



HATTERAS
FUNDS

ANNUAL REPORT

MARCH 31, 2019

Hatteras Core Alternatives Fund, L.P.

Hatteras Core Alternatives TEI Fund, L.P.

Hatteras Core Alternatives Institutional Fund, L.P.

Hatteras Core Alternatives TEI Institutional Fund, L.P.

Beginning on January 1, 2021 as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Funds' shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications electronically from the Fund by calling 1-800-504-9070 or by contacting your financial intermediary.

You may elect to receive all future reports in paper free of charge. You can request to continue receiving paper copies of your shareholder reports by contacting your financial intermediary or, if you invest directly with the Fund, calling 1-800-504-9070 to let the Fund know of your request. Your election to receive in paper will apply to all funds held in your account.

Defining Alternatives

ANNUAL REVIEW (UNAUDITED)

For the fiscal year ended March 31, 2019, on a net basis, the Core Alternatives Institutional Fund, L.P. returned 8.48%, the Core Alternatives Fund, L.P. returned 8.35%, the Core Alternatives TEI Fund, L.P. returned 8.16%, and the Core Alternatives TEI Institutional Fund, L.P. returned 8.30%. Each Fund invests substantially all of its assets, directly or indirectly, in Hatteras Master Fund, L.P. (the "Master Fund"). Returns of the Funds will differ since the Funds have different expenses. Fund performance outperformed its benchmark, the HFRX Global Hedge Index, which returned -3.34% for the period.

Private Investments

Private Investments returned +10.51% (Gross) for the period. Buyout was the top performer for the year, followed by the Growth Capital and Venture Capital categories. Debt funds generated a small gain for the year, while Real Estate positions produced a modest loss. The Energy & Natural Resources category was the largest detractor for the period.

Buyout was a consistent performer with gains in each quarter of the fiscal year. The top contributor was a new position for the Fund which is focused on acquiring interests in mature businesses at a discount via the secondary market. Gains in the fund were driven by write-ups on three single asset secondary purchases, an immune-sequencing company, a ride-sharing company, and an eCommerce company. Exit activity was also a key driver of performance for the year. During the year, the Fund benefitted from the sales of companies across a variety of industries including veterinary services, recruitment process outsourcing, water filtration systems, home fashion products, automotive finance and insurance, and software. Several buyout funds also saw unrealized gains reflecting improved fundamentals and corresponding markups in valuation for underlying companies.

Growth Capital was the second largest contributor during the period. An outsized winner in the category was a China focused fund which had a successful IPO in the cloud computing and network security industry. Transaction activity was also additive to performance, as an electronic cigarette company and an Indian e-commerce company each sold material stakes in their businesses at valuations above previous funding rounds. Detractors within the category included funds with exposure to emerging market public equities, particularly positions in China and India.

Within Venture Capital, gains were led by positions which were marked up following new rounds of funding at higher valuations. A top performer in the category was a position held in two funds managed by the same general partner, where an online payment processing company completed an up round of financing in September. Other notable

Within the Core Alternatives Institutional Fund, Private Investments drove performance for the year, with gains of +10.51% (Gross), while Hedged Investments returned -0.72% (Gross). The Private Investments portfolio's gains were led by the Buyout, Growth Capital and Venture Capital categories. Within Hedged Investments, the Event Driven and Macro categories generated losses during the period which more than offset gains from Relative Value and Long Short Equity positions.

At the end of the fiscal year, Private Investment exposure was 80% and Hedged Investments comprised 20% of the Fund. Given the mature state of the portfolio, we anticipate distribution activity to continue throughout 2019.

contributors included realized gains in a genetic testing company and a ride sharing company which was marked up twice during the year following two rounds of financing.

The Credit and Real Estate categories produced mixed performance for the year. Positive performance within the Credit category resulted from markups of portfolio companies within the Media and Health Care industries; however, the gains were partially offset by losses from distressed debt funds. Real Estate was a modest detractor with losses largely driven by a Brazil focused real estate fund which experienced unrealized losses from the weakening of the Brazilian Real during the period. These losses were limited by gains in U.S. real estate funds.

The Energy and Natural Resources category was the largest detractor for the year driven by a sharp decline in commodity prices during the fourth quarter of 2018 which weighed on the valuations of both public and private companies. Another factor which detracted from performance for the category was a transaction that was completed during the third quarter of 2018 which materially reduced the Fund's energy allocation and exposure to private funds which held public equity positions. In total, a package of five positions representing approximately 3.5% of the Fund were sold via the secondary market. While the transaction detracted from performance within the category, it was executed in coordination with a transaction to increase domestic Buyout exposure, which in aggregate contributed to performance for the year.

The Fund received approximately \$67 million in net cash flows during the 12-month period. For the year, distributions were highest from funds with vintage years between 2007 and 2010, as expected given the mature state of the portfolio (weighted average age of 8.2 years).

Hedged Investments

Hedged Investments returned -0.72% (Gross) for the period. Losses were driven by the Event Driven category's exposure to legacy side pocket positions, while the Fund's active Event Driven and Macro positions were more modest detractors for year. Positive performance was split between the Relative Value and Long Short Equity categories.

Event Driven was the largest detractor in the Hedged Investments portfolio during the year. Two related side pocket positions, comprised of the remaining assets from distressed debt funds sold in 2012 and 2013, were significant detractors for the annual period. A common asset held within each position is a satellite communications company which was marked down to reflect a declining financial status as the company awaits regulatory clearance. Outside of side pocket positions, the Fund's three active Event Driven positions produced small losses for the year. While all three active managers share multi-strategy attributes which allow them the flexibility to trade across the capital structure, losses for year were driven by long U.S. equity positions.

The Macro category also detracted from performance for the period, with losses in a systematic strategy surpassing gains from a discretionary manager. The systematic manager's annual losses were the result of trend following positions which were wrong footed entering two volatile periods during the year; Italian and U.S. interest rate dynamics during the second quarter of 2018 and the global sell-off in stock indices and oil markets during the fourth quarter of 2018. These losses were partially offset by gains from our discretionary manager who generated gains in fixed income and energy markets trades during the year.

Relative Value was the largest contributor during the year. Gains were led by a legacy side pocket position, where an underlying position in the media industry increased in value as the company's cash flow metrics continued to improve. A multi-strategy fund also added to performance for the year and served as a ballast for the Hedged Investments portfolio during the fourth quarter of 2018 given its market neutral positioning. The manager's gains were led by event driven equity, corporate credit, and developed market fixed income strategies. Within the manager's event driven strategy, stub trades in the technology sector and merger arbitrage trades in the media industry were among the top performers.

Long/Short Equity also contributed to performance for the period. Among the top performers for the year were legacy hybrid funds, which have a combination of both public and private components of their underlying portfolios. The largest contributor within the category was a technology focused hybrid fund which generated gains in both public and private positions during the year. Results from active managers were mixed for the year. A U.S. focused manager produced gains with positive security selection in media, aerospace and defense and automotive names while maintaining modest net exposure throughout the year. A global focused manager was a small detractor from performance as the growth biased and Asia heavy portfolio was out of favor during the third and fourth quarters of 2018.

FUND OUTLOOK (UNAUDITED)

Looking ahead, pockets of volatility are likely to continue given shifting global central bank policies, uncertainty surrounding trade talks between the U.S. and China, slowing domestic corporate earnings growth, and concerns of slowing global economic growth highlighted by weakness in Europe and China. Global central banks, which had been moving towards increasingly restrictive policies for much of 2018, broadly reversed course in early 2019 as the global growth outlook weakened. A resurgence of inflation, particularly in the U.S. which has led developed economies, could lead to a resumption of tighter monetary policies. Regarding corporate earnings, the very same tax reform benefits which have supported earnings growth in 2018 could turn into a headwind in 2019 as growth metrics are typically measured on a year-over-year basis. Corporate earnings on an absolute basis may continue to grow, albeit at a slower pace due to the steeper comparison levels. We believe positioning in the Fund, diversified across private and hedged investment strategies, offers investors immediate access to a mature, evergreen private investments program for growth and a multi-manager hedge fund portfolio for potential volatility management.

The Fund's Private Investments remain attractive. We will continue to look for opportunities to strategically reposition segments of the portfolio, following the same game plan as the transactions that were executed in the third quarter of 2018 which trimmed energy exposure and rotated capital into attractively discounted domestic buyout investments. Future opportunities may include selectively reducing venture capital, international and energy investments, and opportunistically adding to the

domestic buyout, credit, and real estate categories. The Fund's Sub-advisor, Portfolio Advisors, stands uniquely positioned to manage the evolution of the portfolio with a strong long-term performance track record, deep experience across a breadth of private investment strategies, and the necessary relationships to reposition the portfolio.

Within Hedged Investments, efforts will continue to further support the objective of providing diversification and volatility management. Both the Event Driven or Marco categories have been fully repositioned over the last two years and we do not anticipate any near-term changes with either category. While the Relative Value category has also been fully positioned in recent years, we continue to assess opportunities in the category and may periodically supplement our positions with a liquid risk premia strategy. The Long/Short Equity overweight allocation has been materially reduced over last two years and will continue to be deemphasized as redemptions are currently scheduled from the category's remaining two managers. As we conducted due diligence on prospective managers within the Long/Short Equity category during 2018, we concluded that higher net exposure strategies generally would not help meet the objectives of providing diversification and volatility management for the Fund. We anticipate building a diversified portfolio with approximately 10 core hedge fund positions, focusing on larger organizations with proven track records and multi-strategy characteristics. We believe the Fund will benefit from more prudent and strategic utilization of hedge fund strategies specifically designed to complement the Private Investment portfolio.

PERFORMANCE SUMMARY¹ (UNAUDITED)

HATTERAS CORE ALTERNATIVES FUND, L.P. (INCEPTION DATE: APRIL 1, 2005)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year ² |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------|
| 2019 | 0.44% | 0.49% | 5.30% | | | | | | | | | | 6.28% |
| 2018 | 0.78% | -0.12% | 3.10% | -1.31% | 0.34% | -0.08% | 1.27% | 2.93% | -0.05% | 0.25% | -0.97% | -0.02% | 6.20% |
| 2017 | 0.14% | 0.02% | 1.96% | 0.46% | 0.58% | -0.44% | 0.87% | 0.57% | -0.40% | 0.01% | 0.52% | 0.22% | 4.57% |
| 2016 | -2.16% | -2.72% | -1.21% | -0.29% | -0.22% | -0.19% | 1.58% | 1.21% | 0.47% | 0.04% | -0.09% | 0.16% | -3.44% |
| 2015 | 0.08% | 1.84% | -0.11% | 0.53% | 1.39% | -0.24% | 1.87% | -1.25% | -1.59% | -1.46% | -0.11% | 0.14% | 1.02% |
| 2014 | 0.60% | 1.54% | -0.64% | -1.38% | 1.39% | 2.07% | 0.16% | 1.47% | 0.34% | 0.57% | 0.67% | -0.94% | 5.92% |
| 2013 | 1.16% | -0.03% | 0.54% | -0.39% | 0.59% | -0.53% | 0.94% | -0.50% | 1.81% | 1.88% | 1.50% | 2.94% | 10.31% |
| 2012 | 1.96% | 0.89% | -0.18% | 0.07% | -0.58% | 0.01% | 0.50% | 0.74% | 0.64% | -0.04% | 0.08% | 0.94% | 5.10% |
| 2011 | 0.41% | 1.09% | 0.69% | 0.83% | -0.22% | -0.79% | 0.19% | -2.37% | -3.27% | 1.02% | -0.96% | -0.56% | -3.97% |
| 2010 | -0.30% | 0.06% | 1.72% | 0.94% | -2.63% | -1.13% | 0.34% | -0.11% | 2.29% | 1.30% | 0.28% | 2.31% | 5.06% |
| 2009 | 0.17% | -0.43% | -0.50% | 0.49% | 3.69% | 0.79% | 2.20% | 1.20% | 2.39% | 0.11% | 0.85% | 0.95% | 12.50% |
| 2008 | -2.89% | 1.86% | -2.88% | 1.57% | 2.10% | -0.48% | -2.84% | -1.53% | -8.28% | -7.54% | -4.29% | -1.01% | -23.79% |
| 2007 | 0.97% | 0.67% | 1.60% | 1.86% | 2.01% | 0.78% | -0.05% | -1.85% | 1.93% | 2.71% | -1.72% | 0.92% | 10.16% |
| 2006 | 2.80% | -0.20% | 1.74% | 1.10% | -1.97% | -0.75% | 0.37% | 0.76% | 2.26% | 1.60% | 2.09% | 0.93% | 8.98% |
| 2005 | | | | -1.54% | 0.26% | 1.46% | 2.16% | 0.48% | 1.39% | -1.46% | 1.35% | 1.85% | 6.04% |

| Returns | Fund | S&P 500 ³ | HFRXGL ³ | Historical Data (since inception) | Fund | S&P 500 ³ | HFRXGL ³ |
|----------------------------|-------|----------------------|---------------------|--------------------------------------|---------|----------------------|---------------------|
| Year-to-date | 6.28% | 13.65% | 2.60% | Cumulative Return | 55.80% | 221.68% | 8.51% |
| 1-Year | 8.35% | 9.50% | -3.34% | Standard Deviation ⁴ | 5.50% | 13.93% | 5.52% |
| 3-Year (average annual) | 6.62% | 13.51% | 1.94% | Largest Drawdown ⁵ | -24.98% | -50.95% | -25.21% |
| 5-Year (average annual) | 3.83% | 10.91% | -0.30% | Drawdown — # of months ⁶ | 17 | 16 | 14 |
| 10-Year (average annual) | 4.93% | 15.92% | 1.74% | | | | |
| Annualized Since Inception | 3.22% | 8.70% | 0.58% | | | | |

