


STOCKS, BONDS, AND CORE ALTERNATIVES INDEX | JANUARY 1, 1990- SEPTEMBER 30, 2011

PORTFOLIO ALLOCATION	AVG. ANNUAL RETURN	LARGEST 1-YEAR GAIN	LARGEST 1-YEAR LOSS	MAX DRAWDOWN*	STANDARD DEVIATION	GROWTH OF \$1 MILLION
 <ul style="list-style-type: none"> Stocks 100% 	7.77%	53.62%	-43.32%	-50.95%	15.15%	\$5,089,200
 <ul style="list-style-type: none"> Core Alternatives Index 100% (Hedge Funds 75% Private Investments 25%) 	9.21%	35.65%	-21.45%	-21.89%	7.65%	\$6,790,800
 <ul style="list-style-type: none"> Stocks 60% Bonds 40% 	7.88%	32.86%	-23.08%	-27.35%	9.95%	\$5,206,000
 <ul style="list-style-type: none"> Stocks 55% Bonds 35% Core Alternatives Index 10% (Hedge Funds 7.5% Private Investments 2.5%) 	8.04%	32.16%	-23.05%	-27.14%	9.63%	\$5,380,200
 <ul style="list-style-type: none"> Stocks 50% Bonds 30% Core Alternatives Index 20% (Hedge Funds 15% Private Investments 5%) 	8.20%	31.45%	-23.03%	-26.92%	9.36%	\$5,554,700
 <ul style="list-style-type: none"> Stocks 45% Bonds 25% Core Alternatives Index 30% (Hedge Funds 22.5% Private Investments 7.5%) 	8.36%	30.74%	-23.02%	-26.72%	9.13%	\$5,729,100

*Source: Pertrac, Hedge Funds: HFRI FOF Composite Index; Private Investments: Cambridge Associates, LLC, U.S. Private Equity Index; Stocks: S&P 500 Total Return Index; Bonds: Barclay's Capital U.S. Aggregate Bond Index. Portfolio allocations are rebalanced annually. Past results are not indicative of future performance. * largest percentage decline that occurred between 1990 and September 30, 2011. Certain information contained herein is based upon or derived from information provided by third party publications and other industry sources believed to be reliable. It is intended for informational purposes only, and is furnished without responsibility for completeness or accuracy. The illustrations are not intended to predict the performance of any specific investment or security. The past performance figures do not represent performance of any Hatteras Funds security and there can be no assurance that any Hatteras Funds security will achieve the past returns of the illustrative examples. The unmanaged indices do not reflect fees and expenses and are not available for direct investment. **Past performance is no guarantee of future results.**

DISCLOSURES & KEY RISK FACTORS

Annualized Standard Deviation: Risk as measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore the risk) of the fund or index. **Max Drawdown:** the maximum loss (compounded, not annualized) that the manager ever incurred during any sub-period of the entire time period. Conceptually, the calculation looks at all sub-periods of the time period in question and calculates the compound return of the manager over that period. The maximum drawdown is the minimum of zero and all these compound returns. The HFRI indices report performance monthly. Funds included in the HFRI monthly indices must report monthly returns, report net of all fees returns, report assets in USD and have at least \$50 Million under management or have been actively trading for at least twelve months.

HFRI Fund of Funds Composite Index is an equal weighted index of over 650 constituent hedge fund of funds that invest over a broad range of strategies. **Standard & Poor's (S&P) 500 Index** is an index of 500 stocks chosen for market size, liquidity, and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. Companies included in the index are selected by the S&P Index Committee, a team of analysts and economists at Standard & Poor's. The S&P 500 is a market value weighted index – each stock's weight in the index is proportionate to its market value. **The Cambridge Associates LLC U.S. Private Equity Index®** is an end-to-end calculation based on data compiled from 905 US private equity funds (buyout, growth equity, private equity energy, and mezzanine funds), including fully liquidated partnerships formed between 1986 and 2011. Performance is pooled end-to-end return, net of fees, expenses, and carried interest. **The Barclays Capital U.S. Aggregate Index** is an unmanaged index of investment-grade, U.S. dollar-denominated fixed-income securities of domestic issuers having a maturity greater than one year.

Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other important information about the Funds, and may be obtained by visiting hatterasfunds.com or calling 877.569.2382 for the Hatteras Alternative Mutual Funds. Read it carefully before investing.

Key Risk Factors: Certain hedging techniques and leverage employed in the management of alternative investments 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 investment. 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 investment. Options held by the investment may be illiquid and the investment 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. Alternative investments 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 investment, resulting in a generally higher investment cost than from investing directly in the underlying shares of these investments. Alternative investments may 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 investments may be 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 investments share price. Regarding funds-of-funds, your cost of investing in the funds-of-funds will generally be higher than the cost of investing directly in the shares of the funds in which it invests. By investing in funds-of-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-of-funds. Please refer to the prospectus for more information about the investments including risks, fees and expenses. Alternative investments involve risk; loss of principal is possible. Please consult an investment professional for advice regarding your particular circumstances. An investment in alternative investments may not be suitable for all investors.