



HATTERAS FUNDS

HATTERAS ALTERNATIVE MUTUAL FUNDS

Manager Descriptions | February 2012

Long/Short Equity – 6 managers

Chartwell Investment Partners

Berwyn, PA, Long/Short Equity, firm founded in 1997

Chartwell employs a focused long/short investment strategy that seeks to achieve superior risk-adjusted returns by exploiting gaps between price and value in small and mid cap stocks while maintaining moderate gross and net exposure. Chartwell's collaborative investment process benefits from the experience and knowledge of its team members. Positions in the portfolio represent the best ideas generated from the combined research across the firm's various investment products. The primarily domestic portfolio will be invested across most market sectors in developed markets. Chartwell had more than \$5 billion in assets under management as of December 2010.

Portfolio Manager Ryan Harkins joined Chartwell in 2007. Previously, he was a portfolio manager and research analyst at Credit Suisse Asset Management. Mr. Harkins, and each member of the four person investment team, brings with them broad experience and expertise to Chartwell's disciplined investment process.

Coe Capital Management

Lincolnshire, IL, Long/Short Equity, firm founded in 1999

Coe employs a fundamentals-driven investment approach that is focused primarily on mid-cap stocks. The team evaluates near-term and long-term prospects of companies and implements its approach through an investment process it refers to as "DRIVER," an acronym which describes Coe's investment process. DRIVER consists of the following elements: Developing and maintaining a proprietary database; Reviewing daily news flow to identify actionable ideas; Interviewing management; Visiting with customers, suppliers, and competitors as trade checks; Evaluating the best ideas; and Repeating the process.

Mark Coe founded Coe Capital Management in 1999 and currently serves as President and Managing Member of the Firm, and CIO of its four funds and separately managed accounts. He previously served as Portfolio Manager for Kent Associates, a group within Paine Webber, and as an investment analyst with Gofen and Glossberg before that.

ISF Management

New York, NY, Long/Short Equity, firm founded in 2000

ISF Management utilizes a long/short equity investment strategy with a value orientation. ISF invests in securities trading at a perceived discount to their intrinsic values and sells short securities trading at perceived premiums, if they believe there are compelling and timely reasons for the securities to be appropriately revalued by the market. The manager focuses on cash flow and working capital analyses (including capital spending, acquisitions, and employee compensation) in effort to uncover potential important market inefficiencies. On occasion, ISF engages company managements in "inclusive advocacy," a constructive process ISF employs to help realize a more accurate market valuation.

Investment Manager Matthew Shefler founded ISF in 2000. For more than 25 years prior to forming ISF, Mr. Shefler worked as a securities analyst at Mackay-Shields, Neuberger Berman, Alliance Capital Management, and Reliance Insurance Company.



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OMT Capital Management

San Francisco, CA, Long/Short Equity, firm founded in 1998

OMT Capital Management employs a fundamental, bottom-up, research-driven long/short equity strategy. The manager and his investment team, comprised of three professionals, seek long opportunities in well-managed, growing, small- and mid-capitalization equities selling below their intrinsic values and possessing an appreciation catalyst; and short equity opportunities from companies with poor business models and unsustainable financial performance. The long portfolio is typically over-weighted in technology, healthcare, business services, and consumer-related companies that are expected to have at least 50% upside potential. The short portfolio may also include opportunities in large capitalization companies. Both long and short positions are intended to generate “alpha.”

Tom Henwood, CIO/Senior Portfolio Manager, founded OMT Capital at the end of 1998. From 1994 to 1998, Mr. Henwood served as President of Emerging Growth Management, the successor firm to Henwood Capital Partners, a hedge fund partnership he founded in 1988. Prior to 1988, Mr. Henwood was a Managing Director and Portfolio Manager at Chase Investors Management and an Institutional Investor All Star Analyst at First Boston Corporation. Mr. Henwood has built a strong team of investment professionals over the past decade to implement the disciplined approach to investing he has practiced for many years.

Phineus Partners

San Francisco, CA, Long/Short Equity, firm founded in 2002

Phineus employs a variable long/short global equity strategy that invests primarily in knowledge-based industries, including: technology, communications, media, and to a lesser degree, healthcare, life sciences, and financial services. An experienced team of four investment professionals combine fundamental independent research (stressing company visits and direct contact with management) and research into industry trends in order to define the archetypal winning and losing positions within key sub-sectors of an industry. Their portfolio’s net equity exposure will vary as will the investment style to match the dynamics of the market. Focused on the large and liquid universe of publicly listed global companies, their portfolio is typically comprised of 30-60 long positions and 10-40 short positions.