HATTERAS CORE ALTERNATIVES TEI FUND, L.P. (INCEPTION DATE: APRIL 1, 2005)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year ² |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------|
| 2019 | 0.42% | 0.47% | 5.35% | | | | | | | | | | 6.30% |
| 2018 | 0.72% | -0.09% | 3.00% | -1.33% | 0.32% | -0.10% | 1.25% | 2.92% | -0.07% | 0.23% | -0.99% | -0.04% | 5.90% |
| 2017 | 0.13% | 0.01% | 1.96% | 0.45% | 0.58% | -0.46% | 0.85% | 0.56% | -0.41% | 0.00% | 0.50% | 0.01% | 4.29% |
| 2016 | -2.17% | -2.73% | -1.28% | -0.31% | -0.22% | 0.00% | 1.57% | 1.21% | 0.48% | 0.04% | -0.09% | 0.17% | -3.55% |
| 2015 | 0.08% | 1.83% | -0.12% | 0.52% | 1.28% | 0.29% | 1.68% | -1.14% | -1.47% | -1.48% | -0.13% | 0.12% | 0.90% |
| 2014 | 0.59% | 1.52% | -0.65% | -1.40% | 1.39% | 2.06% | 0.14% | 1.48% | 0.35% | 0.57% | 0.67% | -0.94% | 5.89% |
| 2013 | 1.15% | -0.04% | 0.48% | -0.39% | 0.59% | 0.00% | 0.92% | -0.52% | 1.77% | 1.85% | 1.47% | 2.92% | 10.02% |
| 2012 | 1.94% | 0.88% | -0.20% | 0.06% | -0.59% | 0.00% | 0.49% | 0.73% | 0.63% | -0.05% | 0.08% | 0.93% | 4.99% |
| 2011 | 0.41% | 1.09% | 0.68% | 0.83% | -0.22% | -0.79% | 0.19% | -2.37% | -3.28% | 1.01% | -0.96% | -0.59% | -4.02% |
| 2010 | -0.34% | 0.06% | 1.72% | 0.94% | -2.63% | -1.12% | 0.35% | -0.12% | 2.27% | 1.28% | 0.26% | 2.29% | 4.95% |
| 2009 | 0.16% | -0.44% | -0.50% | 0.47% | 3.71% | 0.79% | 2.19% | 1.20% | 2.39% | 0.11% | 0.85% | 0.95% | 12.48% |
| 2008 | -2.95% | 1.82% | -2.92% | 1.53% | 2.08% | -0.52% | -2.88% | -1.57% | -8.33% | -7.56% | -4.31% | -0.86% | -23.98% |
| 2007 | 0.94% | 0.64% | 1.58% | 1.83% | 1.99% | 0.75% | -0.07% | -1.88% | 1.89% | 2.68% | -1.74% | 0.87% | 9.79% |
| 2006 | 2.77% | -0.20% | 1.72% | 1.09% | -1.98% | -0.75% | 0.37% | 0.72% | 0.23% | 1.57% | 2.05% | 0.90% | 8.73% |
| 2005 | | | | -1.54% | 0.26% | 1.46% | 2.16% | 0.48% | 1.39% | -1.46% | 1.32% | 1.82% | 5.97% |

| Returns | Fund | S&P 500 ³ | HFRXGL ³ | Historical Data (since inception) | Fund | S&P 500 ³ | HFRXGL ³ |
|----------------------------|-------|----------------------|---------------------|--------------------------------------|---------|----------------------|---------------------|
| Year-to-date | 6.30% | 13.65% | 2.60% | Cumulative Return | 52.30% | 221.68% | 8.51% |
| 1-Year | 8.16% | 9.50% | -3.34% | Standard Deviation ⁴ | 5.49% | 13.93% | 5.52% |
| 3-Year (average annual) | 6.40% | 13.51% | 1.94% | Largest Drawdown ⁵ | -25.23% | -50.95% | -25.21% |
| 5-Year (average annual) | 3.67% | 10.91% | -0.30% | Drawdown — # of months ⁶ | 17 | 16 | 14 |
| 10-Year (average annual) | 4.78% | 15.92% | 1.74% | | | | |
| Annualized Since Inception | 3.05% | 8.70% | 0.58% | | | | |

1. 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 2% redemption fee, which would reduce returns shown above. Past performance does not guarantee future results and current performance may be lower or higher than the figures shown. The net expense ratio and total expense ratio for the Hatteras Core Alternatives Fund, L.P. are 2.42% and 6.02%, respectively. The net expense ratio and total expense ratio for the Hatteras Core Alternatives TEI Fund, L.P. are 2.49% and 6.09%, respectively. The total expense ratio for both funds includes Acquired Fund Fees and Expenses of 3.60%. Please see the current Prospectus for detailed information regarding the expenses of the Funds.
2. Cumulative return. 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 placement fees, if applicable, which would reduce returns noted above.
3. S&P 500 Index and HFRX Global Hedge Fund Index (HFRXGL) data are sourced from Bloomberg. The indices are unmanaged portfolios of securities. Their performance results do not reflect the deduction of management fees, incentive compensation, commissions or other expenses. An investor cannot invest directly in an index. The S&P 500 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. HFRXGL is designed to be representative of the overall composition of the hedge fund universe. It is comprised of eight strategies: 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.
4. Measurement of the investment's volatility.
5. The peak to trough decline of an investment.
6. Number of months of a peak to trough decline of an investment.

PERFORMANCE SUMMARY¹ (UNAUDITED)

HATTERAS CORE ALTERNATIVES INSTITUTIONAL FUND, L.P. (INCEPTION DATE: JANUARY 1, 2007)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year ² |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------|
| 2019 | 0.44% | 0.51% | 5.33% | | | | | | | | | | 6.33% |
| 2018 | 0.72% | -0.07% | 3.01% | -1.30% | 0.35% | -0.08% | 1.27% | 2.94% | -0.04% | 0.25% | -0.97% | -0.02% | 6.12% |
| 2017 | 0.14% | 0.04% | 1.97% | 0.45% | 0.59% | -0.44% | 0.87% | 0.58% | -0.40% | 0.01% | 0.53% | 0.21% | 4.65% |
| 2016 | -2.09% | -2.65% | -1.20% | -0.22% | -0.14% | -0.11% | 1.65% | 1.21% | 0.47% | 0.04% | -0.09% | 0.17% | -3.00% |
| 2015 | 0.14% | 1.72% | -0.05% | 0.54% | 1.32% | -0.15% | 1.76% | -1.07% | -1.38% | -1.26% | -0.04% | 0.19% | 1.66% |
| 2014 | 0.60% | 1.44% | -0.52% | -1.19% | 1.31% | 1.93% | 0.20% | 1.39% | 0.37% | 0.58% | 0.66% | -0.79% | 6.09% |
| 2013 | 1.23% | 0.03% | 0.59% | -0.32% | 0.65% | -0.46% | 1.00% | -0.43% | 1.87% | 1.94% | 1.57% | 2.75% | 10.87% |
| 2012 | 2.03% | 0.96% | -0.12% | 0.13% | -0.52% | 0.07% | 0.56% | 0.80% | 0.70% | 0.02% | 0.15% | 1.00% | 5.92% |
| 2011 | 0.47% | 1.15% | 0.75% | 0.89% | -0.16% | -0.72% | 0.25% | -2.31% | -3.20% | 1.09% | -0.89% | -0.50% | -3.23% |
| 2010 | -0.24% | 0.12% | 1.78% | 1.01% | -2.57% | -1.06% | 0.41% | -0.04% | 2.36% | 1.36% | 0.34% | 2.37% | 5.89% |
| 2009 | 0.24% | -0.36% | -0.45% | 0.55% | 3.75% | 0.86% | 2.27% | 1.27% | 2.46% | 0.17% | 0.91% | 1.01% | 13.35% |
| 2008 | -2.85% | 1.91% | -2.81% | 1.63% | 2.14% | -0.42% | -2.78% | -1.47% | -8.22% | -7.50% | -4.23% | -0.94% | -23.27% |
| 2007 | 1.12% | 0.73% | 1.65% | 1.89% | 2.06% | 0.82% | 0.00% | -1.89% | 2.00% | 2.75% | -1.71% | 0.97% | 10.76% |

| Returns | Fund | S&P 500 ³ | HFRXGL ³ | Historical Data (since inception) | Fund | S&P 500 ³ | HFRXGL ³ |
|----------------------------|-------|----------------------|---------------------|--------------------------------------|---------|----------------------|---------------------|
| Year-to-date | 6.33% | 13.65% | 2.60% | Cumulative Return | 43.27% | 159.11% | -4.32% |
| 1-Year | 8.48% | 9.50% | -3.34% | Standard Deviation ⁴ | 5.55% | 14.70% | 5.64% |
| 3-Year (average annual) | 6.73% | 13.51% | 1.94% | Largest Drawdown ⁵ | -24.29% | -50.95% | -25.21% |
| 5-Year (average annual) | 4.08% | 10.91% | -0.30% | Drawdown — # of months ⁶ | 17 | 16 | 14 |
| 10-Year (average annual) | 5.42% | 15.92% | 1.74% | | | | |
| Annualized Since Inception | 2.98% | 8.08% | -0.36% | | | | |

HATTERAS CORE ALTERNATIVES TEI INSTITUTIONAL FUND, L.P. (INCEPTION DATE: FEBRUARY 1, 2007)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year ² |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------|
| 2019 | 0.42% | 0.48% | 5.31% | | | | | | | | | | 6.27% |
| 2018 | 0.72% | -0.07% | 3.01% | -1.32% | 0.33% | -0.09% | 1.26% | 2.93% | -0.06% | 0.24% | -0.98% | -0.03% | 6.02% |
| 2017 | 0.14% | 0.03% | 1.98% | 0.46% | 0.59% | -0.44% | 0.87% | 0.57% | -0.40% | 0.01% | 0.52% | 0.20% | 4.63% |
| 2016 | -2.09% | -2.65% | -1.24% | -0.24% | -0.14% | -0.11% | 1.64% | 1.22% | 0.49% | 0.04% | -0.08% | 0.18% | -3.03% |
| 2015 | 0.14% | 1.72% | -0.04% | 0.54% | 1.32% | -0.15% | 1.75% | -1.08% | -1.39% | -1.27% | -0.05% | 0.18% | 1.62% |
| 2014 | 0.59% | 1.44% | -0.52% | -1.20% | 1.30% | 1.93% | 0.19% | 1.40% | 0.38% | 0.58% | 0.67% | -0.79% | 6.10% |
| 2013 | 1.10% | 0.03% | 0.47% | -0.29% | 0.59% | -0.43% | 0.90% | -0.41% | 1.67% | 1.73% | 1.40% | 2.71% | 9.84% |
| 2012 | 2.01% | 0.94% | -0.13% | 0.13% | -0.52% | 0.07% | 0.56% | 0.80% | 0.70% | 0.02% | 0.14% | 1.00% | 5.85% |
| 2011 | 0.48% | 1.16% | 0.69% | 0.81% | -0.14% | -0.65% | 0.23% | -2.24% | -3.21% | 1.07% | -0.91% | -0.51% | -3.26% |
| 2010 | -0.23% | 0.13% | 1.79% | 1.01% | -2.56% | -1.06% | 0.42% | -0.05% | 2.34% | 1.35% | 0.33% | 2.36% | 5.88% |
| 2009 | 0.24% | -0.36% | -0.43% | 0.54% | 3.74% | 0.85% | 2.26% | 1.27% | 2.46% | 0.18% | 0.92% | 1.02% | 13.37% |
| 2008 | -2.87% | 1.87% | -2.83% | 1.59% | 2.09% | -0.44% | -2.82% | -1.50% | -8.26% | -7.51% | -4.24% | -0.91% | -23.48% |
| 2007 | | 0.71% | 1.62% | 1.87% | 2.03% | 0.80% | -0.04% | -1.95% | 2.01% | 2.72% | -1.76% | 0.96% | 9.23% |

| Returns | Fund | S&P 500 ³ | HFRXGL ³ | Historical Data (since inception) | Fund | S&P 500 ³ | HFRXGL ³ |
|----------------------------|-------|----------------------|---------------------|--------------------------------------|---------|----------------------|---------------------|
| Year-to-date | 6.27% | 13.65% | 2.60% | Cumulative Return | 39.12% | 155.25% | -5.74% |
| 1-Year | 8.30% | 9.50% | -3.34% | Standard Deviation ⁴ | 6.18% | 14.75% | 5.64% |
| 3-Year (average annual) | 6.67% | 13.51% | 1.94% | Largest Drawdown ⁵ | -24.53% | -50.95% | -25.21% |
| 5-Year (average annual) | 4.04% | 10.91% | -0.30% | Drawdown — # of months ⁶ | 17 | 16 | 14 |
| 10-Year (average annual) | 5.28% | 15.92% | 1.74% | | | | |
| Annualized Since Inception | 2.75% | 8.01% | -0.48% | | | | |

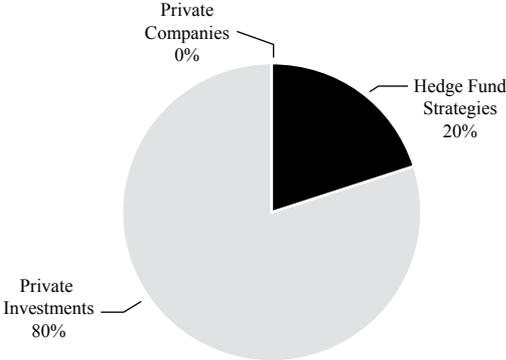
1. Performance results and calculations after the Funds' most recent fiscal year are unaudited. The principal value of the Funds will fluctuate so that an investor's units, when redeemed, may be worth more or less than the original cost. Returns are net of all expenses of the Funds, including the management fee and incentive allocations, and reflect reinvestment of all distributions, if applicable. Returns do not reflect payment of the 2% redemption fee or up-front placement fees, which would reduce returns shown above. Past performance does not guarantee future results and current performance may be lower or higher than the figures shown. The net expense ratio and total expense ratio for the Hatteras Core Alternatives Institutional Fund, L.P. are 2.10% and 5.70%, respectively. The net expense ratio and total expense ratio for the Hatteras Core Alternatives TEI Institutional Fund, L.P. are 2.09% and 5.69%, respectively. The total expense ratio for both funds includes Acquired Fund Fees and Expenses of 3.60%. Please see the current Prospectus for detailed information regarding the expenses of the Funds.
2. Cumulative return. 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 placement fees, if applicable, which would reduce returns noted above.
3. S&P 500 Index and HFRX Global Hedge Fund Index (HFRXGL) data are sourced from Bloomberg. The indices are unmanaged portfolios of securities. Their performance results do not reflect the deduction of management fees, incentive compensation, commissions or other expenses. An investor cannot invest directly in an index. The S&P 500 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. HFRXGL is designed to be representative of the overall composition of the hedge fund universe. It is comprised of eight strategies: 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.
4. Measurement of the investment's volatility.
5. The peak to trough decline of an investment.
6. Number of months of a peak to trough decline of an investment.

PERFORMANCE SUMMARY (UNAUDITED)

ALLOCATION AS A PERCENTAGE OF TOTAL INVESTMENTS

| Strategies | Target Allocation | Allocation Actual | # of Funds |
|------------------------------|-------------------|-------------------|------------|
| Hedge Fund Strategies | 50% | 20% | 27 |
| Private Investments | 50% | 80% | 121 |
| Private Companies | 0% | 0% | 1 |
| Private Company Call Options | 0% | 0% | 1 |
| Total | 100% | 100% | 150 |

STRATEGY ALLOCATION



TOP 10 HOLDINGS (UNAUDITED)

| | Capital Balance March 31, 2019 | Percent of Partners' Capital |
|--------------------------------------|-----------------------------------|---------------------------------|
| Sweetwater Secondaries Fund II LP | \$ 30,805,052 | 7.34% |
| The Founders Fund III L.P. | 17,530,025 | 4.18% |
| Orchid Asia IV, L.P. | 13,540,596 | 3.23% |
| Third Point Partners Qualified L.P. | 13,086,276 | 3.12% |
| HBK Multi-Strategy Fund, L.P. | 12,738,974 | 3.03% |
| BDCM Partners I, L.P. | 11,220,072 | 2.67% |
| The Founders Fund IV, L.P. | 11,074,642 | 2.64% |
| ECP IHS (Mauritius) Limited | 10,635,797 | 2.53% |
| Accel-KKR Capital Partners III, L.P. | 10,467,133 | 2.49% |
| King Street Capital, L.P. | 10,064,021 | 2.40% |

Portfolio composition will change due to ongoing management of the Master Fund.

