



HATTERAS
FUNDS

HATTERAS ALPHA HEDGED STRATEGIES FUND

MONTHLY REVIEW | NOVEMBER 2011

AS OF 11/30/11	MONTH	YTD	1Y	3Y ¹	5Y ¹	SINCE INCEPTION ^{1,2}
ALPHX	-0.38%	-0.67%	2.10%	7.05%	-1.51%	2.16%

Performance data quoted represents past performance; past performance does not guarantee future results. Net Fund Operating Expenses are contractually capped at 3.99% excluding dividends on short positions and interest on borrowing, as well as other extraordinary items disclosed in the prospectus. Total Annual Fund Operating Expenses are 4.97%. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Funds may be lower or higher than the performance quoted. To obtain performance information current to the most recent month-end, please call 866.388.6292.

1. Average annual total return
2. Fund inception date: 9/23/2002

MONTHLY COMMENTARY

For most of November it looked as though the “risk off” trade was back on as the equity markets tumbled until a coordinated central bank intervention spurred a dramatic rebound globally, moving many US equity indices to only a small loss for the month. While equity markets outside the US also rebounded in the last few days of the month, the results for overseas markets lagged domestic markets. The results for Hatteras Alpha Hedged Strategies Fund (the “Fund”) somewhat mirrored the equity markets, albeit with much less day to day volatility. For the month, the Fund lost -0.4% versus a return of -0.7% for the HFRI Fund of Funds Composite Index, -0.2% for the S&P 500 TR Index (“S&P 500”), -0.1% for the Barclays Capital US Aggregate Bond Index (“BarCap”) and -4.9% for the MSCI EAFE NR Index.

As the financial crisis in Europe continued to deteriorate and politicians were not able to agree on an achievable solution, US economic data showed surprising strength relative to the past few months and years. Whether this economic situation is sustainable or not mattered little in this manically focused market, as some relatively positive statistics encouraged investors to jump back into the market. Some of the positive economic signals that were released in November include: US Retails sales up 0.6%, US manufacturing up 0.5%, US industrial production up 0.7%, new home sales up 1.3% and an increase in job creation as estimated by ADP of 206,000. This in combination with another quarter of solid earnings for US companies paved the way for the late month rally.

LONG/SHORT EQUITY

The *Long/Short Equity* strategy produced a small loss of -0.2% the month, outperforming its benchmark, the HFRX Equity Hedge Index, which lost -1.3%. Our underlying managers remain defensively hedged as they foresee continued choppiness and volatility due to debt problems in Europe and the US together with a slowing Chinese economy. At month’s end, the overall net equity exposure for this strategy stood at 29%. We are very pleased with our current allocation within the strategy and with the underlying managers,

which has helped this strategy produce a very good year-to-date return of 4.9%, compared to the S&P 500 return of 1.1%. Better than expected earnings reports and good stock picking were the driving forces that helped produce the late month rally as companies were communicating that business conditions have rebounded from the summer slowdown. While the strategy outperformed the benchmark and produced a similar return to the S&P 500, our exposure to health care and financials detracted from the stronger performance of the consumer segments.

MARKET NEUTRAL

The *Market Neutral* strategy outperformed its benchmark with a return of 0.3% versus a loss of -0.2% for the HFRX Equity Market Neutral Index. Outperformance for this strategy was driven by net long exposure to the Energy sector in addition to having very little overall market exposure of 7% during the month.

RELATIVE VALUE – LONG/SHORT DEBT

The Fund's *Relative Value – Long/Short Debt* strategy recorded a loss of -0.9% versus a loss of -1.2% for the HFRX Relative Value Arbitrage Index, a slight loss of -0.1% for BarCap, and a loss of -2.2% for the Merrill Lynch High Yield Master II Index. Overall it was an up and down month for various fixed income strategies with the net result being a slight disappointment on the downside, except again for very long-dated Treasuries. This strategy held up well compared to broader fixed income markets, buoyed by higher-quality, shorter term credit positions and hedging. The strategy was hurt by the returns of emerging market debt, which decreased more than developed markets as a result of the uncertainty in Europe.

EVENT DRIVEN

The *Event Driven* strategy recorded the best overall performance for the month within the Fund, returning 1.1% for the month, versus a loss of -1.0% for the HFRX Event Driven Index. While the month was short on “events” being consummated, this portfolio did benefit from some strong individual equity performance together with contribution from short-dated bonds with high yield-to-maturity results. Merger arbitrage was a small detractor from performance as spreads widened and announced deals dwindled.

MANAGED FUTURES

This strategy recorded a disappointing loss of -1.8% for the month versus a return of 1.4% for the HFRX Systematic Diversified CTA Index. Outside of a manager focused on a contrarian S&P 500 mandate, all of the other strategies detracted from performance during the month. In general, market choppiness and wide intra-day swings in equities, fixed income and commodities markets caused by the European Central Bank announcements and intervention made for a difficult environment for short-term and long-term models alike.