Michael Grant has served as Chief Investment Officer of the strategy since founding Phineus Partners in 2002. Previously, as Managing Director at Schroder Investments Management from 1990 to 2001 in London, Hong Kong, and San Francisco, Mr. Grant was responsible for more than \$1 billion in U.S. long-only equity mandates. He also served as Head of the Global Technology Team. In 1998, Mr. Grant was listed as one of the Top 10 Best Managers (Overseas) of U.S. equities by Forbes Magazine.

Tamarack Capital Management

Carlsbad, CA, Healthcare Long/Short Equity, firm founded in 2005

Tamarack is a value-oriented company that utilizes a bottom-up stock picking method to construct a long/short portfolio of publicly traded companies within the healthcare sector. Tamarack requires its investments to possess asymmetric return profiles as determined by its research process, which includes management interviews, financial analysis, and market research. The team focuses primarily on investing in companies with revenues and, at a minimum, near profitability, avoiding pre-commercial biotech-type or development companies. The portfolio typically includes 20-30 long and 15-30 short positions, and utilizes stock option strategies to mitigate risk and supplement return. Tamarack’s strategy is long-biased, though it has been net short on several occasions since



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inception. Tactically, the holdings are turned over frequently and opportunistically in order to generate additional risk-adjusted performance.

Justin Ferayorni, CFA has served as Managing Member and Chief Investment Officer since founding Tamarack in 2005. Previously, Mr. Ferayorni served in several roles throughout his career, including investment management, research, and banking as a specialist in the healthcare industry, most recently, at Bricoleur Capital Management. Mr. Ferayorni holds a Bachelor of Arts degree in Chemistry from Princeton University.

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Market Neutral – 3 managers

Battenkill Capital Management

Princeton, NJ, Market Neutral-All Cap Pair Trades, firm founded in 2007

Battenkill employs a fundamental-based investment process investing primarily in the energy, industrials, and basic materials sectors. The portfolio consists primarily of pair trades with occasional overlay directional trades. Pair trades are based on expected catalysts rather than solely on valuation. Valuations are determined by detailed financial modeling, including projected quarterly financial statements, discounted free cash flow forecasts, historical valuation parameters, and measures of valuations relative to industry and peer groups. The portfolio will also be diversified among the ten major sub-sectors within the energy and cyclical sectors.

Co-Founder Richard Franzen serves as Portfolio Manager of the firm's strategy. Mr. Franzen brings more than thirteen years of buy side analyst and portfolio management experience with both Merrill Lynch and Millennium Partners, where he built an investment universe focused on models in the energy and industrial sectors.

Inflection Partners

San Francisco, CA, Market Neutral, firm founded in 2004

Inflection Partners employs a research-intensive, sector-focused market neutral long/short equity strategy. Inflection invests primarily in technology, media, and telecommunications ("TMT") securities they believe are trading at substantial discounts (or premiums) to the underlying value with a near-term catalyst. The sub-advisor focuses on the TMT sectors, where growth is typically faster than that of the overall U.S. economy. Inflection believes the key to their approach is to find "inflection points" to invest in change, rather than adopting a "growth only" investing strategy.

Dave Sherry and his partner, Jack Andrews, each have nearly two decades of investment management experience in the TMT sectors, having worked as analysts and portfolio managers. Mr. Sherry began his career at Franklin Templeton, and later managed funds for LGT Asset Management, Partech International, and EGM Capital. Mr. Andrews' career includes research positions at Credit Suisse and JP Morgan.

Twin Capital Management

McMurray, PA, Market Neutral-U.S. Mid Cap Price Momentum, firm founded in 1990

Twin Momentum is an actively traded market neutral equity strategy focusing on measures of price momentum as the primary return drivers among a universe of U.S. mid-cap growth stocks. This proprietary dollar-neutral strategy applies an intermediate-term price momentum factor to each of the stocks in this segment of the universe, and the



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model then ranks them from highest to lowest based on multiple time horizons, adjusting for short-term price reversal. The portfolio is constructed by buying long and selling short the tails of this distribution.

Founder Geoffrey Gerber, Ph.D. serves as President and Chief Investment Officer. Previously, Mr. Gerber gained institutional investment management experience at Mellon Equity Associates and Prudential Asset Management Company. The firm has built a strong team of ten members, including eight with advanced degrees and professional certifications.

