



Hatteras Alpha Hedged Strategies Fund

Class A: APHAX | Class C: APHCX | Class I: ALPIX

FUND OVERVIEW

The Hatteras Alpha Hedged Strategies Fund (ALPIX or the “Fund”) is designed as a complete, turnkey alternative investment allocation. The Fund serves as a total portfolio diversifier by using a multi-strategy, multi-manager approach.

PERFORMANCE REVIEW

The Fund returned +1.01% for the third quarter of 2017, underperforming the HFRX Global Hedge Index which returned +1.83%. As was the case in the first half of the year, the third quarter provided a positive setting for risk assets with gains across global equities, global bond markets, and the vast majority of hedge fund strategies. Equities were driven higher during the quarter by robust corporate earnings results, positive economic data, and a renewed focus on U.S. tax reform. Volatility in equity markets remained muted, with markets weathering tensions with North Korea, the Federal Reserve’s plans to reduce the size of their balance sheet, as well as the impact of several major hurricanes during the third quarter. Bond markets also posted gains as credit spreads tightened and longer dated Treasury yields were little changed quarter over quarter.

Hedge fund strategies broadly generated gains during the quarter, with Long/Short Equity strategies catching a tailwind from the market environment, while Macro, Relative Value and Event Driven strategies produced smaller gains. These factors were also reflected in the Fund’s quarterly performance.

Long/Short Equity was the Fund’s top contributing strategy for the quarter. The strategy captured 44% of the S&P 500’s quarterly return while systematically holding portfolio hedges. The strategy’s directional component, which buys S&P 500 call options, drove positive performance as equity markets continued their year to date advance. Put option hedges and options sold to offset the cost of the structure were detractors for the quarter.

Long/Short Debt contributed for the period, led by long credit positions. Within the Loomis Sayles Strategic Alpha Fund, top performers included long positions within securitized credit and high yield corporate bonds. Short credit positions and risk management hedges were modest detractors during the quarter.

Managed Futures contributed for the period, led by long positions in global equity indices. The LoCorr Macro Strategies Fund had gains across both trend following and non-trend

following models. Rising global equity indices have been the dominant trend year to date, and this theme continued during the third quarter. Outside of equities, price reversals in interest rates, currencies and certain commodity markets created challenges for the models and produced losses for the period.

Event Driven was the smallest contributor, but by a narrow margin behind both Long/Short Debt and Managed Futures. Event Driven added to Fund performance during the period led by merger arbitrage positions. The Vivaldi Merger Arbitrage Fund benefitted from merger spreads tightening across most sectors during the quarter. By sector, Technology, Health Care, and Financials were the top contributing areas. Among the top performing positions for the quarter were NXP Semiconductors as activist investors continued to push for a higher bid from Qualcomm, and Kite Pharma which is being acquired by Gilead Sciences.

POSITIONING AND OPPORTUNITY

Global markets have been marked by historically low levels of volatility and rising valuations thus far in 2017. Entering the final quarter of the year we encounter increasingly rich multiples within the public equity market and historically tight credit spreads in the corporate bond market. These characteristics coincide with a maturing economic cycle. There are developing risks with global central banks, as a synchronized global expansion is leading to a shift away from accommodative monetary policy and central bankers are now looking to either slow stimulus programs or begin the process of reducing the size of their balance sheets. Any one of these risks has potential to reignite market volatility, therefore, we continue to be positioned defensively.

Our conservative stance is present across each of the Fund’s strategies. The Fund’s equity strategy maintains systematic portfolio hedges. The Event Driven allocation is focused on low beta merger arbitrage opportunities. Managed Futures can provide an uncorrelated source of returns during more challenging times. Long/Short Debt exposure provides a low duration, low volatility profile.

As always, we appreciate the continued confidence you have placed in us.

