



**HATTERAS**  
FUNDS

**HATTERAS MULTI-STRATEGY FUND**  
**MONTHLY REVIEW | NOVEMBER 2011**

**HIGHLIGHTS**

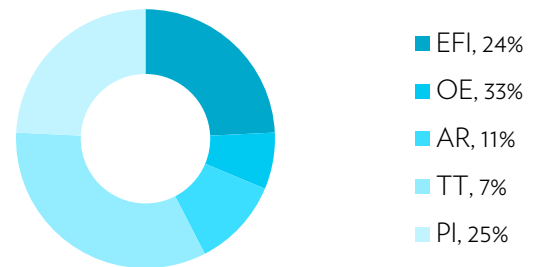
- Designed as a core alternative investment solution for all qualified clients
- 75% hedged strategies for potential risk mitigation
- 25% private investments for potential return enhancement

Master Fund Assets: \$1,482,190,000

**CHART KEY**

EFI: Enhanced Fixed Income    PI: Private Investments  
OE: Opportunistic Equity  
AR: Absolute Return  
TT: Tactical Trading

**STRATEGY ALLOCATION**



Percentages are based on total portfolio investments exclusive of cash, cash equivalents, money market funds, and short-term investments.

PERFORMANCE	MTH	YTD	ANNUALIZED RETURN	STANDARD DEVIATION ITD+
Hatteras Multi-Strategy Fund, L.P.	-0.96%	-3.43%	1.54%	7.08%
Hatteras Multi-Strategy Institutional Fund, L.P.	-0.89%	-2.75%	-0.16%	7.72%
S&P 500 Total Return Index	-0.22%	1.08%	2.95%	16.70%
HFRX Global Hedge Fund Index	-0.87%	-8.48%	-0.15%	7.01%

*Past performance does not guarantee future results and current performance may be lower or higher than the figures shown.* Sources: S&P 500 Total Return Index: Bloomberg; HFRX Global Hedge Fund Index: Hedge Fund Research, Inc. \*Inception Dates: Hatteras Multi- Strategy Fund, L.P., S&P 500 Index, and HFRX Global Hedge Index: April 1, 2005. Hatteras Multi-Strategy Institutional Fund, L.P.: January 1, 2007.

**OVERVIEW**

The Hatteras Multi-Strategy Fund, L.P. (the “Fund”) was down -0.96 in November. Comparatively, the S&P 500 Total Return Index (“S&P 500”) finished the month with a loss of -0.22%. Hedge funds, as measured by the HFRX Global Hedge Fund Index, posted a -0.87% loss. This long/short equity environment has proven to be one of the most difficult in our experience as politics and macro-economic concerns dominate day to day movements of the capital markets. Since the start of hedge fund investing, ambiguity and lack of confidence has generated substantial

opportunities for long/short equity funds focused on company income statements and balance sheets. Very low interest rates and heightened volatility has recently muted hedge funds' ability to generate alpha from short selling and the buying of "value" has proven to be less than fruitful. We are extremely frustrated to say the least and our long-term view that over time fundamentals always matter has certainly been tested in 2011. The recent volatility in the markets has shown the importance of dampening volatility and preserving capital, which is a key feature that hedge fund of funds have historically shown. Looking out at the world today and seeing sovereign risk permeate through capital markets ranging in form from European debt, to bloated lending in China, to the persistent unemployment here in the U.S., more than ever, we believe allocators need to incorporate volatility and risk management as a core part of their investment process and look to hedge funds to potentially mitigate the extreme market swings.

## MARKET COMMENTARY

The MSCI World NR Index was down -2.44% for November and -5.49% for the year while the S&P 500 TR Index generated a smaller loss of -0.22% for the month, but remained positive 1.08% for the year. Heightened volatility permeated the equity markets, as an example the Euro Stoxx 50 fell 16% from the first of the month to November 24<sup>th</sup> and then rose 12% in the last week of trading. The month and year's shift in global portfolios to favor U.S. equities continues to be a result of investors believing the US economic outlook could provide the lesser of three evils (U.S.'s trickle of growth, the European sovereign crisis, and Asia's possible hard landing).