DEFINITIONS (UNAUDITED)

Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. In other words, alpha is often considered to represent the value that a portfolio manager adds to or subtracts from a fund's return. A positive alpha of 1.0 means the fund has outperformed its benchmark index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%.

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.

HFRX Equity Hedge Index: 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 capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50%, or almost all, invested in equities, long and short.

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.

STRATEGY DEFINITIONS (UNAUDITED)

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.

Hedged Investments: Portfolio management that uses sophisticated investment tactics to minimize risk and provide positive returns. Hedged investments are generally set up as private investment partnerships and are not subject to registration under the Investment Company Act of 1940. As such, they may lack liquidity, be available only to certain high net worth investors and institutions, and may use strategies that employ leverage and shorts.

Long/Short Equity: Investment Managers who 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 capitalizations and valuation ranges of typical portfolios.

Event-Driven: Investment Managers who 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. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

Macro: Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods.

Relative Value: 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.

SAFE HARBOR AND FORWARD-LOOKING STATEMENTS DISCLOSURE (UNAUDITED)

Safe Harbor Statement: This presentation shall not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, the securities in any state or jurisdiction in which such offer or solicitation or sale would be unlawful prior to registration or qualification under the laws of such state or jurisdiction. **Forward-Looking Statements:** This presentation contains certain statements that may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, included herein are “forward-looking statements.” Included among “forward-looking statements” are, among other things, statements about our future outlook on opportunities based upon current market conditions. Although the company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this discussion. Other than as required by law, the company does not assume a duty to update these forward-looking statements. **Past performance is no guarantee of future results.** 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 security and there can be no assurance that any Hatteras security will achieve the past returns of the illustrative examples. 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. Diversification does not assure a profit or protect against a loss.

Please carefully consider the investment objectives, risks, and charges and expenses of the Funds 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 or by contacting Hatteras at 866.388.6292. Past performance does not guarantee future results.

The Hatteras Core Alternatives Fund, L.P.; the Hatteras Core Alternatives TEI Fund, L.P.; the Hatteras Core Alternatives Institutional Fund, L.P.; and the Hatteras Core Alternatives TEI Institutional Fund, L.P. (collectively referred to herein as the “Hatteras Core Alternatives Fund” or the “Fund”) 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 Core Alternatives Fund is a fund of alternative investments. As such, the Fund invests 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 Fund, through an investment in the Master Fund, will invest substantially all of its assets in underlying funds that are generally not registered as investment companies under the 1940 Act and, therefore, the Fund will not have the benefit of various protections provided under the 1940 Act with respect to an investment in those underlying funds. The Fund can be highly volatile, carry substantial fees, and involve complex tax structures. Investments in the Fund 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 Fund provides limited liquidity, and units in the Fund are not transferable. Liquidity will be provided only through repurchase offers made by the Fund from time to time, generally on a quarterly basis upon prior written notice. The success of the Fund is highly dependent on the financial and managerial expertise of its principals and key personnel of the Fund’s investment manager. Although the investment manager for the Fund expects to receive detailed information from each underlying fund on a regular basis regarding its valuation, investment performance, and strategy, in most cases the investment manager has 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 Fund, investors will be subject to a dual layer of fees, both at the Fund and underlying fund levels. Certain underlying funds will not provide final Schedule K-1s for any fiscal year before April 15th 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 Funds, LP by virtue of common control/ownership.

HATTERAS FUNDS

Hatteras Core Alternatives Fund, L.P.
(a Delaware Limited Partnership)

Hatteras Core Alternatives TEI Fund, L.P.
(a Delaware Limited Partnership)

Hatteras Core Alternatives Institutional Fund, L.P.
(a Delaware Limited Partnership)

Hatteras Core Alternatives TEI Institutional Fund, L.P.
(a Delaware Limited Partnership)

Financial Statements

As of and for the year ended March 31, 2019

HATTERAS FUNDS

As of and for the year ended March 31, 2019

Hatteras Core Alternatives Fund, L.P. (a Delaware Limited Partnership)
Hatteras Core Alternatives TEI Fund, L.P. (a Delaware Limited Partnership)
Hatteras Core Alternatives Institutional Fund, L.P. (a Delaware Limited Partnership)
Hatteras Core Alternatives TEI Institutional Fund, L.P. (a Delaware Limited Partnership)

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HATTERAS FUNDS
(each a Delaware Limited Partnership)

STATEMENTS OF ASSETS, LIABILITIES AND PARTNERS' CAPITAL

March 31, 2019

| | Hatteras Core Alternatives Fund, L.P. | Hatteras Core Alternatives TEI Fund, L.P.* | Hatteras Core Alternatives Institutional Fund, L.P. | Hatteras Core Alternatives TEI Institutional Fund, L.P.* |
|--|---|---|--|--|
| Assets | | | | |
| Investment in Hatteras Master Fund, L.P., at fair value | \$ 64,497,469 | \$ 83,440,680 | \$ 73,409,659 | \$ 198,438,311 |
| Cash and cash equivalents | 200,000 | 205,000 | 200,000 | 205,000 |
| Receivable for withdrawals from Hatteras Master Fund, L.P. | 4,474,967 | 6,293,584 | 4,474,722 | 12,561,222 |
| Other receivables | 357 | 358 | 355 | 320 |
| Prepaid assets | 8,764 | 11,269 | 9,794 | 27,190 |
| Total assets | \$ 69,181,557 | \$ 89,950,891 | \$ 78,094,530 | \$ 211,232,043 |
| Liabilities and partners' capital | | | | |
| Withdrawals payable | \$ 4,239,967 | \$ 5,989,584 | \$ 4,201,722 | \$ 11,838,222 |
| Servicing fees payable | 35,296 | 45,889 | 39,848 | 107,742 |
| Performance allocation payable | 235,000 | 304,000 | 273,000 | 723,000 |
| Professional fees payable | 40,142 | 35,861 | 16,245 | 11,400 |
| Printing fees payable | 4,070 | 4,070 | 4,070 | 4,070 |
| Accounting, administration and transfer agency fees payable | 18,810 | 28,879 | 6,808 | 23,381 |
| Custodian fees payable | 843 | 4,770 | 843 | 4,756 |
| Withholding tax payable | — | 39,634 | — | 114,800 |
| Other payables | — | 82 | — | — |
| Total liabilities | 4,574,128 | 6,452,769 | 4,542,536 | 12,827,371 |
| Partners' capital | 64,607,429 | 83,498,122 | 73,551,994 | 198,404,672 |
| Total liabilities and partners' capital | \$ 69,181,557 | \$ 89,950,891 | \$ 78,094,530 | \$ 211,232,043 |
| Components of partners' capital | | | | |
| Capital contributions (net) | \$ 34,595,209 | \$ 50,295,636 | \$ 36,932,971 | \$ 74,550,857 |
| Total distributable earnings | 30,012,220 | 33,202,486 | 36,619,023 | 123,853,815 |
| Partners' capital | \$ 64,607,429 | \$ 83,498,122 | \$ 73,551,994 | \$ 198,404,672 |
| Net asset value per unit | \$ 122.86 | \$ 121.11 | \$ 129.51 | \$ 127.75 |
| Maximum offering price per unit** | \$ 125.37 | \$ 123.58 | \$ 129.51 | \$ 127.75 |
| Number of authorized units | 7,500,000.00 | 7,500,000.00 | 7,500,000.00 | 7,500,000.00 |
| Number of outstanding units | 525,850.37 | 689,467.72 | 567,907.08 | 1,553,122.27 |

* Consolidated Statement. See note 2 in the notes to the financial statements.

** The maximum sales load for the Hatteras Core Alternatives Fund, L.P. and the Hatteras Core Alternatives TEI Fund, L.P. is 2.00%. The remaining funds are not subject to a sales load.

See notes to financial statements and financial statements of Hatteras Master Fund, L.P.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

STATEMENTS OF OPERATIONS

For the year ended March 31, 2019

| | Hatteras Core Alternatives Fund, L.P. | Hatteras Core Alternatives TEI Fund, L.P.* | Hatteras Core Alternatives Institutional Fund, L.P. | Hatteras Core Alternatives TEI Institutional Fund, L.P.* |
|---|---|---|--|--|
| Net investment income/(loss) allocated from Hatteras Master Fund, L.P. | | | | |
| Investment income | \$ 537,590 | \$ 699,245 | \$ 606,051 | \$ 1,642,032 |
| Operating expenses | (981,358) | (1,275,129) | (1,104,488) | (2,992,744) |
| Net investment income/(loss) allocated from Hatteras Master Fund, L.P. | | | | |
| | (443,768) | (575,884) | (498,437) | (1,350,712) |
| Feeder Fund investment income | | | | |
| Interest | 3,511 | 3,567 | 3,491 | 3,174 |
| Total Feeder Fund investment income | 3,511 | 3,567 | 3,491 | 3,174 |
| Feeder Fund expenses | | | | |
| Servicing fee | 457,515 | 593,586 | 514,753 | 1,392,261 |
| Accounting, administration and transfer agency fees | 81,401 | 112,855 | 72,894 | 133,497 |
| Insurance fees | 34,932 | 45,316 | 38,957 | 105,433 |
| Professional fees | 50,372 | 42,144 | 27,300 | 15,224 |
| Printing fees | — | 3,124 | — | — |
| Custodian fees | 4,934 | 12,958 | 4,862 | 12,693 |
| Withholding tax | — | 168,766 | — | 536,474 |
| Other expenses | 5,454 | 8,895 | 29 | — |
| Total Feeder Fund expenses | 634,608 | 987,644 | 658,795 | 2,195,582 |
| Net investment income/(loss) | (1,074,865) | (1,559,961) | (1,153,741) | (3,543,120) |
| Net realized gain/(loss) and change in unrealized appreciation/depreciation on investments allocated from Hatteras Master Fund, L.P. | | | | |
| Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions | 8,061,216 | 10,473,113 | 9,077,404 | 24,593,550 |
| Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations | (994,356) | (1,318,157) | (1,086,210) | (2,965,258) |
| Net realized gain/(loss) and change in unrealized appreciation/depreciation on investments allocated from Hatteras Master Fund, L.P. | 7,066,860 | 9,154,956 | 7,991,194 | 21,628,292 |
| Net increase/(decrease) in partners' capital resulting from operations | \$ 5,991,995 | \$ 7,594,995 | \$ 6,837,453 | \$ 18,085,172 |

* Consolidated Statement. See note 2 in the notes to the financial statements.

See notes to financial statements and financial statements of Hatteras Master Fund, L.P.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

For the years ended March 31, 2018 and 2019

| | Hatteras Core Alternatives Fund, L.P. | Hatteras Core Alternatives TEI Fund, L.P.* | Hatteras Core Alternatives Institutional Fund, L.P. | Hatteras Core Alternatives TEI Institutional Fund, L.P.* |
|--|---|---|--|--|
| | Limited Partners | Limited Partners | Limited Partners | Limited Partners |
| Partners' Capital, at March 31, 2017 | \$ 90,372,581 | \$ 118,573,253 | \$ 99,771,811 | \$ 270,555,828 |
| Capital contributions | — | — | — | 550,000 |
| Capital withdrawals | (20,258,339) | (27,500,221) | (21,229,044) | (58,571,868) |
| Performance allocation | (16,056) | (357,773) | (163,871) | (432,758) |
| Net investment income/(loss) | (1,605,649) | (2,211,724) | (1,711,131) | (4,703,449) |
| Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions | 12,832,806 | 16,753,977 | 14,274,647 | 38,660,678 |
| Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations | (6,413,845) | (8,385,031) | (7,130,741) | (19,302,382) |
| Partners' Capital, at March 31, 2018** | \$ 74,911,498 | \$ 96,872,481 | \$ 83,811,671 | \$ 226,756,049 |
| Capital contributions | — | — | — | — |
| Capital withdrawals | (15,812,237) | (20,360,630) | (16,544,149) | (44,980,987) |
| Performance allocation | (483,827) | (608,724) | (552,981) | (1,455,562) |
| Net investment income/(loss) | (1,074,865) | (1,559,961) | (1,153,741) | (3,543,120) |
| Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions | 8,061,216 | 10,473,113 | 9,077,404 | 24,593,550 |
| Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations | (994,356) | (1,318,157) | (1,086,210) | (2,965,258) |
| Partners' Capital, at March 31, 2019 | \$ 64,607,429 | \$ 83,498,122 | \$ 73,551,994 | \$ 198,404,672 |

* Consolidated Statement. See note 2 in the notes to the financial statements.

** Including accumulated net investment income/(loss) of \$(12,270,588); \$(17,568,088); \$4,690,494; and \$11,242,146, respectively.

