels.

Please see the Prospectus for a detailed discussion of the risks disclosed here and other important risks and considerations.

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