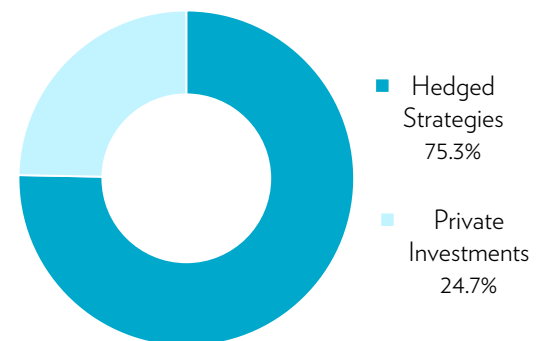
During the month, we started to see significant pressure turn from Europe to Asia, as China's consumer price inflation dropped sharper than expected to 4.2% year over year and in response, pushed many investors into repatriating capital. Despite concerns in Europe making their way to Asia, we remain enthusiastic about the Asian domestic consumption story. Emerging Market equities have historically underperformed in bad times and outperformed in good times; so, its recent relative underperformance is not entirely unusual. Asian central banks have room to move interest rates and increase spending which could help them counter weaker global growth that is expected in 2012. In the recent round of coordinated central bank action, China looks to have started a process of monetary easing. With the combination of these central bank efforts with the current low valuations and falling commodity prices due to dropping European demand, the potential for an Asian equity rebound looks promising for 2012.

## STRATEGY COMMENTARY

The Fund's hedged strategies were slightly down after early month volatility gave way to a fierce rally in the equity markets the last week of the month.

*Opportunistic Equity (OE)* managers performed the worst as fundamentals and valuations made equities look cheap, but Eurozone macro concerns detracted from any sustained rallies. Managers increased their net exposures only to see momentum shift away from them, then they watched as broader equities rallied after risk was taken off. Equity exposures also hurt the *Absolute Return (AR)* strategy. Beyond the losses in *OE* and *AR*, the majority of the other fund strategies, including *Private Investments*, finished November essentially flat.

## PORTFOLIO WEIGHTINGS HEDGED STRATEGIES & PRIVATE INVESTMENTS



<b>HATTERAS MULTI-STRATEGY FUND, L.P.</b>			
<b>STRATEGY PERFORMANCE<sup>‡</sup></b>	<b>MTH</b>	<b>TRAILING 3-MONTHS</b>	<b>TRAILING 12-MONTHS</b>
<i>Opportunistic Equity</i>	-2.37%	-5.38%	-6.12%
<i>Enhanced Fixed Income</i>	-0.41%	-1.91%	-1.63%
<i>Absolute Return</i>	-1.36%	-3.12%	-3.81%
<i>Tactical Trading</i>	-0.22%	-3.62%	-1.69%
<i>Private Investments</i>	0.40%	-1.46%	8.51%

‡See Note on page 5

## **HEDGED STRATEGIES**

### ***OPPORTUNISTIC EQUITY***

*Opportunistic Equity* was negative for the month. Managers continued to be whip-sawed in the face of increased market volatility. Correlations continued to increase within equity sectors, making stock picking an increasingly frustrating task for our fundamental, quality biased managers. Emerging markets also dropped as foreign-based investors continued to pull out capital in “risk-off” trades despite stronger local market fundamentals. Global long/short was one of the top performing sub-strategies both for the month and year-to-date periods as these managers have avoided many of the sector or region specific issues that have plagued the specialist managers.

We have made significant changes to the *Opportunistic Equity* strategy this year with nearly 40% asset turnover as we seek to improve the strategies risk/return profile. Over 50% of our YTD dollar allocations within *Opportunistic Equity* went to emerging market and energy managers, which despite their volatility; we remain excited about their long-term prospects. Since we started allocating to alternatives, our single largest source of alpha and performance has been long/short equity funds and we believe this strategy will be a performance driver in the future, especially when coupled with our themes such as Growth of the Asian Consumer.

### ***ENHANCED FIXED INCOME***

*Enhanced Fixed Income* was relatively flat for the month with the biggest gains coming from our European CDS (Credit Default Swap) exposures. The distressed and credit managers have generally implemented lower net exposures given the macro environment and they have been in the process of gradually adding risk back into their portfolios. The extreme summer volatility kept many of our managers defensively positioned and they have only begun to put risk back into portfolios. For example, select RMBS (Residential Mortgage Backed Securities) positions are starting to look attractive again and our managers are positioning the Fund’s investments to potentially capitalize on the prevailing fear in the marketplace.

### ***ABSOLUTE RETURN***

*Absolute Return* finished down primarily due to losses in our Relative Value sub-strategy, particularly with PIPE (Private Investment in Public Equity) exposures. Event-driven also finished negative due to financial sector losses. Our Multi-Strategy managers also gave back a small amount, but maintained their solid, positive YTD returns. We believe the multi-strategy managers are better equipped tactically to navigate this volatile environment given their ability to manage risk and quickly reallocate capital among their trading teams.

### ***TACTICAL TRADING***

*Tactical Trading* finished relatively flat for the month as gains from the systematic Managed Futures and Global Macro managers were offset by energy sector losses from our discretionary CTAs. We believe *Tactical Trading* is an essential strategy in this macro environment and our Global Macro sub-strategy has been our best performing hedged strategy to date this year. We were pleased with the protection this strategy provided in the portfolio during a difficult third quarter and we are looking to add additional tail-risk managers to potentially enhance the protective power of the overall Fund as macro uncertainty remains.