See notes to financial statements and financial statements of Hatteras Master Fund, L.P.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS

For the year ended March 31, 2019

| | Hatteras Core Alternatives Fund, L.P. | Hatteras Core Alternatives TEI Fund, L.P.* | Hatteras Core Alternatives Institutional Fund, L.P. | Hatteras Core Alternatives TEI Institutional Fund, L.P.* |
|--|---|---|--|--|
| Cash flows from operating activities: | | | | |
| Net increase/(decrease) in partners' capital resulting from operations | \$ 5,991,995 | \$ 7,594,995 | \$ 6,837,453 | \$ 18,085,172 |
| Adjustments to reconcile net increase/(decrease) in partners' capital resulting from operations to net cash provided by operating activities: | | | | |
| Purchases of interests in Hatteras Master Fund, L.P. | — | — | — | — |
| Proceeds, net of change in withdrawals receivable, from Hatteras Master Fund, L.P. | 16,722,760 | 21,663,542 | 17,542,948 | 47,989,801 |
| Net investment (income)/loss allocated from Hatteras Master Fund, L.P. | 443,768 | 575,884 | 498,437 | 1,350,712 |
| Net realized (gain)/loss from investments in Adviser Funds, securities and foreign exchange transactions allocated from Hatteras Master Fund, L.P. | (8,061,216) | (10,473,113) | (9,077,404) | (24,593,550) |
| Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations allocated from Hatteras Master Fund, L.P. | 994,356 | 1,318,157 | 1,086,210 | 2,965,258 |
| (Increase)/Decrease in receivable for withdrawals from Hatteras Master Fund, L.P. | 400,714 | 538,272 | 923,075 | 1,983,866 |
| (Increase)/Decrease in other receivables | (147) | (144) | (148) | (144) |
| (Increase)/Decrease in prepaid assets | (85) | 117 | (213) | (1,206) |
| Increase/(Decrease) in withholding tax payable | — | (22,207) | — | (23,489) |
| Increase/(Decrease) in servicing fees payable | (7,236) | (9,396) | (7,706) | (20,883) |
| Increase/(Decrease) in accounting, administration, and transfer agency fees payable | 10,213 | 17,489 | (2,816) | 9,926 |
| Increase/(Decrease) in professional fees payable | (12,551) | 4,971 | (31,255) | (21,210) |
| Increase/(Decrease) in performance allocation payable | 218,944 | 145,638 | 109,129 | 290,242 |
| Increase/(Decrease) in custodian fees payable | (216) | 2,968 | (268) | 2,723 |
| Increase/(Decrease) in printing fees payable | (20,577) | (7,991) | (21,109) | (29,563) |
| Increase/(Decrease) in other payables | — | 82 | — | — |
| Net cash provided by operating activities | 16,680,772 | 21,349,264 | 17,856,333 | 47,987,655 |
| Cash flows from financing activities: | | | | |
| Capital contributions | — | — | — | — |
| Capital withdrawals, net of change in withdrawals payable and performance allocation | (16,680,772) | (21,349,264) | (17,856,333) | (47,987,655) |
| Net cash used in financing activities | (16,680,772) | (21,349,264) | (17,856,333) | (47,987,655) |
| Net change in cash and cash equivalents | — | — | — | — |
| Cash and cash equivalents at beginning of year | 200,000 | 205,000 | 200,000 | 205,000 |
| Cash and cash equivalents at end of year | \$ 200,000 | \$ 205,000 | \$ 200,000 | \$ 205,000 |
| Supplemental disclosure of withholding tax paid | \$ — | \$ 187,872 | \$ — | \$ 556,863 |

* Consolidated Statement. See note 2 in the notes to the financial statements.

See notes to financial statements and financial statements of Hatteras Master Fund, L.P.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS

As of and for the year ended March 31, 2019

1. ORGANIZATION

The Hatteras Funds, each a “Feeder Fund” and collectively the “Feeder Funds” are:

Hatteras Core Alternatives Fund, L.P.
Hatteras Core Alternatives TEI Fund, L.P.
Hatteras Core Alternatives Institutional Fund, L.P.
Hatteras Core Alternatives TEI Institutional Fund, L.P.

The Feeder Funds are organized as Delaware limited partnerships, and are registered under the Securities Act of 1933 (the “1933 Act”), as amended, and the Investment Company Act of 1940, as amended (the “1940 Act”), as closed-end, diversified, management investment companies. The primary investment objective of the Feeder Funds is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments. The Feeder Funds’ secondary objective is to provide capital appreciation with less volatility than that of the equity markets. To achieve their objectives, the Feeder Funds provide their investors with access to a broad range of investment strategies, asset categories and trading advisers (“Advisers”) and by providing overall asset allocation services typically available on a collective basis to larger institutions, through an investment of substantially all of their assets into the Hatteras Master Fund, L.P. (the “Master Fund” together with the Feeder Funds, the “Funds”), which is registered under the 1940 Act. Hatteras Funds, LP (the “Investment Manager” or the “General Partner”), a Delaware limited liability company registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) serves as Investment Manager to the Master Fund. Investors who acquire units of limited partnership interest in the Feeder Funds (“Units”) are the limited partners (each, a “Limited Partner” and together, the “Limited Partners”) of the Feeder Funds.

The Hatteras Core Alternatives TEI Fund, L.P. and the Hatteras Core Alternatives TEI Institutional Fund, L.P. each invest substantially all of their assets in the Hatteras Core Alternatives Offshore Fund, LDC and Hatteras Core Alternatives Offshore Institutional Fund, LDC, (each a “Blocker Fund” and collectively the “Blocker Funds”), respectively. The Blocker Funds are Cayman Islands limited duration companies with the same investment objective as the Feeder Funds. The Blocker Funds serve solely as intermediate entities through which the Hatteras Core Alternatives TEI Fund, L.P. and the Hatteras Core Alternatives TEI Institutional Fund, L.P. invest in the Master Fund. The Blocker Funds enable tax-exempt Limited Partners (as defined below) to invest without receiving certain income in a form that would otherwise be taxable to such tax-exempt Limited Partners regardless of their tax-exempt status. The Hatteras Core Alternatives TEI Fund, L.P. owns 100% of the participating beneficial interests of the Hatteras Core Alternatives Offshore Fund, LDC and the Hatteras Core Alternatives TEI Institutional Fund, L.P. owns 100% of the participating beneficial interests of the Hatteras Core Alternatives Offshore Institutional Fund, LDC. The Notes to Financial Statements discuss the Feeder Funds’ investment in the Master Fund for Hatteras Core Alternatives TEI Fund, L.P. and Hatteras Core Alternatives TEI Institutional Fund, L.P. assuming, and as stated previously in the paragraph, their investment in the Master Fund passes through the applicable Blocker Fund.

Each Feeder Fund is considered an investment company under the 1940 Act, following the accounting principles generally accepted in the United States of America (“GAAP”) and the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 946, *Financial Services – Investment Companies* (“ASC 946”). The financial statements of the Master Fund, including the schedule of investments, are included elsewhere in this report and should be read with the Feeder Funds’ financial statements. The percentages of the Master Fund’s beneficial limited partnership interests owned by the Feeder Funds at March 31, 2019 are:

| | |
|---|--------|
| Hatteras Core Alternatives Fund, L.P. | 15.37% |
| Hatteras Core Alternatives TEI Fund, L.P. | 19.89% |
| Hatteras Core Alternatives Institutional Fund, L.P. | 17.48% |
| Hatteras Core Alternatives TEI Institutional Fund, L.P. | 47.26% |

Each of the Feeder Funds has an appointed Board of Directors (collectively the “Board”), which has the rights and powers to monitor and oversee the business affairs of the Feeder Funds, including the complete and exclusive authority to oversee and establish policies regarding the management, conduct and operation of the Feeder Funds’ business.

NOTES TO FINANCIAL STATEMENTS (*Continued*)

As of and for the year ended March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with GAAP and are expressed in United States (“U.S.”) dollars. The following is a summary of significant accounting and reporting policies used in preparing the financial statements.

a. Investment Valuation

The Feeder Funds do not make direct investments in securities or financial instruments, and invest substantially all of their assets in the Master Fund. The Feeder Funds record their investment in the Master Fund at fair value, based on each Feeder Fund’s pro rata percentage of partners’ capital of the Master Fund. Valuation of securities held by the Master Fund, including the Master Fund’s disclosure of investments under the three-tier hierarchy, is also discussed in the notes to the Master Fund’s financial statements included elsewhere in this report.

b. Allocations from the Master Fund

The Feeder Funds record their allocated portion of income, expense, realized gains and losses and unrealized appreciation and depreciation from the Master Fund.

c. Feeder Fund Level Income and Expenses

Interest income on any cash or cash equivalents held by the Feeder Funds is recognized on an accrual basis. Expenses that are specifically attributed to the Feeder Funds are charged to each Feeder Fund. Because the Feeder Funds bear their proportionate share of the management fee of the Master Fund, the Feeder Funds pay no direct management fee to the Investment Manager or sub-adviser. The Feeder Funds’ specific expenses are recorded on an accrual basis.

d. Tax Basis Reporting

Because the Master Fund invests primarily in investment funds that are treated as partnerships for U.S. Federal tax purposes, the tax character of each of the Feeder Fund’s allocated earnings is established dependent upon the tax filings of the investment vehicles operated by the Advisers (“Adviser Funds”). Accordingly, the tax basis of these allocated earnings and the related balances are not available as of the reporting date.

e. Income Taxes

For U.S. Federal income tax purposes, the Feeder Funds are treated as partnerships, and each Limited Partner in each respective Feeder Fund is treated as the owner of its proportionate share of the partners’ capital, income, expenses, and the realized and unrealized gains/(losses) of such Feeder Fund. Accordingly, no federal, state or local income taxes have been provided on profits of the Feeder Funds since the Limited Partners are individually liable for the taxes on their share of the Feeder Funds.

The Feeder Funds file tax returns as prescribed by the tax laws of the jurisdictions in which they operate. In the normal course of business, the Feeder Funds are subject to examination by federal, state, local and foreign jurisdictions, where applicable. For the Feeder Funds’ tax years ended December 31, 2015 through December 31, 2018, the Feeder Funds are open to examination by major tax jurisdictions under the statute of limitations.

The Feeder Funds have reviewed any potential tax positions as of March 31, 2019 and have determined that they do not have a liability for any unrecognized tax benefits or expense. The Feeder Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statements of Operations. During the year ended March 31, 2019, the Feeder Funds did not incur any interest or penalties.

The Blocker Funds may be subject to withholding of U.S. Federal income tax at the current statutory rate of their allocable share of the Master Fund’s U.S.-source dividend income and other U.S.-source fixed, determinable annual or periodic gains, profits, or income, as defined in Section 881(a) of the Internal Revenue Code of 1986, as amended. This tax treatment differs in comparison to the tax treatment of most forms of interest income.

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

f. Cash and Cash Equivalents

Cash and cash equivalents includes amounts held in interest bearing demand deposit accounts. Such cash, at times, may exceed federally insured limits. The Feeder Funds have not experienced any losses in such accounts and do not believe they are exposed to any significant credit risk on such accounts.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases in partners' capital from operations during the reporting period. Actual results could differ from those estimates.

h. Consolidated Financial Statements

The asset, liability, and equity accounts of the Hatteras Core Alternatives TEI Fund, L.P. and the Hatteras Core Alternatives TEI Institutional Fund, L.P. are consolidated with their respective Blocker Funds, as presented in the Statements of Assets, Liabilities, and Partners' Capital, Statements of Operations, Statements of Changes in Partners' Capital, and Statements of Cash Flows. All intercompany accounts and transactions have been eliminated in consolidation.

3. ALLOCATION OF LIMITED PARTNERS' CAPITAL

Allocation Periods begin on the first calendar day of each month and end at the close of business on the last day of each month ("Allocation Period"). The Feeder Funds maintain a separate capital account ("Capital Account") on their books for each Limited Partner. Net profits or net losses of the Feeder Funds for each Allocation Period will be allocated among and credited to or debited against the Capital Accounts of the Limited Partners. Net profits or net losses will be measured as the net change in the value of the Limited Partners' capital of the Feeder Funds, which includes; net change in unrealized appreciation or depreciation of investments, realized gain/(loss), and net investment income/(loss) during an Allocation Period.

Each Limited Partner's Capital Account will have an opening balance equal to the Limited Partner's initial purchase of the Feeder Fund (i.e., the amount of the investment less any applicable sales load of up to 2.00% of the purchased amount for purchases of Units of Hatteras Core Alternatives Fund, L.P. and Hatteras Core Alternatives TEI Fund, L.P.), and thereafter, will be (i) increased by the amount of any additional purchases by such Limited Partner; (ii) decreased for any payments upon repurchase or sale of such Limited Partner's Units or any distributions in respect of such Limited Partner; and (iii) increased or decreased as of the close of each Allocation Period by such Limited Partner's allocable share of the net profits or net losses of the Feeder Fund.

| | Hatteras Core Alternatives Fund, L.P. | Hatteras Core Alternatives TEI Fund, L.P. | Hatteras Core Alternatives Institutional Fund, L.P. | Hatteras Core Alternatives TEI Institutional Fund, L.P. |
|------------------------------|---|--|--|---|
| Ending Units, March 31, 2017 | 846,256.08 | 1,119,748.94 | 886,615.99 | 2,432,964.81 |
| Purchases | — | — | — | 4,803.07 |
| Sales | (185,622.18) | (254,572.53) | (184,592.63) | (515,482.48) |
| Ending Units, March 31, 2018 | 660,633.90 | 865,176.41 | 702,023.36 | 1,922,285.40 |
| Purchases | — | — | — | — |
| Sales | (134,783.53) | (175,708.69) | (134,116.28) | (369,163.13) |
| Ending Units, March 31, 2019 | 525,850.37 | 689,467.72 | 567,907.08 | 1,553,122.27 |

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

4. RELATED PARTY TRANSACTIONS AND OTHER

In consideration for fund services, each Feeder Fund will pay the Investment Manager (in such capacity, the “Servicing Agent”) a fund servicing fee charged at the annual rate of 0.65% of the month-end partners’ capital of each Feeder Fund. The respective Feeder Fund servicing fees payable to the Servicing Agent will be borne by all Limited Partners of the respective Feeder Fund on a pro-rata basis before giving effect to any repurchase of interests in the Master Fund effective as of that date, and will decrease the net profits or increase the net losses of the Master Fund that are credited to its interest holders, including each Feeder Fund.

The General Partner is allocated a performance allocation payable annually equal to 10% of the amount by which net new profits of the limited partner interests of the Master Fund exceed the “hurdle amount,” which is calculated as of the last day of the preceding calendar year of the Master Fund at a rate equal to the yield-to-maturity of the 90-day U.S. Treasury Bill for the last business day of the preceding calendar year (the “Performance Allocation”). The Performance Allocation is calculated for each Feeder Fund at the Master Fund level. The Performance Allocation is made on a “peak to peak,” or “high watermark” basis, which means that the Performance Allocation is made only with respect to new net profits. If the Master Fund has a net loss in any period followed by a net profit, no Performance Allocation will be made with respect to such subsequent appreciation until such net loss has been recovered. A Performance Allocation of \$483,827, \$608,724, \$552,981, and \$1,455,562 for the year ended March 31, 2019, was allocated to the Hatteras Core Alternatives Fund, L.P., Hatteras Core Alternatives TEI Fund, L.P., Hatteras Core Alternatives Institutional Fund, L.P. and Hatteras Core Alternatives TEI Institutional Fund, L.P., respectively.

Hatteras Capital Distributors, LLC (“HCD”), an affiliate of the Investment Manager, serves as the Feeder Funds’ distributor. HCD receives a servicing fee from the Investment Manager based on the partners’ capital of the Master Fund as of the last day of the month (before giving effect to any repurchase of interests in the Master Fund).

U.S. Bank, N.A. (“USB”) serves as custodian of the Feeder Funds’ cash balances and provides custodial services for the Feeder Funds. U.S. Bancorp Fund Services, LLC, d/b/a U.S. Bank Global Fund Services (“Fund Services”), serves as the administrator and accounting agent to the Feeder Funds and provides certain accounting, record keeping and investor related services. The Feeder Funds pay a fee to the custodian and administrator based upon average total Limited Partners’ capital, subject to certain minimums.

The Investment Manager, Portfolio Advisors, LLC (“Portfolio Advisors” or the “Sub-Adviser”) and the Master Fund have entered into an investment Sub-Advisory Agreement (the “Sub-Advisory Agreement”), whereby Portfolio Advisors is compensated from the Investment Manager a portion of the management fee the Investment Manager received from the Master Fund and Performance Allocation, if any.