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Relative Value – Long/Short Debt – 6 managers

Concise Capital Management

Coral Gables, FL, Alternative Yield, firm founded in 2004

Concise Capital's alternative yield strategy seeks consistent uncorrelated returns through investments in short-maturity high yield securities. The portfolio managers conduct intensive credit research in smaller, under-followed companies, primarily within domestic markets, and add value by targeting corporate issues that have a higher probability of refinancing. The portfolio is hedged using derivatives to mitigate market exposure and reduce portfolio volatility.

Co-Founders Glenn Koach, President and Portfolio Manager, and Tom Krasner, Principal and Portfolio Manager, have more than 45 years of combined experience and extensive backgrounds in distressed debt and high yield bonds.

Nicholas Investment Partners

Rancho Santa Fe, CA, Convertible Bond Arbitrage, firm founded in 2006

Nicholas Investment Partners employs a bottom-up process blending both quantitative and fundamental research to identify convertible securities with favorable risk/reward profiles. The strategy involves the simultaneous purchase of convertible securities and the short sale of the same issuer's common stock. The firm, which has strong equity capabilities, utilizes a combination of fundamental equity research and strong credit analysis to build the portfolio.

Nicholas Investment Partners was co-founded by Catherine Nicholas, former Global Chief Investment Officer of Nicholas-Applegate (NACM), and Art Nicholas, co-founder of NACM. John Wylie, Partner and Portfolio Manager, previously co-founded CapitalWorks Investment Partners, where he was the lead portfolio manager for Convertible Arbitrage and Micro Cap strategies.

Raven Rock Capital Management

Chapel Hill, NC, Multi-Strategy Relative Value, firm founded in 2009

Raven Rock's investment strategy consists of a corporate credit approach with two core components: directional credit and relative value. Directional credit includes both long and short positions in individual credits and event driven trades. Relative value includes convertible arbitrage, capital structure arbitrage, volatility arbitrage, and industry pairs trading. Returns across all strategies are driven by a combination of fundamental research, sector selection, and proper assessment of market risks and opportunities.



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Co-Founders Nate Brown, Guy Caplan, and Bobby Richardson have more than sixty years worth of credit research, trading, and portfolio management experience. Prior to founding Raven Rock, Messrs. Brown, Caplan, and Richardson were all involved with the portfolio management of the Argent Funds Group, a multi-billion dollar, award-winning convertible arbitrage advisory firm.

Smith Breeden Associates

Durham, NC, Fixed Income Arbitrage, firm founded in 1982

Smith Breeden's fixed income arbitrage strategy invests primarily in fixed income securities with an emphasis on securitized credit (e.g., asset-backed securities and commercial mortgage-backed securities) and corporate credit. Investments also may include emerging market debt, currency overlays, and other special situations. A fixed income specialist with more than 80 employees, Smith Breeden takes both long and short positions with either cash or derivative securities. The strategy often looks to exploit the inefficiencies between related fixed income securities.

Senior Portfolio Manager Jonathan Duensing, CFA heads the Corporate Credit Investment Team and is responsible for the firm's credit-related absolute return portfolios. Prior to joining Smith Breeden in 1996, Mr. Duensing was the Credit Officer for a member bank of Old National Bancorp.

Sound Point Capital Management

New York, NY, Long/Short Credit, firm founded in 2009

Sound Point concentrates on liquid investment opportunities across the credit markets specifically focused on relative value, event-driven and stressed and distressed credit. The manager invests throughout the capital structure and across a broad spectrum of companies, industries and asset classes. The investment team identifies opportunities through fundamental credit research and adds value by identifying and capturing inefficiencies in the marketplace.

Stephen Ketchum founded Sound Point in 2009 and currently serves as Managing Partner and Portfolio Manager. He previously served as Global Head of Media Investment and Corporate Banking for Banc of America Securities and as Managing Director of Investment Banking at UBS and Donaldson, Lufkin & Jenrette before that.

SW Asset Management, LLC

Newport Beach, CA, Long/Short Credit, firm founded in 2009

SW seeks to generate income and capital appreciation with little correlation to U.S. credit markets by investing in the corporate debt of companies domiciled and with primary operations in emerging market countries. SW hedges positions using broader based market derivatives including credit default swaps. The investment team identifies opportunities through fundamental credit research and adds value by thoroughly understanding technical factors and potential exogenous shocks within emerging markets.

Managing Principals David Hinman and Raymond Zucaro have more than 35 years of combined experience in portfolio management and research including managing credit portfolios at large companies including PIMCO, Drake Management, and Standard Asset Management.



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Event Driven – 3 managers

FrontFour Capital Group

Stamford, CT, Event Driven, firm founded in 2006

FrontFour's long/short event driven strategy invests across the capital structure, including event equity and distressed corporate debt. The sub-advisor pairs research-intensive fundamental analysis with the identification of specific catalysts in order to find undervalued securities that have a path towards value realization. Some individual investments may include targeted, prudent activism and situation-specific hedging.