The asset class and strategy return figures presented for the Hatteras Alpha Hedged Strategies Fund indicate how each strategy performed on a stand-alone basis and are not guaranteed as to accuracy. The strategies are part of an Underlying Fund Trust (“UFT”) structure. Individual investors may not invest directly in the UFT. The return figures are net of all underlying manager fees and expenses and UFT level fees. However, the strategy return figures do not reflect Hatteras Alpha Hedged Strategies Fund expenses, including fund administration fees, custody fees, fund accounting fees, etc., which would reduce the figures shown. Consequently, the information above was included for educational purposes only and should not be used to evaluate any Hatteras Alpha Hedged Strategies Fund performance. **Past performance does not guarantee future results**

The sub-advisor return figures presented for the Hatteras Alpha Hedged Strategies fund indicate how the sub-advisors performed on a stand-alone basis and are not guaranteed as to accuracy. The sub-advisors are part of an Underlying Fund Trust (“UFT”) structure. Individual investors may not invest directly in the UFT. The return figures for the sub-advisors are net of the underlying manager fees and expenses and UFT level fees. However, the sub-advisor return figures do not reflect Hatteras Alpha Hedged Strategies Fund expenses, including fund administration fees, custody fees, fund accounting fees, etc., which would reduce the figures shown. Consequently, the information above was

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DISCLAIMER

AS OF 09/30/11	1Y	3Y ¹	5Y ¹	SINCE INCEPTION ^{1,2}	EXPENSE RATIO NET GROSS
ALPHX	2.83%	-0.13%	-1.33%	2.10%	3.99% 4.97%

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IMPORTANT DISCLOSURES AND KEY RISK FACTORS

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The summary prospectus and prospectus contain this and other important information about the investment company, and may be obtained by calling 1.877.569.2382 or visiting www.hatterasmutualfunds.com. Read it carefully before investing.

Key Risk Factors:

Certain hedging techniques and leverage employed in the management of the Fund may accelerate the velocity of possible losses. Short selling involves the risk of potentially unlimited increase in the market value of the security sold short, which could result in potentially unlimited loss for the Fund. Derivatives involve investment exposure that may exceed the original cost and a small investment in derivatives could have a large potential impact on the performance of the Fund. Options held in the Fund may be illiquid and the fund manager may have difficulty closing out a position. The Fund may also invest in:

- smaller capitalized companies - subject to more abrupt or erratic market movements than larger, more established companies;

- foreign securities, which involve currency risk, different accounting standards and are subject to political instability;
- securities limited to resale to qualified institutional investors, which can affect their degree of liquidity;
- shares of other investment companies that invest in securities and styles similar to the Fund, resulting in a generally higher investment cost than from investing directly in the underlying shares of these funds.

The Fund intends to utilize these individual securities and hedging techniques in matched combinations that are designed to neutralize or offset the individual risks of employing these techniques separately. Some of these matched strategies include merger arbitrage, long/short equity, convertible bond arbitrage and fixed-income arbitrage. There is no assurance that these strategies will protect against losses. The Fund is non-diversified and therefore may invest in the securities of fewer issuers than diversified funds at any one time; as a result, the gains and losses of a single security may have a greater impact on the Fund's share price.

Because the Fund is a fund-of-funds, your cost of investing in the Fund will generally be higher than the cost of investing directly in the shares of the mutual funds in which it invests. By investing in the Fund, you will indirectly bear your share of any fees and expenses charged by the underlying funds, in addition to indirectly bearing the principal risks of the funds. Please refer to the summary prospectus or prospectus for more information about the Fund, including risks, fees and expenses.

While the Fund is a no-load fund, management fees and other expenses still apply. Mutual fund investing involves risk; loss of principal is possible. Please consult an investment professional for advice regarding your particular circumstances. An investment in the Fund may not be suitable for all investors.

DEFINITIONS

HFRI Fund of Funds Composite Index: Funds included in the Index invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The fund of funds manager has discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. The minimum investment in a fund of funds may be lower than an investment in an individual hedge fund or managed account. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers. The HFRI are updated three times a month: Flash Update (5th business day of the month), Mid Update (15th of the month), and End Update (1st business day of the following month). The current month and the prior three months are left as estimates and are subject to change. All performance prior to that is locked and is no longer subject to change.

HFRX Equity Hedge Index data is sourced from Hedge Funds Research, Inc. Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalization and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50%, and may in some cases be substantially entirely invested in equities, both long and short.

Standard & Poor's (S&P) 500 Total Return Index consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index, with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index. Benchmark performance should not be considered reflective of Fund performance.

Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and ten years.

MSCI EAFE Index is a total return index, reported in U.S. dollars, based on share prices and reinvested net dividends of approximately 1,100 companies from 21 countries and is not available for purchase.

HFRX EH: Equity Market Neutral Index is an unmanaged index comprised of strategies that employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies.

HFRX Relative Value Arbitrage Index is an unmanaged index comprised of investment managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.

HFRX Event Driven Index is an unmanaged index comprised of managers that maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.

HFRX Macro: Systematic Diversified CTA Index is an unmanaged index comprised of strategies that have investment processes typically as function of mathematical, algorithmic and technical models, with little or no influence of individuals over the portfolio positioning. Strategies which employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across individual instruments or asset classes.

The BofA Merrill Lynch High Yield Master II Index provides a broad-based measure of the performance of the non-investment grade U.S. domestic bond market. The Index is "rules-based" which means that issues must conform to the following criteria: be in the form of publicly placed nonconvertible, coupon-bearing U.S. domestic debt or Yankee bonds, carry a term to maturity of at least one year and have at least \$100 million face value outstanding. A bond's weight in the Index is based on its total outstanding capitalization (total face value currently outstanding times price plus accrued interest). The Index is rebalanced on the last calendar day of the month.

The Fund is distributed by Hatteras Capital Distributors, LLC, an affiliate of Hatteras Alternative Mutual Funds by virtue of common control or ownership.