The Funds have engaged Cipperrman Compliance Services (“Cipperrman”) to provide compliance services including the appointment of the Funds’ Chief Compliance Officer. Effective January 1, 2019, Cipperrman is paid an annual fee of \$63,000 for services provided, which is allocated among the Funds and other affiliated entities.

At March 31, 2019, Limited Partners who are affiliated with the Investment Manager owned \$1,646,562 (2.24% of partners’ capital) of Hatteras Core Alternatives Institutional Fund, L.P., and \$654,608 (0.33% of partners’ capital) of Hatteras Core Alternatives TEI Institutional Fund, L.P.

5. RISK FACTORS

An investment in the Feeder Funds involves significant risks that should be carefully considered prior to investment and should only be considered by persons financially able to maintain their investment and who can afford a loss of a substantial part or all of such investment. The Master Fund intends to invest substantially all of its available capital in securities of private investment companies. These investments will generally be restricted securities that are subject to substantial holding periods or are not traded in public markets at all, so that the Master Fund may not be able to resell some of its Adviser Fund holdings for extended periods, which may be several years. Limited Partners should refer to the Master Fund’s financial statements included in this report along with the applicable Feeder Fund’s prospectus, as supplemented and corresponding statement of additional information for a more complete list of risk factors. No guarantee or representation is made that the Feeder Funds’ investment objective will be met.

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

6. REPURCHASE OF LIMITED PARTNERS' UNITS

The Board may, from time to time and in its sole discretion, cause the Feeder Funds to repurchase Units from Limited Partners pursuant to written tenders by Limited Partners at such times and on such terms and conditions as established by the Board. In determining whether the Feeder Funds should offer to repurchase Units, the Board will consider, among other things, the recommendation of the Investment Manager and Sub-Adviser. The Feeder Funds generally expect to offer to repurchase Units from Limited Partners on a quarterly basis as of March 31, June 30, September 30 and December 31 of each year. In no event will more than 20% of the Units of a Feeder Fund be repurchased per quarter. In addition, the Board approved two additional forced repurchases during the year ended March 31, 2019 for Limited Partners with capital balances below a specified minimum of \$25,000. The Feeder Funds do not intend to distribute to the Limited Partners any of the Feeder Funds' income, but generally expect to reinvest substantially all income and gains allocable to the Limited Partners. A Limited Partner may, therefore, be allocated taxable income and gains and not receive any cash distribution. Units repurchased prior to the Limited Partner's one year anniversary of its initial investment may be subject to a maximum 2.00% repurchase fee. There were no repurchase fees charged during the year ended March 31, 2019.

7. INDEMNIFICATION

In the normal course of business, the Feeder Funds enter into contracts that provide general indemnifications. The Feeder Funds' maximum exposure under these agreements is dependent on future claims that may be made against the Feeder Funds, and therefore cannot be established; however, based on experience, the risk of loss from such claims is considered remote.

8. FINANCIAL HIGHLIGHTS

The financial highlights are intended to help an investor understand the Feeder Funds' financial performance. The total returns in the table represent the rate that a Limited Partner would be expected to have earned or lost on an investment in each Feeder Fund.

The ratios and total return amounts for each Feeder Fund are calculated based on each Limited Partner's net asset value. The Investment Manager's interest is excluded from the calculations. An individual Limited Partner's ratios or returns may vary from the table below based on the timing of contributions and withdrawals and Performance Allocation.

The ratios are calculated by dividing total dollars of income or expenses, as applicable, by the average of total monthly Limited Partners' capital. The ratios include the Feeder Funds' proportionate share of the Master Fund's income and expenses.

Total return amounts are calculated based on the change in unit value during each accounting period.

The portfolio turnover rate is calculated based on the Master Fund's investment activity, as turnover occurs at the Master Fund level and the Feeder Funds are typically invested 100% in the Master Fund.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

8. FINANCIAL HIGHLIGHTS (CONTINUED)

| | Hatteras Core Alternatives Fund, L.P. | Hatteras Core Alternatives TEI Fund, L.P. | Hatteras Core Alternatives Institutional Fund, L.P. | Hatteras Core Alternatives TEI Institutional Fund, L.P. |
|--|---|--|--|---|
| Unit Value, March 31, 2014 | \$ 102.68 | \$ 102.08 | \$ 106.86 | \$ 105.65 |
| Income from investment operations: | | | | |
| Net investment income/(loss) | 0.15 | (0.01) | 2.48 | 2.44 |
| Net realized and unrealized gain/(loss) on investment transactions | 6.26 | 6.37 | 4.35 | 4.35 |
| Total from investment operations | 6.41 | 6.36 | 6.83 | 6.79 |
| Unit Value, March 31, 2015 | 109.09 | 108.44 | 113.69 | 112.44 |
| Income from investment operations: | | | | |
| Net investment income/(loss) | 0.58 | 0.18 | 4.48 | 4.22 |
| Net realized and unrealized gain/(loss) on investment transactions | (7.89) | (7.65) | (11.26) | (11.03) |
| Total from investment operations | (7.31) | (7.47) | (6.78) | (6.81) |
| Unit Value, March 31, 2016 | 101.78 | 100.97 | 106.91 | 105.63 |
| Income from investment operations: | | | | |
| Net investment income/(loss) | (3.96) | (4.29) | 0.31 | 0.15 |
| Net realized and unrealized gain/(loss) on investment transactions | 8.97 | 9.21 | 5.31 | 5.42 |
| Total from investment operations | 5.01 | 4.92 | 5.62 | 5.57 |
| Unit Value, March 31, 2017 | 106.79 | 105.89 | 112.53 | 111.20 |
| Income from investment operations: | | | | |
| Net investment income/(loss) | (5.97) | (6.59) | (0.54) | (0.71) |
| Net realized and unrealized gain/(loss) on investment transactions | 12.57 | 12.67 | 7.40 | 7.47 |
| Total from investment operations | 6.60 | 6.08 | 6.86 | 6.76 |
| Unit Value, March 31, 2018 | 113.39 | 111.97 | 119.39 | 117.96 |
| Income from investment operations: | | | | |
| Net investment income/(loss) | (6.80) | (7.44) | (0.45) | (0.89) |
| Net realized and unrealized gain/(loss) on investment transactions | 16.27 | 16.58 | 10.57 | 10.68 |
| Total from investment operations | 9.47 | 9.14 | 10.12 | 9.79 |
| Unit Value, March 31, 2019 | \$ 122.86 | \$ 121.11 | \$ 129.51 | \$ 127.75 |

HATTERAS FUNDS
(each a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

8. FINANCIAL HIGHLIGHTS (CONTINUED)

| | For the Years Ended March 31, | | | | |
|--|-------------------------------|-----------|-----------|------------|------------|
| Hatteras Core Alternatives Fund, L.P. | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total return before Performance Allocation | 9.04% | 6.20% | 4.92% | (6.70)% | 6.24% |
| Performance Allocation | (0.69)% | (0.02)% | 0.00% | 0.00% | 0.00% |
| Total return after Performance Allocation | 8.35% | 6.18% | 4.92% | (6.70)% | 6.24% |
| Net investment income/(loss) ¹ | (1.53)% | (1.90)% | (1.44)% | 2.24% | 1.90% |
| Operating expenses, excluding Performance Allocation ^{1,2,3} | 2.30% | 2.56% | 2.42% | 2.44% | 2.42% |
| Performance Allocation ¹ | 0.69% | 0.02% | 0.00% | 0.00% | 0.00% |
| Net expenses ¹ | 2.99% | 2.58% | 2.42% | 2.44% | 2.42% |
| Partners' capital, end of year (000's) | \$ 64,607 | \$ 74,911 | \$ 90,373 | \$ 108,291 | \$ 144,092 |
| Portfolio Turnover Rate (Master Fund) | 9.62% | 18.90% | 6.49% | 8.20% | 8.78% |

¹ Ratios include allocations from the Master Fund.

² Ratios calculated based on total expenses and average partners' capital. If the expense ratio calculation had been performed monthly, which is the frequency for striking the Feeder Fund's net asset value, the ratios would have been different.

³ Ratios include other operating expenses of allocated credit facility fees and interest expense from the Master Fund. For the years ended March 31, 2019-2015, the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.05%, 0.02%, 0.09%, 0.12%, and 0.10%, respectively. For the years ended March 31, 2019 - 2015, the ratios of operating expenses excluding allocated credit facility fees and interest expense to average partners' capital were 2.25%, 2.54%, 2.33%, 2.32%, and 2.32%, respectively.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

8. FINANCIAL HIGHLIGHTS (CONTINUED)

| Hatteras Core Alternatives TEI Fund, L.P. | For the Years Ended March 31, | | | | |
|--|-------------------------------|-----------|------------|------------|------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total return before Performance Allocation | 8.83% | 6.06% | 4.88% | (6.89)% | 6.23% |
| Performance Allocation | (0.67)% | (0.32)% | 0.00% | 0.00% | 0.00% |
| Total return after Performance Allocation | 8.16% | 5.74% | 4.88% | (6.89)% | 6.23% |
| Net investment income/(loss) ¹ | (1.71)% | (2.01)% | (1.50)% | 2.05% | 1.87% |
| Operating expenses, excluding Performance Allocation ^{1,2,3} | 2.49% | 2.66% | 2.49% | 2.63% | 2.45% |
| Performance Allocation ¹ | 0.67% | 0.32% | 0.00% | 0.00% | 0.00% |
| Net expenses ¹ | 3.16% | 2.98% | 2.49% | 2.63% | 2.45% |
| Partners' capital, end of year (000's) | \$ 83,498 | \$ 96,872 | \$ 118,573 | \$ 142,886 | \$ 191,281 |
| Portfolio Turnover Rate (Master Fund) | 9.62% | 18.90% | 6.49% | 8.20% | 8.78% |

¹ Ratios include allocations from the Master Fund.

² Ratios calculated based on total expenses and average partners' capital. If the expense ratio calculation had been performed monthly, which is the frequency for striking the Feeder Fund's net asset value, the ratios would have been different.

³ Ratios include other operating expenses of allocated credit facility fees and interest expense from the Master Fund. For the years ended March 31, 2019-2015, the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.05%, 0.02%, 0.09%, 0.12%, and 0.09%, respectively; and the ratios of withholding tax to average partners' capital were 0.19%, 0.23%, 0.16%, 0.22%, and 0.10%, respectively. For the years ended March 31, 2019 - 2015, the ratios of operating expenses excluding withholding tax, allocated credit facility fees and interest expense to average partners' capital were 2.25%, 2.41%, 2.24%, 2.29%, and 2.25%, respectively.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

8. FINANCIAL HIGHLIGHTS (CONTINUED)

| Hatteras Core Alternatives Institutional Fund, L.P. | For the Years Ended March 31, | | | | |
|--|-------------------------------|-----------|-----------|--------------------|------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total return before Performance Allocation | 9.18% | 6.27% | 5.26% | (5.96)% | 7.12% |
| Performance Allocation | (0.70)% | (0.17)% | 0.00% | 0.00% ⁴ | (0.73)% |
| Total return after Performance Allocation | 8.48% | 6.10% | 5.26% | (5.96)% | 6.39% |
| Net investment income/(loss) ¹ | (1.46)% | (1.83)% | (1.12)% | 3.02% | 1.98% |
| Operating expenses, excluding Performance Allocation ^{1,2,3} | 2.24% | 2.48% | 2.10% | 1.66% | 1.62% |
| Performance Allocation ¹ | 0.70% | 0.17% | 0.00% | 0.00% ⁴ | 0.73% |
| Net expenses ¹ | 2.94% | 2.65% | 2.10% | 1.66% | 2.35% |
| Partners' capital, end of year (000's) | \$ 73,552 | \$ 83,812 | \$ 99,772 | \$ 118,364 | \$ 154,963 |
| Portfolio Turnover Rate (Master Fund) | 9.62% | 18.90% | 6.49% | 8.20% | 8.78% |

¹ Ratios include allocations from the Master Fund.

² Ratios calculated based on total expenses and average partners' capital. If the expense ratio calculation had been performed monthly, which is the frequency for striking the Feeder Fund's net asset value, the ratios would have been different.

³ Ratios include other operating expenses of allocated credit facility fees and interest expense from the Master Fund. For the years ended March 31, 2019-2015, the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.05%, 0.02%, 0.09%, 0.12%, and 0.10%, respectively. For the years ended March 31, 2019 - 2015, the ratios of operating expenses excluding allocated credit facility fees and interest expense to average partners' capital were 2.19%, 2.46%, 2.01%, 1.54%, and 1.52%, respectively.

⁴ Reversal of accrued Performance Allocation from April 1, 2015 to December 31, 2015, rounds to less than 0.005%.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

8. FINANCIAL HIGHLIGHTS (CONCLUDED)

| Hatteras Core Alternatives TEI Institutional Fund, L.P. | For the Years Ended March 31, | | | | |
|--|-------------------------------|------------|------------|----------------------|------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total return before Performance Allocation | 8.98% | 6.25% | 5.28% | (6.07)% | 7.16% |
| Performance Allocation | (0.68)% | (0.17)% | 0.00% | 0.01% ⁴ | (0.73)% |
| Total return after Performance Allocation | 8.30% | 6.08% | 5.28% | (6.06)% | 6.43% |
| Net investment income/(loss) ¹ | (1.66)% | (1.86)% | (1.11)% | 2.92% | 2.01% |
| Operating expenses, excluding Performance Allocation ^{1,2,3} | 2.43% | 2.51% | 2.09% | 1.76% | 1.59% |
| Performance Allocation ¹ | 0.68% | 0.17% | 0.00% | (0.01)% ⁴ | 0.73% |
| Net expenses ¹ | 3.11% | 2.68% | 2.09% | 1.75% | 2.32% |
| Partners' capital, end of year (000's) | \$ 198,405 | \$ 226,756 | \$ 270,556 | \$ 318,297 | \$ 414,060 |
| Portfolio Turnover Rate (Master Fund) | 9.62% | 18.90% | 6.49% | 8.20% | 8.78% |

¹ Ratios include allocations from the Master Fund.

² Ratios calculated based on total expenses and average partners' capital. If the expense ratio calculation had been performed monthly, which is the frequency for striking the Feeder Fund's net asset value, the ratios would have been different.

³ Ratios include other operating expenses of allocated credit facility fees and interest expense from the Master Fund. For the years ended March 31, 2019-2015, the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.05%, 0.02%, 0.09%, 0.12%, and 0.10%, respectively; and the ratios of withholding tax to average partners' capital were 0.25%, 0.22%, 0.14%, 0.20%, and 0.09%, respectively. For the years ended March 31, 2019 - 2015, the ratios of operating expenses excluding withholding tax, allocated credit facility fees and interest expense to average partners' capital were 2.13%, 2.27%, 1.86%, 1.44%, and 1.40%, respectively.