## **PRIVATE INVESTMENTS**

*Private Investments* finished with gains and remained the key source of performance for the overall portfolio. We remain excited about the exit potential of the Fund's *Private Investments* and their underlying portfolio companies, as we believe M&A activity could be further induced as cash rich companies seek additional growth opportunities. We see a number of exits developing for the beginning of next year which could mean great opportunity for the Fund. The weighted average of portfolio companies as of December 1, 2011 is over 2.7 years. In our experience, underlying companies have ripened for exit between years 3 and 5, which could make our portfolio well suited for exit activity in 2012.

## **FUND OUTLOOK**

Our outlook is largely based upon the conservative positioning of our hedge funds and more aggressive allocations to private investments. We believe the *Tactical Trading* strategy has positioned us to better navigate the seemingly endless amount of macro volatility with our global macro and managed futures funds. We have also repositioned *Opportunistic Equity* with more exposure to our continuing investment themes of health care, emerging market demographics, and commodities. Looking at global capital markets, we essentially end the year where we started in regards to the same debt issues which are still unresolved in almost every way by the developed world. If anything, fears and concerns look to be spreading to areas like China as the credit crisis evolves. With geopolitical concerns driving market volatility, we will look to be more conservative in our allocation to hedged strategies. However, we are very optimistic of the Fund's *Private Investments* with its combination of portfolio maturity, multiple vintage years, and different strategies. Unlike the publicly traded markets, "value" investing is alive and well, where understanding company balance sheets and income statements is a fundamental investment process. This point has been illustrated by one of our best performing areas, Private Real Estate, which has seen resurgent pricing and deal activity this year. Over the next 12 months, we believe the next phase of "value" to be unlocked is likely Private Energy as many large commodity companies can buy businesses cheaper than building those exposures themselves. Much of the exit activity we thought would take place in the back half of 2011 was shelved given volatility, but with the recent up-tick in IPOs and M&A headlines, it looks to be back on the table for the first two quarters of 2012.

As always, we appreciate the confidence you have placed in Hatteras and your investment in our Fund. Thank you again, and if you have any questions please do not hesitate to contact us.

Sincerely,  
The Hatteras Multi-Strategy Fund Investment Team

AS OF 11/30/11	MTH	YTD	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>	SINCE INCEPTION <sup>1,2</sup>
Hatteras Multi-Strategy Fund, L.P.	-0.96%	-3.43%	-1.20%	4.15%	-0.67%	1.54%
Hatteras Multi-Strategy TEI Fund, L.P.	-0.96%	-3.45%	-1.24%	4.15%	-0.82%	1.39%
Hatteras Multi-Strategy Institutional Fund, L.P.	-0.89%	-2.75%	-0.44%	4.96%	--	-0.16%
Hatteras Multi-Strategy TEI Institutional Fund, L.P.	-0.91%	-2.76%	-0.47%	4.97%	--	-0.51%

Quarter-end performance for the Hatteras Multi-Strategy Fund, L.P., As of 9/30/11, the 1-year, 3-year, 5-year, and Since Inception annualized return is 0.30%, -0.03%, 0.05%, and 1.57% respectively. Quarter-end performance for the Hatteras Multi-Strategy TEI Fund, L.P., as of 9/30/11, the 1-year, 3-year, 5-year, and Since Inception annualized return is 0.24%, -0.03%, -0.11%, and 1.41% respectively. Quarter-end performance for the Hatteras Multi-Strategy Institutional Fund, L.P., as of 9/30/11, the 1-year, 3-year, 5-year, and Since Inception annualized return is 1.07%, 0.74%, N.A., and -0.21% respectively. Quarter-end performance for the Hatteras Multi-Strategy TEI Institutional Fund, L.P., as of 9/30/11, the 1-year, 3-year, 5-year, and Since Inception annualized return is 1.05%, 0.75%, N.A., and -0.56% respectively.