Co-Founders David Lorber and Zachary George are Managing Members and Co-Portfolio Managers. Prior to founding FrontFour, Messrs. Lorber and George were Senior Investment Analysts at Pirate Capital, where they were responsible for idea generation and coverage of approximately \$500 million of equity and debt portfolio positions.

GAMCO Asset Management

Rye, NY, Merger Arbitrage, firm founded in 1977

Gabelli's merger arbitrage strategy is designed to primarily invest in announced global merger and acquisition. The sub-advisor utilizes the firm's research-driven, bottom-up, fundamental value-based approach and draws from the experience of the entire Gabelli organization. The portfolio invests across a broad spectrum of industries and sectors, and has global exposure across all market capitalizations.

Mario Gabelli, Portfolio Manager, Chairman, Chief Executive Officer, and Chief Investment Officer, is one of the pre-eminent figures in the investment management industry. Mr. Gabelli founded the firm in 1977 as a broker dealer and has since grown it into a publicly traded, multi-billion dollar diversified financial services corporation.

Tiburon Capital Management

New York, NY, Event Driven, firm founded in 2009

The Tiburon event driven strategy utilizes value investing across the capital structure. The three main strategies, Special Situations, Distressed/Stressed, and Capital Structure Arbitrage, are used in a dynamic allocation process. A key strength of the sub-advisor is its flexibility between strategies and investments, debt or equity, to go long or short wherever the best risk-adjusted returns reside, and to be able to trade around core positions to mitigate risk. Another distinctive feature of the investment style is to be uncorrelated to other hedge fund strategies. The manager and team of three analysts accomplish their objectives primarily by investing in liquid mid-cap credits with \$200-\$500 million in debt capitalizations.

Founder and Portfolio Manager Peter Lupoff has twenty years of investing experience. For seven years, he was a Partner at Third Avenue Funds. Mr. Lupoff also was a Managing Director at Schultze Asset Management, a Portfolio Manager at Robeco, and most recently, a Portfolio Manager at Millennium Management. He has won various awards throughout his career, including MARHedge Event Driven Manager of the Year, GAIM Emerging Distressed Manager of the Year, and Institutional Investor Hedge Fund House Nominee.



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Managed Futures – 3 managers

2100 Xenon Group

Chicago, IL, Systematic Diversified Fixed Income, firm founded in 2001

2100 Xenon's Global Fixed Income program is a multi-time frame momentum program that incorporates components unique to fixed income markets. The program trades across 11 global fixed income futures markets.

The Firm was founded in 2001 by Jay Feuerstein and now operates under his leadership. Mr. Feuerstein has more than 30 years of experience trading financial futures with large investment banks and through his own CTAs.

Dominion Capital Management

Traverse City, MI, Systematic Short Term Trading, firm founded in 1994

The Dominion Sapphire program is a short-term momentum trading strategy that utilizes directional momentum and mean reverting strategies across more than 35 futures markets.

Prior to founding Dominion in 1994, Scott Foster was a trader for a large CTA and ran a private company specializing in spread and arbitrage trading.

Northfield Trading

Denver, CO, Systematic Short Term Trading, firm founded in 1994

Northfield's diversified program focuses on short and intermediate time frame trading strategies across 50 global futures markets.

Doug Bry founded Northfield Trading in 1989 after starting a trading software company and after a career as a trial attorney and has led the firm since inception.

IMPORTANT DISCLOSURES

The Funds' investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment companies, and it may be obtained by calling 877.569.2382, or visiting hatterasfunds.com. Read it carefully before investing.

Key Risk Factors

Certain hedging techniques and leverage employed in the management of the Funds 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 Funds. 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 Funds. Options held in the Funds may be illiquid and the fund manager may have difficulty closing out a position. Fixed Income instruments are exposed to credit and interest rate risks. Investing in lower-rated ("high-yield") debt securities involves special risks in addition to the risks associated with investments in higher-rated debt securities, including a high degree of credit risk and liquidity risk. The Funds 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 gsubject to political instability; securities limited to resale to qualified institutional investors, which can affect their degree of



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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 Funds intend 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 Funds are 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 each Funds' share price.

Because the Funds are funds-of-funds, your cost of investing in the Funds 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 Funds, 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 prospectus for more information about the Funds, including risks, fees and expenses.

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 Funds may not be suitable for all investors.

These securities have not been approved or disapproved by the Securities and Exchange Commission.

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