⁴ Reversal of accrued Performance Allocation from April 1, 2015 to December 31, 2015.

NOTES TO FINANCIAL STATEMENTS (*Concluded*)

As of and for the year ended March 31, 2019

9. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. Management has chosen not to early adopt the removed or modified disclosures, and delay adoption of the additional disclosures for the year ended March 31, 2019.

10. SUBSEQUENT EVENTS

Management has evaluated the events and transactions through the date the financial statements were issued and determined there were no subsequent events that required adjustment to our disclosure in the financial statements except for the following:

The Investment Manager recommended to the Boards that a tender offer in an amount of up to approximately 5.00% of partners’ capital of each of the Feeder Funds be made for the quarter ending June 30, 2019 to those Limited Partners who elect to tender their Units prior to the expiration of the tender offer period. The Boards approved such recommendation and Limited Partners in the Feeder Funds were notified of the tender offer’s expiration date on April 26, 2019, and submitted the following tender requests from March 28, 2019 through the date of expiration of the tender offer:

| | |
|---|--------------|
| Hatteras Core Alternatives Fund, L.P. | \$ 3,135,468 |
| Hatteras Core Alternatives TEI Fund, L.P. | \$ 4,052,896 |
| Hatteras Core Alternatives Institutional Fund, L.P. | \$ 3,567,932 |
| Hatteras Core Alternatives TEI Institutional Fund, L.P. | \$ 9,623,773 |

Effective May 1, 2019, Nicole Shortridge-Lis resigned as Treasurer and effective May 1, 2019, Allison Zollicoffer was appointed Treasurer.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of
Hatteras Core Alternatives Fund, L.P.,
Hatteras Core Alternatives TEI Fund, L.P.,
Hatteras Core Alternatives Institutional Fund, L.P., and
Hatteras Core Alternatives TEI Institutional Fund, L.P.

Opinion on the Financial Statements

We have audited the accompanying statements of assets, liabilities and partners' capital of Hatteras Core Alternatives Fund, L.P. and Hatteras Core Alternatives Institutional Fund, L.P. as of March 31, 2019, and the related statements of operations and cash flows for the year then ended, the statements of changes in partners' capital for each of the two years in the period then ended, and the financial highlights (as presented in Note 8 to the financial statements) for each of the three years in the period then ended, including the related notes. We have also audited the consolidated statements of assets, liabilities and partners' capital of Hatteras Core Alternatives TEI Fund, L.P. and Hatteras Core Alternatives TEI Institutional Fund, L.P. (collectively with Hatteras Core Alternatives Fund, L.P. and Hatteras Core Alternatives Institutional Fund, L.P., the "Feeder Funds") as of March 31, 2019, and the related consolidated statements of operations and cash flows for the year then ended, the consolidated statements of changes in partners' capital for each of the two years in the period then ended, and the financial highlights (as presented in Note 8 to the financial statements) for each of the three years in the period then ended, including the related notes (collectively with Hatteras Core Alternatives Fund, L.P. and Hatteras Core Alternatives Institutional Fund, L.P. referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Feeder Funds as of March 31, 2019, the results of their operations and their cash flows for the year then ended, the changes in their partners' capital for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

The Feeder Funds' financial highlights for the years ended March 31, 2016 and prior, were audited by other auditors whose report dated May 31, 2016, expressed an unqualified opinion on those financial highlights.

Basis for Opinion

These financial statements are the responsibility of the Feeder Funds' management. Our responsibility is to express an opinion on the Feeder Funds' financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Feeder Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2019, by correspondence with the custodian or by other auditing procedures as appropriate in the circumstances. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the auditor for one or more funds advised by Hatteras Funds, LP since 2013.

/s/ Cohen & Company, Ltd.

COHEN & COMPANY, LTD.
Cleveland, Ohio
May 30, 2019

HATTERAS FUNDS
(each a Delaware Limited Partnership)
BOARD OF DIRECTORS

(Unaudited)

The identity of the Board members (each a “Director”) and brief biographical information, is set forth below. The business address of each Director is care of Hatteras Funds, 8510 Colonnade Center Drive, Suite 150, Raleigh, NC 27615. The term of office of each Director is from the time of such Director’s election and qualification until his or her successor shall have been elected and shall have qualified, or until he or she is removed, resigns or is subject to various disabling events such as death or incapacity. A Director may resign upon 90 days’ prior written notice to the Board and may be removed either by a vote of a majority of the Board not subject to the removal vote or of Limited Partners holding not less than two-thirds of the total number of votes eligible to be cast by all of the Limited Partners. The Feeder Funds’ Statements of Additional Information include information about the Directors and may be obtained without charge by calling 1-888-363-2324.

| Name & Date of Birth | Position(s) Held with the Feeder Funds | Length of Time Served | Principal Occupation(s) During Past 5 Years and Other Directorships Held by Director | Number of Portfolios in Fund Complex ¹ Overseen by Director |
|--|--|--------------------------|--|---|
| INTERESTED DIRECTOR | | | | |
| David B. Perkins ² July 18, 1962 | President and Chairman of the Board of Directors | Since Inception | President and Trustee, each fund in the Fund Complex (2004 to Present); Chief Executive Officer of Hatteras Funds, LP (2014 to Present); Co-Founder of Hatteras Investment Partners LLC and its affiliated entities (“Hatteras Funds”) in 2003. | 6 |
| INDEPENDENT DIRECTORS | | | | |
| H. Alexander Holmes May 4, 1942 | Director; Audit Committee Member | Since Inception | Founder, Holmes Advisory Services, LLC, a financial consultation firm (1993 to Present). | 6 |
| Steve E. Moss, CPA February 18, 1953 | Director; Audit Committee Member | Since Inception | Principal, Holden, Moss, Knott, Clark & Copley, PA, accountants and business consultants (1996 to Present). | 6 |
| Gregory S. Sellers May 5, 1959 | Director; Audit Committee Member | Since Inception | Chief Financial Officer, Chief Operating Officer, Spectrum Consultants, Inc., a sales marketing firm in the prior housing industry (2015 to present); Chief Financial Officer, Imagemark Business Services, Inc., a provider of marketing and print communications solutions (2009 to 2015). | 6 |
| Thomas Mann February 1, 1950 | Director; Audit Committee Member | Since 2013 | Private Investor (2012 to Present). | 6 |

¹ The “Fund Complex” consists of, as of March 31, 2019, the Feeder Funds, the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

² Deemed to be an “interested” Director of the Feeder Funds because of his affiliations with Hatteras Funds.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

FUND MANAGEMENT

(Unaudited)

Set forth below is the name, date of birth, position with each Feeder Fund, length of term of office, and the principal occupation for the last five years, of each of the persons currently serving as Executive Officers of the Feeder Funds. The business address of each officer is care of Hatteras Funds, 8510 Colonnade Center Drive, Suite 150, Raleigh, NC 27615.

| Name & Date of Birth | Position(s) Held with the Feeder Funds | Length of Time Served | Principal Occupation(s) During Past 5 Years and Other Directorships Held by Officer | Number of Portfolios in Fund Complex ¹ Overseen by Officer |
|--|--|-----------------------------|--|--|
| OFFICERS | | | | |
| Andrew P. Chica September 7, 1975 | Chief Compliance Officer | Since 2008 | Compliance Director, Cipperman Compliance Services (from 2019 to present); Chief Compliance Officer, Hatteras Funds, LP (from 2014 to 2019); Chief Compliance Officer, Hatteras Investment Partners and Hatteras Capital Investment Management (from 2007 to 2014), Chief Compliance Officer, Hatteras Alternative Mutual Funds, LLC (from 2009 to 2014). | N/A |
| Allison Zollicoffer ² March 24, 1956 | Treasurer | Since 2019 | Chief Financial Officer, Hatteras Funds, LP (2018 to present); self-employed as Fractional CFO/Financial Consultant with companies in wholesale distribution, real estate, specialty apparel and light manufacturing (since 2012). | N/A |
| Jessica R. Sherburne November 4, 1977 | Secretary | Since 2017 | Head of Operations, Hatteras Funds, LP (2018 to present); Chief Marketing Officer, Hatteras Funds, LP (2015 to 2017); Director of Marketing, Hatteras Funds, LP (2011 to 2015). | N/A |

¹ The "Fund Complex" consists of, as of March 31, 2019, the Feeder Funds, the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

² Effective May 1, 2019, Nicole Shortridge-Lis resigned as Treasurer and effective May 1, 2019, Allison Zollicoffer was appointed Treasurer.

HATTERAS FUNDS
(each a Delaware Limited Partnership)

OTHER INFORMATION

(Unaudited)

PROXY VOTING

For free information regarding how the Master Fund voted proxies during the period ended June 30, 2018 or to obtain a free copy of the Master Fund's complete proxy voting policies and procedures, call 1-800-504-9070 or visit the SEC's website at <http://www.sec.gov>.

AVAILABILITY OF QUARTERLY PORTFOLIO SCHEDULES

The Feeder Funds file their complete schedule of portfolio holdings, which includes securities held by the Master Fund, with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Feeder Funds' Form N-Q is available, without charge and upon request, on the SEC's website at <http://www.sec.gov> or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the Public Reference Room may be obtained by calling 1-800-SEC-0330.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

Financial Statements

As of and for the year ended March 31, 2019

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

As of and for the year ended March 31, 2019

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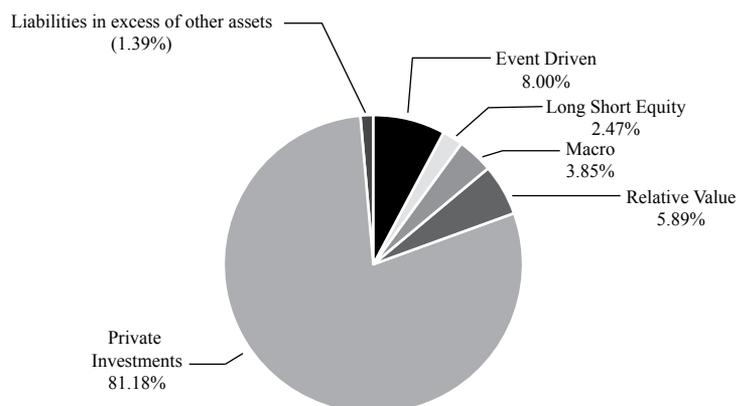
HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

SCHEDULE OF INVESTMENTS

March 31, 2019

INVESTMENT OBJECTIVE AS A PERCENTAGE OF TOTAL PARTNERS' CAPITAL

Percentages are as follows:



Investment in Adviser Funds and Securities

| | Cost | Fair Value |
|---|-------------------|-------------------|
| Event Driven — (8.00%) | | |
| Eton Park Fund, L.P. ^{a,b,c} | \$ 150,653 | \$ 23,637 |
| Harbinger Capital Partners Fund I, L.P. ^{a,b,c,d} | 11,188,445 | 696,337 |
| Harbinger Credit Distressed Blue Line Fund, L.P. ^{a,b,c,e} | 12,326,927 | 1,382,426 |
| King Street Capital, L.P. ^{a,b,c,e} | 10,000,000 | 10,064,021 |
| Marathon Special Opportunities Fund, L.P. ^{a,b,c} | 352,526 | 190,275 |
| OZ Asia, Domestic Partners, L.P. ^{a,b,c,d} | 445,394 | 156,265 |
| Perry Partners, L.P. ^{a,b,c} | 3,859 | 8,327 |
| Senator Global Opportunity Fund ^{a,b,c,e} | 8,000,000 | 7,964,421 |
| Third Point Partners Qualified, L.P. ^{a,b,c,e} | 13,000,000 | 13,086,276 |
| Total Event Driven | 55,467,804 | 33,571,985 |
| Long Short Equity — (2.47%) | | |
| Camcap Resources, L.P. ^{a,b,c} | 487,559 | 24,401 |
| PIPE Equity Partners ^{a,b,c} | 7,862,378 | 394,701 |
| PIPE Select Fund, LLC ^{a,b,c} | 3,218,604 | 2,404,724 |
| The Raptor Private Holdings, L.P. ^{a,b,c} | 155,648 | 73,805 |
| Tybourne Equity (U.S.) Fund, Series A ^{a,b,c,d,e} | 2,457,745 | 5,840,116 |
| Valiant Capital Partners, L.P. ^{a,b,c,e} | 522,512 | 1,601,698 |
| WCP Real Estate Strategies Fund, L.P. ^{a,b,c} | 16,388 | 14,889 |
| Total Long Short Equity | 14,720,834 | 10,354,334 |
| Macro — (3.85%) | | |
| Aspect US Fund LLC - Diversified Class ^{a,b,e} | 8,000,000 | 7,662,995 |
| Graham Absolute Return Trading Ltd. ^{a,b,e} | 7,947,801 | 8,321,662 |
| Touradji Private Equity Onshore Fund, LTD. ^{a,b,c,d} | 1,773,871 | 197,959 |
| Total Macro | 17,721,672 | 16,182,616 |

See notes to financial statements.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

SCHEDULE OF INVESTMENTS (Continued)