1 Annualized returns

2 Inception dates: Hatteras Multi-Strategy Fund, L.P. and Hatteras Multi-Strategy TEI Fund, L.P.: April 1, 2005. Hatteras Multi-Strategy Institutional Fund, L.P.: January 1, 2007; Hatteras Multi-Strategy TEI Institutional Fund, L.P.: February 1, 2007;

*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 incentive allocations, 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.** To obtain performance information current to the most recent month-end, please call 866.388.6292. The net expense ratio and total expense ratio for the Hatteras Multi-Strategy Fund, L.P. is 2.32% and 6.52%, respectively. The net expense ratio and total expense ratio for the Hatteras Multi-Strategy TEI Fund, L.P. is 2.39% and 6.59%, respectively. The net expense ratio and total expense ratio for the Hatteras Multi-Strategy Institutional Fund, L.P. is 1.53% and 5.73%, respectively. The net expense ratio and total expense ratio for the Hatteras Multi-Strategy TEI Institutional Fund, L.P. is 1.69% and 5.89%, respectively. The total expense ratio for all funds includes Acquired Fund Fees and Expenses of 4.20%. The Investment Manager has contractually agreed to waive fees and/or reimburse certain expenses so that the total annual expenses will not exceed 2.35% for the Hatteras Multi-Strategy Fund, L.P., and Hatteras Multi-Strategy TEI Fund, L.P., and 1.75% for the Hatteras Multi-Strategy Institutional Fund, L.P. and the Hatteras Multi-Strategy TEI Institutional Fund, L.P. Please see the current prospectus for detailed information regarding expenses of the Funds.*

‡ Note: The portfolio analysis figures offer historical performance for each individual strategy as a composite of the actual underlying advisory funds. The historical performance shown indicates how each strategy (composite) performed on a stand-alone basis, net of all fees. However, none of the (composite) strategies shown are offered as stand-alone investments. This is not meant to predict or project results into the future, nor is it intended to portray performance of the Funds.

## BENCHMARK DEFINITIONS

**HFRX Global Hedge Fund Index:** Index data, sourced from Hedge Funds Research, Inc., is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

**S&P 500 Total Return Index:** The 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 performance of the Funds.

**Euro Stoxx 50:** A blue-chip index for the Eurozone, the index covers 50 stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

## STRATEGY DEFINITIONS

**Opportunistic Equity:** Opportunistic investing in broad groupings of different strategies and techniques that all have the similar trait of allowing the investment manager to seize and advantage in knowledge, research, temporary pricing anomalies, or market-specific inefficiencies to generate profit.

**Enhanced Fixed Income:** These strategies utilize global fixed income investments that may potentially offer high yields with little correlation to traditional, domestic fixed income investments. The universe typically includes global sovereign, corporate high yield and distressed bonds, as well as bank loans.

**Absolute Return:** Investors in these strategies seek to produce positive returns regardless of the direction of general markets. Hedge funds target absolute returns versus mutual funds, which typically target returns relative to a benchmark.

**Tactical Trading:** The Tactical Trading investment strategy is composed generally of Advisers who engage in directional trading strategies. Some of the Tactical Trading strategies incorporate equity assets as well as currencies, commodities and debt instruments. Commodity trading advisors (“CTAs”) and managed futures managers are included in the Tactical Trading investment strategy. The Tactical Trading investment strategy will have a relatively low correlation to the equity markets.

**Private Investments:** Investing in equity-oriented securities through a privately negotiated process. The majority of private investment transactions involve companies that are not publicly traded. Private investments are used by companies that have achieved various stages of development. Most investors access this strategy by investing in private equity funds or private equity funds of funds.

The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The opinions discussed in the letter are solely those of the Investment Manager and may contain certain forward-looking statements about the factors that may affect the performance of the Hatteras 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, 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. This material is not meant for general distribution. 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. ***Past performance does not guarantee future results.***

## 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 “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 [hatterasfunds.com](http://hatterasfunds.com) or by contacting Hatteras at 1-866-388-6292. Past performance does not guarantee future results.**

The Hatteras Multi-Strategy Fund, L.P.; the Hatteras Multi-Strategy TEI Fund, L.P.; the Hatteras Multi-Strategy Institutional Fund, L.P.; and the Hatteras Multi-Strategy TEI Institutional Fund, L.P. (collectively referred to herein as the “Hatteras Multi-Strategy Funds” or the “Funds”) are Delaware limited partnerships that are registered under the Investment Company Act of 1940 (the “1940 Act”), as amended, as non-diversified, closed-end management investment companies whose units are registered under the Securities Act of 1933, as amended. The Hatteras Multi-Strategy Funds are funds of alternative investments. As such, the Funds invest in private hedge funds and private equity 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 Funds, through an investment in the Master 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, and are not required to provide periodic pricing or evaluation information. 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 managers. Although the investment managers 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 managers 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. Certain underlying funds will not provide final Schedule K-1s for any fiscal year before April 15<sup>th</sup> of the following year. Those funds, however, will endeavor to provide estimates of taxable income or losses with respect to their investments.

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

*Securities offered through Hatteras Capital Distributors, LLC, member FINRA/SIPC. Hatteras Capital Distributors, LLC is affiliated with Hatteras Investment Partners, LLC by virtue of common control/ownership. This document is not an offering to subscribe for units of any fund and is intended for informational purposes only.*