Best regards,
The Hatteras Funds Investment Team

Risk and Return

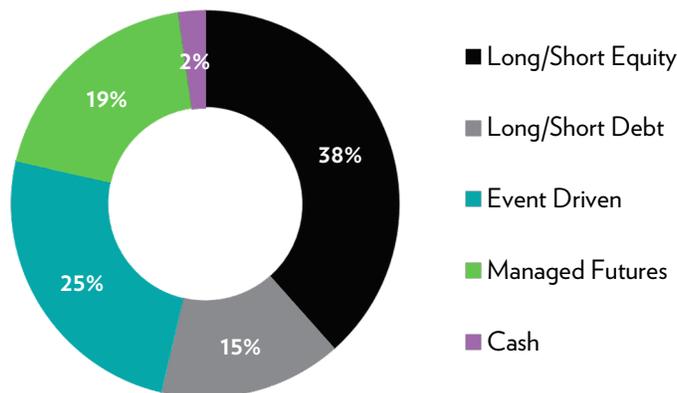
ANNUALIZED RETURNS

Time Period	HFRX Global Hedge Fund Index			Risk Statistics*	HFRX Global Hedge Fund Index		
	ALPIX	3M T-Bills	Index		ALPIX	3M T-Bills	Index
QTD	1.0%	0.3%	1.8%	Annualized Return	2.5%	0.2%	4.3%
1-Year	2.7%	0.7%	5.6%	Cumulative Return	27.5%	1.5%	16.7%
3-Years	2.8%	0.3%	0.5%	Standard Deviation	4.9%	0.1%	4.0%
5-Years	-1.6%	0.2%	2.0%	Correlation vs. S&P	0.8	-	0.7
10-Years	-0.5%	0.5%	-0.5%	Annualized Alpha vs. S&P	-1.6	-	-2.1
Inception	2.5%	1.3%	1.9%	Beta vs. S&P	0.3	-	0.3

Inception 9/23/02. Data as of 9/30/17.

*Historical data since July 2009.

Strategy Allocation



Performance data quoted represents past performance; past performance does not guarantee future results. 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 Fund 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. The average annual returns shown above are historical and reflect changes in share price, reinvested dividends and are net of expenses. Class C returns do not reflect a 1.00% contingent deferred salescharge on shares sold within the first year of purchase and if reflected, would reduce the performance quoted. The average annual returns for Class A Shares "with sales charge" give effect to the deduction of the maximum sales charge of 4.75%. Class A Shares were not in existence prior to May 2, 2011. Class I Shares were not in existence prior to September 30, 2011. Performance for any periods prior to the inception date of Classes A and I, are based on the historical performance of the No Load Shares adjusted to assume the expenses associated with Class A or I Shares, respectively. Net Fund Operating Expenses borne by the investor and paid each year as a percentage of the investment's value are contractually capped are contractually capped at 2.24% for ALPIX, and 2.49% for APHAX, and 3.24% for APHCX through at least April 30, 2018 and exclude dividends on short positions and interest borrowing, as well as other extraordinary items disclosed in the prospectus. Total Annual Fund Operating Expenses are 2.78% APHAX, 3.53% for APHCX, and 2.53% for ALPIX.



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. For performance information current to the most recent month end, please call 877.569.2382 or visit us at hatterasfunds.com.

Class I Shares (ALPIX) of Alpha Hedged Strategies Fund were not in existence prior to September 30, 2011 and have a minimum investment of \$1 million. Performance for any periods prior to the inception date of Class I is based on the historical performance of the No Load Shares adjusted to assume the expenses associated Class I Shares.

Average annual total returns. Periods less than one year are cumulative.

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 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 individual strategy 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.

Diversification does not assure a profit or protect against loss.

Definitions

BoFA Merrill Lynch 3-Month U.S. Treasury Bill Index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

HFRX Global Hedge Fund Index 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.

Funds in the **Morningstar Multialternative Category** will use a combination of alternative strategies such as taking long and short positions in equity and debt, trading futures, or using convertible arbitrage, among others.

Standard & Poor's (S&P) 500 Total Return Index is an unmanaged, un-investible index whose 500 stocks are chosen for market size, liquidity, and industry grouping, among other factors. It is a market value weighted index, with each stock's weight in the index proportionate to its market value. 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. The S&P 500 is a market value weighted index – each stock's weight in the index is proportionate to its market value.

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. 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

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 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 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.



Exposure to the commodities markets through investment in managed futures programs may subject the Fund to greater volatility than investment in traditional securities. 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 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 (affiliated) 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;
- Shares of other non-affiliated investment companies primarily including ETFs.

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.

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.

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.

The Funds are distributed by Hatteras Capital Distributors, LLC, member FINRA/SIPC, an affiliate of Hatteras Funds, LP by virtue of common control or ownership.

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