March 31, 2019

| Relative Value — (5.89%) | Cost | Fair Value |
|--|-------------------|-------------------|
| BDCM Partners I, L.P. ^{a,b,c} | \$ 7,763,361 | \$ 11,220,072 |
| D.E. Shaw Composite Fund, LLC ^{a,b,c} | 150,021 | 375,595 |
| Drawbridge Special Opportunities Fund, L.P. ^{a,b,c} | 172,653 | 226,208 |
| Fortress VRF Advisors I, LLC ^{a,b,c} | 67,803 | 76,854 |
| HBK Multi-Strategy Fund, L.P. ^{a,b,c,e} | 12,157,408 | 12,738,974 |
| Prospect Harbor Credit Partners, L.P. ^{a,b,c} | 13,705 | 42,868 |
| Stark Investments, L.P. ^{a,b,c} | 50,084 | 17,252 |
| Stark Select Asset Fund, LLC ^{a,b,c} | 19,907 | 21,765 |
| Total Relative Value | 20,394,942 | 24,719,588 |
| Private Investments — (81.18%) | | |
| Investments in Adviser Funds | | |
| ABRY Advanced Securities Fund III, L.P. ^{a,b,d} | 2,057,803 | 2,500,539 |
| ABRY Advanced Securities Fund, L.P. ^{a,b,d} | 256,690 | 120,525 |
| ABRY Partners VI, L.P. ^{a,b} | 1,447,267 | 145,630 |
| ABRY Partners VII, L.P. ^{a,b} | 1,811,377 | 1,390,921 |
| ABRY Partners VIII, L.P. ^{b,d} | 2,265,856 | 2,599,801 |
| Accel-KKR Capital Partners III, L.P. ^{a,b} | 2,621,429 | 10,467,133 |
| Accel-KKR Capital Partners IV, L.P. ^b | 1,794,036 | 2,851,374 |
| ACM Opportunities Fund, L.P. (Class E) ^{a,b} | 3,000,000 | 6,795,498 |
| Angeles Equity Partners I, L.P. ^b | 537,330 | 334,387 |
| Arclight Energy Partners Fund IV, L.P. ^b | 978,994 | 167,744 |
| Arclight Energy Partners Fund V, L.P. ^{a,b} | 2,904,135 | 1,948,067 |
| Ascendent Capital Partners I, L.P. ^{b,d} | 1,360,813 | 1,777,161 |
| BDCM Opportunity Fund II, L.P. ^b | 2,889,392 | 6,269,438 |
| Benson Elliot Real Estate Partners II, L.P. ^{a,b,g} | 3,448,324 | 798,135 |
| Cadent Energy Partners II, L.P. ^b | 4,767,971 | 8,037,299 |
| Canaan Natural Gas Fund X, L.P. ^{a,b} | 6,152,301 | 964,454 |
| CDH Fund IV, L.P. ^{b,d} | 1,203,254 | 2,213,099 |
| CDH Venture Partners II, L.P. ^{b,d} | 2,622,296 | 3,911,054 |
| China Special Opportunities Fund III, L.P. ^{b,d} | 4,419,493 | 6,611,479 |
| Claremont Creek Ventures II, L.P. ^{a,b} | 2,946,392 | 2,170,121 |
| Claremont Creek Ventures, L.P. ^{a,b} | 1,476,005 | 11,034 |
| Colony Investors VII, L.P. ^{a,b} | 2,366,355 | 183,700 |
| Colony Investors VIII, L.P. ^b | 6,143,940 | 177,400 |
| Crosslink Crossover Fund V, L.P. ^{a,b} | 482,557 | 1,100,342 |
| Crosslink Crossover Fund VI, L.P. ^{a,b} | 2,683,360 | 5,359,184 |
| CX Partners Fund LTD, ^{b,d} | 3,004,540 | 4,670,799 |
| Dace Ventures I, L.P. ^{a,b} | 2,240,015 | 1,024,480 |
| Darwin Private Equity I, L.P. ^{b,g} | 4,604,187 | 812,644 |
| ECP IHS (Mauritius) Limited ^{a,b,f} | 7,343,981 | 10,635,797 |
| EMG AE Permian Co-Investment, L.P. ^{a,b} | 3,000,000 | 315,156 |
| EMG Ascent 2016, L.P. ^{a,b} | 4,203,815 | 7,378,193 |

See notes to financial statements.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

SCHEDULE OF INVESTMENTS (Continued)

March 31, 2019

| Private Investments — (81.18%) (continued) | Cost | Fair Value |
|--|------------|------------|
| EMG Ascent Secondary Fund, L.P. ^{a,b} | \$ 116,829 | \$ 238,819 |
| EMG Investment, LLC ^{a,b} | 718,031 | 1,967,895 |
| EnerVest Energy Institutional Fund X-A, L.P. ^{a,b} | 2,159,916 | 38,411 |
| EnerVest Energy Institutional Fund XI-A, L.P. ^{a,b} | 6,148,291 | 189,867 |
| Fairhaven Capital Partners, L.P. ^{a,b} | 4,770,972 | 2,868,283 |
| Florida Real Estate Value Fund, L.P. ^b | — | 1,198,112 |
| Forum European Realty Income III, L.P. ^{b,d} | 2,382,876 | 665,605 |
| Garrison Opportunity Fund II A, LLC ^{a,b} | — | 1,296,542 |
| Garrison Opportunity Fund, LLC ^{a,b} | — | 340,094 |
| Gavea Investment Fund II, L.P. ^{a,b,d} | 7,831 | 23,020 |
| Gavea Investment Fund III, L.P. ^{a,b,d} | 123,327 | 770,141 |
| Glade Brook Private Investors II L.P. ^{a,b} | 4,257,578 | 3,217,179 |
| Glade Brook Private Investors III LLC ^{a,b} | 3,123,200 | 2,744,329 |
| Glade Brook Private Investors X LLC ^{a,b} | 659,686 | 1,082,184 |
| Glade Brook Private Opportunities Fund, LLC ^{a,b} | 2,575,776 | 3,916,934 |
| Great Point Partners I, L.P. ^{a,b} | 1,022,288 | 462,844 |
| Greenfield Acquisition Partners V,L.P. ^b | 2,368,767 | 108,642 |
| GTIS Brazil Real Estate Fund, L.P. ^b | 6,766,827 | 6,576,315 |
| Halifax Capital Partners III, L.P. ^{a,b} | 3,428,069 | 2,594,203 |
| Hancock Park Capital III, L.P. ^{a,b} | 904,413 | 356,063 |
| Healthcor Partners Fund, L.P. ^{a,b} | 3,792,587 | 4,427,734 |
| Intervale Capital Fund, L.P. ^{a,b} | 2,177,948 | 2,663,781 |
| J.C. Flowers II, L.P. ^{b,d} | 5,732,992 | 4,420,166 |
| J.C. Flowers III, L.P. ^{b,d} | 6,130,242 | 4,537,472 |
| L C Fund V, L.P. ^{b,d} | 3,078,426 | 5,091,563 |
| Light house Capital Partners VI, L.P. ^{a,b} | 254,068 | 157,643 |
| Light Street Argon, L.P. ^{a,b} | 1,294,333 | 2,477,627 |
| Light Street SPVH, L.P. ^{a,b} | 2,000,000 | 2,742,800 |
| Lyfe Capital Fund, L.P. ^{a,b,d} | 2,551,438 | 4,786,544 |
| Merit Energy PartnersF-II, L.P. ^{a,b} | 1,134,846 | 357,943 |
| Mid Europa Fund III, L.P. ^{b,h} | 3,679,787 | 1,282,492 |
| Monomoy Capital Partners II, L.P. ^{a,b} | 4,939,029 | 2,664,389 |
| Monomoy Capital Partners III, L.P. ^{a,b} | 638,383 | 475,443 |
| Natural Gas Partners IX, L.P. ^b | 616,527 | 238,692 |
| New Horizon Capital III, L.P. ^{b,d} | 1,512,288 | 2,518,562 |
| NGP Energy Technology Partners II, L.P. ^b | 4,073,911 | 2,822,272 |
| NGP Midstream & Resources Follow-On Fund, L.P. ^b | 671,482 | 951,873 |
| NGP Midstream & Resources, L.P. ^b | 3,999,409 | 3,132,302 |
| Northstar Equity Partners III Limited ^{b,d} | 3,481,021 | 3,428,776 |
| OCM Mezzanine Fund II, L.P. ^{a,b} | 382,661 | 214,204 |
| Octave Japan Infrastructure Fund 1 ^{a,b,i} | 1,304,398 | 1,245,457 |
| ORBIS Real Estate Fund I, L.P. ^{a,b,f} | 2,302,313 | 802,266 |
| Orchid Asia IV, L.P. ^{b,d} | 2,779,246 | 13,540,596 |

See notes to financial statements.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

SCHEDULE OF INVESTMENTS (Continued)

March 31, 2019

| Private Investments — (81.18%) (continued) | Cost | Fair Value |
|--|------------|------------|
| Parmenter Realty Fund IV, L.P. ^b | \$ 783,992 | \$ 23,921 |
| Patron Capital III, L.P. ^{a,b,g} | 4,136,184 | 791,324 |
| Phoenix Asia Real Estate Investments L.P. ^{a,b,d} | 2,591,976 | 2,463,420 |
| Pine Brook Capital Partners, L.P. ^b | 5,267,213 | 1,824,528 |
| Private Equity Investment Fund V, L.P. ^{a,b} | 12,442,343 | 6,257,347 |
| Private Equity Investors Fund IV, L.P. ^{a,b} | 1,380,605 | 164,066 |
| Rockwood Capital Real Estate Partners Fund VII, L.P. ^b | 3,258,909 | 844,732 |
| Roundtable Healthcare Partners II, L.P. ^{a,b} | — | — |
| Roundtable Healthcare Partners III, L.P. ^{a,b} | 4,624,333 | 6,206,741 |
| Saints Capital VI, L.P. ^b | 5,499,619 | 1,555,526 |
| Sanderling Venture Partners VI Co-Investment L.P. ^{a,b} | 525,136 | 594,802 |
| Sanderling Venture Partners VI, L.P. ^{a,b} | 735,999 | 975,787 |
| SBC U.S. Fund II, L.P. ^{a,b} | 2,804,106 | 2,985,824 |
| Sentient Global Resources Fund III, L.P. ^{b,d} | 12,282,599 | 4,888,497 |
| Sentient Global Resources Fund IV, L.P. ^{a,b} | 5,483,761 | 2,477,312 |
| Singerman Real Estate Opportunity Fund, L.P. ^b | 1,164,475 | 1,271,297 |
| Sovereign Capital L.P. III ^{b,g} | — | 3,932,035 |
| Square Mile Partners III, L.P. ^{a,b} | 1,897,698 | 174,817 |
| Sterling Capital Partners Venture Fund II, L.P. ^{a,b} | 1,472,209 | 253,758 |
| Sterling Group Partners III, L.P. ^{a,b} | 3,794,976 | 1,503,912 |
| Strategic Value Global Opportunities Fund I-A, L.P. ^{a,b} | 1,836,663 | 643,686 |
| Sweetwater Secondaries Fund II LP | 20,000,000 | 30,805,052 |
| TDR Capital AS 2013 L.P. ^{a,b,g} | 6,184,080 | 719,283 |
| Tenaya Capital V, L.P. ^{a,b} | 2,421,745 | 1,981,371 |
| The Column Group, L.P. ^{a,b} | 4,496,728 | 5,561,779 |
| The Energy & Minerals Group Fund II L.P. ^b | 3,938,366 | 4,807,891 |
| The Energy & Minerals Group Fund III L.P. ^b | 2,776,487 | 2,259,941 |
| The Energy & Minerals Group Fund IV L.P. ^b | 1,531,557 | 2,054,126 |
| The Founders Fund III, L.P. ^{a,b} | 4,435,510 | 17,530,025 |
| The Founders Fund IV, L.P. ^{a,b} | 2,013,424 | 11,074,642 |
| The Founders Fund VI, L.P. ^{a,b} | 570,000 | 603,940 |
| Tiger Global Investments Partners VI, L.P. ^{a,b,d} | 3,673,123 | 5,119,035 |
| Tiger Global Investments Partners VII, L.P. ^{b,d} | 1,835,527 | 3,600,848 |
| Tiger Global PIP X, L.P. ^{a,b,d} | 2,186,978 | 4,307,186 |
| TPF II, L.P. ^{a,b} | 1,814,310 | 201,689 |
| Trivest Fund IV, L.P. ^{a,b} | 900,258 | 193,527 |
| Trivest Fund V, L.P. ^{a,b} | 2,211,199 | 2,530,095 |
| Trivest Growth Investment Fund, L.P. ^{a,b} | 1,309,372 | 1,315,846 |
| TRUE Ventures III, L.P. ^{a,b} | 1,872,928 | 2,826,246 |
| Urban Oil and Gas Partners A-1, L.P. ^{a,b} | 6,874,263 | 2,200,000 |
| Urban Oil and Gas Partners B-1, L.P. ^b | 2,644,769 | 2,600,000 |
| VCFA Private Equity Partners IV, L.P. ^b | 1,055,398 | 141,000 |
| VCFA Venture Partners V, L.P. ^{a,b} | 3,023,472 | 1,342,000 |

See notes to financial statements.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

SCHEDULE OF INVESTMENTS (Concluded)

March 31, 2019

| Private Investments — (81.18%) (concluded) | Shares/Contracts | Cost | Fair Value |
|---|------------------|--------------------|-----------------------|
| Voyager Capital Fund III, L.P. ^{a,b} | | \$ 1,806,922 | \$ 2,310,198 |
| WCP Real Estate Fund I, L.P. ^{a,b} | | 742,933 | 118,611 |
| Westview Capital Partners II, L.P. ^{a,b} | | 2,153,183 | 2,563,790 |
| Zero2IPO China Fund II, L.P. ^{a,b,d} | | 3,187,491 | 2,810,250 |
| Total Investments in Adviser Funds | | 344,738,739 | 340,790,370 |
| Investments in Private Companies | | | |
| Illumitex, Inc., Common Stock ^{a,b,i} | 12,278 | 1,499,369 | — |
| Total Investments in Private Companies | | 1,499,369 | — |
| Investments in Private Companies Call Options | | | |
| Illumitex, Inc., Exercise Price \$0.03, 10/24/2022 ^{a,b,j} | 1,106 | — | — |
| Total Investments in Private Companies Call Options | | — | — |
| Total Private Investments | | 346,238,108 | 340,790,370 |
| Total Investments in Adviser Funds and Securities (cost \$454,543,360) | | | 425,618,893 |
| Total Investments (cost \$454,543,360) (101.39%) | | | 425,618,893 |
| Liabilities in excess of other assets (-1.39)% | | | (5,832,774) |
| Partners' capital — (100.00%) | | | \$ 419,786,119 |

^a Non-income producing.

^b Adviser Funds and securities that are issued in private placement transactions may have limited resale or redemptions terms.

^c The Adviser Fund has imposed gates on or has limited redemptions. The total cost and fair value of these investments as of March 31, 2019 was \$92,357,451 and \$68,843,866, respectively.

^d Domiciled in Cayman Islands

^e Securities held in custody by US Bank N.A., as collateral for a credit facility. The total cost and fair value of these investments as of March 31, 2019, was \$74,412,393 and \$68,662,589, respectively.

^f Domiciled in Mauritius

^g Domiciled in United Kingdom

^h Domiciled in Guernsey

ⁱ Domiciled in Japan

^j Security value is determined using significant unobservable inputs.

See notes to financial statements.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

STATEMENT OF ASSETS, LIABILITIES AND PARTNERS' CAPITAL

March 31, 2019

| Assets | |
|---|-----------------------|
| Investments in Adviser Funds and securities, at fair value (cost \$454,543,360) | \$ 425,618,893 |
| Cash and cash equivalents | 17,242,351 |
| Receivable from redemption of Adviser Funds | 5,302,999 |
| Dividends and interest receivable | 25,278 |
| Prepaid assets | 534 |
| Total assets | \$ 448,190,055 |
| Liabilities and partners' capital | |
| Withdrawals payable | \$ 27,804,494 |
| Management fee payable | 351,834 |
| Professional fees payable | 109,666 |
| Accounting, administration and transfer agency fees payable | 89,453 |
| Compliance consulting fees payable | 6,367 |
| Risk management fees payable | 20,000 |
| Printing fees payable | 9,232 |
| Line of credit fees payable | 11,333 |
| Custodian fees payable | 1,557 |
| Total liabilities | 28,403,936 |
| Partners' capital | 419,786,119 |
| Total liabilities and partners' capital | \$ 448,190,055 |
| Components of Partners' capital (See Note 10) | |
| Paid-in capital | \$ 73,424,326 |
| Total distributable earnings | 346,361,793 |
| Partners' capital | \$ 419,786,119 |

See notes to financial statements.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

STATEMENT OF OPERATIONS

For the year ended March 31, 2019

Investment income

| | |
|---|------------------|
| Distributions from Adviser Funds (net of withholding tax of \$77,988) | \$ 2,833,730 |
| Interest | 651,188 |
| Total investment income | 3,484,918 |

Operating expenses

| | |
|---|------------------|
| Management fee | 4,550,918 |
| Accounting, administration and transfer agency fees | 353,458 |
| Risk management expense | 327,066 |
| Directors expense | 316,512 |
| Line of credit fees | 244,000 |
| Professional fees | 391,690 |
| Compliance consulting fees | 70,500 |
| Printing expense | 15,633 |
| Custodian fees | 12,827 |
| Interest expense | 2,711 |
| Other expenses | 68,404 |
| Total operating expenses | 6,353,719 |

Net investment income/(loss) (2,868,801)

Net realized gain/(loss) and change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange transactions

| | |
|--|-------------|
| Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions | 52,205,283 |
| Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations | (6,363,981) |

Net realized gain/(loss) and change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange transactions 45,841,302

Net increase/(decrease) in partners' capital resulting from operations \$ 42,972,501

See notes to financial statements.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

For the years ended March 31, 2018 and 2019

| | General Partners' Capital | Limited Partners' Capital | Total Partners' Capital |
|--|---------------------------------|---------------------------------|----------------------------|
| Partners' capital, at March 31, 2017 | \$ — | \$ 579,199,885 | \$ 579,199,885 |
| Capital contributions | — | 550,000 | 550,000 |
| Capital withdrawals | (970,458) | (133,547,272) | (134,517,730) |
| Net investment income/(loss) | — | (4,254,593) | (4,254,593) |
| Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions | — | 82,522,108 | 82,522,108 |
| Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange transaction translations | — | (41,231,999) | (41,231,999) |
| Performance allocation | 970,458 | (970,458) | — |
| Partners' capital, at March 31, 2018* | \$ — | \$ 482,267,671 | \$ 482,267,671 |
| Capital contributions | — | — | — |
| Capital withdrawals | (3,101,094) | (102,352,959) | (105,454,053) |
| Net investment income/(loss) | — | (2,868,801) | (2,868,801) |
| Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions | — | 52,205,283 | 52,205,283 |
| Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange transaction translations | — | (6,363,981) | (6,363,981) |
| Performance Allocation | 3,101,094 | (3,101,094) | — |
| Partners' capital, at March 31, 2019 | \$ — | \$ 419,786,119 | \$ 419,786,119 |

* Including accumulated net investment income of \$72,944,873.

See notes to financial statements.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

STATEMENT OF CASH FLOWS

For the year ended March 31, 2019

Cash flows from operating activities:

| | |
|---|--------------------|
| Net increase/(decrease) in partners' capital resulting from operations | \$ 42,972,501 |
| Adjustments to reconcile net increase/(decrease) in partners' capital resulting from operations to net cash provided by operating activities: | |
| Purchases of Adviser Funds and securities | (42,756,654) |
| Proceeds from redemptions, sales, or other dispositions of Adviser Funds and securities, net of change in related receivables | 168,550,826 |
| Net realized (gain)/loss from investments in Adviser Funds, securities and foreign exchange transactions | (52,205,283) |
| Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations | 6,363,981 |
| Net (purchases)/sales of short-term investments | 3,842,023 |
| (Increase)/decrease in dividends and interest receivable | 1,845 |
| (Increase)/decrease in prepaid assets | (520) |
| Increase/(decrease) in management fee payable | (69,751) |
| Increase/(decrease) in professional fees payable | (168,920) |
| Increase/(decrease) in risk management fees payable | (20,237) |
| Increase/(decrease) in accounting, administration, and transfer agency fees payable | 30,513 |
| Increase/(decrease) in compliance consulting fees payable | 6,367 |
| Increase/(decrease) in line of credit fees payable | 666 |
| Increase/(decrease) in printing fees payable | (15,712) |
| Increase/(decrease) in custodian fees payable | (1,394) |
| Net cash provided by operating activities | 126,530,251 |

Cash flows from financing activities:

| | |
|--|----------------------|
| Capital contributions | — |
| Capital withdrawals, net of change in withdrawals payable and performance allocation | (109,299,981) |
| Line of credit borrowings | 1,500,000 |
| Line of credit repayments | (1,500,000) |
| Net cash used in financing activities | (109,299,981) |
| Net change in cash and cash equivalents | 17,230,270 |
| Cash and cash equivalents at beginning of year | 12,081 |
| Cash and cash equivalents at end of year | \$ 17,242,351 |
| Supplemental disclosure of interest expense paid | \$ 2,711 |
| Supplemental disclosure line of credit fees paid | \$ 243,334 |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

As of and for the year ended March 31, 2019

1. ORGANIZATION

Hatteras Master Fund, L.P. (the “Master Fund”) was organized as a limited partnership under the laws of the State of Delaware on October 29, 2004 and commenced operations on January 1, 2005. The Master Fund is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a closed-end, diversified management investment company. The Master Fund is managed by Hatteras Funds, LP (the “Investment Manager” or the “General Partner”), a Delaware limited liability company registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The primary objective of the Master Fund is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments. The Master Fund’s secondary objective is to provide capital appreciation with less volatility than that of the equity markets. To achieve its objectives, the Master Fund provides its limited partners (each, a “Limited Partner” and together, the “Limited Partners”) with access to a broad range of investment strategies, asset categories, and trading advisers (“Advisers”) and by providing overall asset allocation services typically available on a collective basis to larger institutions. The Master Fund invests with each Adviser by becoming a participant in an investment vehicle operated by such Adviser (each an “Adviser Fund”, collectively, the “Adviser Funds”) which includes exchange traded funds (“ETFs”), hedge funds, and investment funds.

The Master Fund is considered an investment company under the 1940 Act, following the accounting principles generally accepted in the United States of America (“GAAP”) and the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 946, *Financial Services — Investment Companies* (“ASC 946”).

The Master Fund has an appointed Board of Directors (the “Board”), which has the rights and powers to monitor and oversee the business affairs of the Master Fund, including the complete and exclusive authority to oversee and establish policies regarding the management, conduct and operation of the Master Fund’s business.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting and reporting policies used in preparing the financial statements.

a. Basis of Accounting

The Master Fund’s accounting and reporting policies conform with GAAP.

b. Cash and Cash Equivalents

Cash and cash equivalents includes amounts held in interest bearing demand deposit accounts. Such cash, at times, may exceed federally insured limits. The Master Fund has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on such accounts.

c. Valuation of Investments

The Master Fund’s valuation procedures have been approved by the Board. The valuation procedures are implemented by the Master Fund’s Investment Manager and Sub-Adviser and the third party administrator, which report to the Board. For third-party information, the Master Fund’s administrator monitors and reviews the methodologies of the various pricing services employed by the Master Fund.

Investments held by the Master Fund include:

- **Investments in Adviser Funds** — The Master Fund values interests in the Adviser Funds at fair value, using the net asset value (“NAV”) or pro rata interest in the members’ capital of the Adviser Funds as a practical expedient, as provided by the investment managers of such Adviser Funds. These Adviser Funds value their underlying investments in accordance with policies established by such Adviser Funds, which ordinarily will be the value determined by their respective investment managers. Investments in Adviser Funds are subject to the terms of the Adviser Funds’ offering documents. Valuations of the Adviser Funds may be subject to estimates and are net of management and performance incentive fees or allocations payable to the Adviser Funds’ investment managers as required by the Adviser Funds’ offering documents. If the Investment Manager and Sub-Adviser determine that the most recent value reported by any Adviser Fund does not represent fair value or if any Adviser Fund fails to report

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Valuation of Investments (continued)

a value to the Master Fund, a fair value determination is made under the Master Fund's valuation procedures under the general supervision of the Board. While these valuations are intended to estimate the value the Master Fund might reasonably expect to receive upon the current sale of the Adviser Funds in the ordinary course of business, such values may differ from the value that the Master Fund would actually realize if the Adviser Funds were sold.

The interests of some Adviser Funds, primarily investments in private equity funds, may be valued based on the best information available at the time the Master Fund's partners' capital is calculated. The Investment Manager and Sub-Adviser have established procedures for reviewing the effect on the Master Fund's partners' capital due to the timing of the reported value of interests received for certain Adviser Funds. The Master Fund is not able to obtain complete investment holding details of each of the Adviser Funds held within the Master Fund's portfolio in order to determine whether the Master Fund's proportional share of any investments held by the Adviser Funds exceed 5% of the partners' capital of the Master Fund as of March 31, 2019.

- **Investments in Securities** — Securities traded on one or more of the United States ("U.S.") national securities exchanges or the OTC Bulletin Board will be valued at their last sales price. Securities traded on NASDAQ will be valued at the NASDAQ Official Closing Price, at the close of trading on the exchanges or markets where such securities are traded for the business day as of which such value is being determined. Money market funds are valued daily at their net asset value.
- **Investments in Private Companies** — Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by the Investment Manager. Fair value is based on the best information available and is determined by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), balance sheets, public or private transactions, valuations for publicly traded comparable companies, recent round of financing in the company's stock, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. The amount determined to be fair value may incorporate the Investment Manager's own assumptions (including appropriate risk adjustments for nonperformance and lack of marketability). The methods used to estimate the fair value of private companies include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets — e.g., multiplying a key performance metric of the investee company or asset, such as projected revenue or EBITDA, by a relevant valuation multiple observed in the range of comparable companies or transactions — adjusted by the Investment Manager for differences between the investment and the referenced comparables and in some instances by reference to option pricing models or other similar methods), (2) the income approach (e.g., the discounted cash flow method), and (3) cost for a period of time after an acquisition (where such amount is determined by the Investment Manager to be the best indicator of fair value). These valuation methodologies involve a significant degree of judgment. While these valuations are intended to estimate the value the Master Fund might reasonably expect to receive upon the current sale of investments in private companies in the ordinary course of business, such values may differ from the value that the Master Fund would actually realize if the investments in private companies were sold.
- **Investments in Options** — Options contracts give the Master Fund the right, but not the obligation, to buy or sell the underlying instrument for a specified price upon exercise at any time during the option period. For the year ended March 31, 2019, the Master Fund held options that were granted from one of the Master Fund's private companies. Options are valued by the Investment Manager and Sub-Adviser using an option pricing model. At March 31, 2019, the fair value of options held by the Master Fund had no effect on the Schedule of Investments. For the year ended March 31, 2019, options had no effect on the change in unrealized appreciation/depreciation in the Master Fund's Statement of Operations. During the year ended March 31, 2019, no other derivatives were held by the Master Fund.

The Master Fund classifies its assets and liabilities in accordance with ASC 820 — *Fair Value*. The Master Fund classifies its assets and liabilities that are reported at fair value into three levels based on the lowest level of input that is significant to the fair value measurement. Estimated values may differ from the values that would have been used if a ready market existed or if the investments were liquidated at the valuation date.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Valuation of Investments (continued)

The three-tier hierarchy distinguishes between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs may be used in determining the value of the Master Fund's assets and liabilities. The inputs are summarized in the three broad levels listed below:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities that the Master Fund has the ability to access.
- Level 2 — Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement. This includes situations where there is little, if any, market activity for the asset or liability.

The following table presents the Master Fund's fair value hierarchy for those assets and liabilities measured at fair value as of March 31, 2019. Assets and liabilities are valued using NAV as practical expedient, an indicator of fair value, and are listed in a separate column to permit reconciliation to the totals in the Statement of Assets, Liabilities and Partners' Capital.

| | Level 1 | Level 2 | Level 3 | Investments Valued at NAV | Total |
|---------------------|---------|---------|---------|------------------------------|----------------|
| Event Driven | \$ — | \$ — | \$ — | \$ 33,571,985 | \$ 33,571,985 |
| Long Short Equity | — | — | — | 10,354,334 | 10,354,334 |
| Macro | — | — | — | 16,182,616 | 16,182,616 |
| Relative Value | — | — | — | 24,719,588 | 24,719,588 |
| Private Investments | — | — | — | 340,790,370 | 340,790,370 |
| Total | \$ — | \$ — | \$ — | \$ 425,618,893 | \$ 425,618,893 |

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value on a recurring basis:

| Level 3 Investments | Balances as of March 31, 2018 | Net Realized Gain/(Loss) | Change in Unrealized Appreciation/ Depreciation | Distributions | Gross Purchases | Gross Sales | Balance as of March 31, 2019 |
|---------------------------|--|--------------------------------|--|---------------|--------------------|----------------|---------------------------------------|
| Private Investments | \$— | \$— | \$— | \$— | \$— | \$— | \$— |
| Total Level 3 Investments | \$— | \$— | \$— | \$— | \$— | \$— | \$— |

For the year ended March 31, 2019, there were no transfers into or out of Level 1, Level 2 or Level 3.

Should a transfer between Levels occur, it is the Master Fund's policy to recognize transfers in and out of all Levels at the beginning of the reporting period.

The net realized gain/(loss) and change in unrealized appreciation/depreciation in the table above are reflected in the accompanying Statement of Operations. The change in unrealized appreciation/depreciation from Level 3 investments held at March 31, 2019 is \$0.

Adjustments to the NAV provided by the Investment Manager or administrator of the Adviser Funds would be considered if the practical expedient NAV was not as of the Master Fund's measurement date; it was probable that the Adviser Fund would be sold at a value materially different than the reported expedient NAV; or it was determined in accordance with the Master Fund's valuation procedures that the Adviser Fund is not being reported at fair value. No adjustments were made to the NAV provided by the Investment Manager or administrator of the Adviser Funds.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Valuation of Investments (continued)

The following is a summary of quantitative information about significant unobservable valuation inputs for Level 3 Fair Value Measurements for investments held as of March 31, 2019:

| Type of Level 3 Investment | Fair Value as of March 31, 2019 | Valuation Techniques | Unobservable Input |
|----------------------------------|------------------------------------|----------------------|---------------------------|
| Private Companies | \$— | Current value method | Recent round of financing |
| Total Level 3 Investments | \$— | | |

The significant unobservable inputs used in the fair value measurement of the Master Fund's Private Investment shares are based on the portfolio company's most recent round of financing.

The information summarized in the table above represents the general terms for the specified asset class. Individual Adviser Funds may have terms that are more or less restrictive than those terms indicated for the asset class as a whole. In addition, most Adviser Funds have the flexibility, as provided for in their constituent documents, to modify and waive such terms.

The Master Fund's investments reflect their estimated fair value, which for marketable securities would generally be the last sales price on the primary exchange for such security and for Adviser Funds, would generally be the net asset value as provided by the Adviser Fund or its administrator. For each of the categories below, the fair value of the Adviser Funds has been estimated using the net asset value of the Adviser Funds.

| Investment Category | Investment Strategy | Fair Value (in 000's) | Unfunded Commitments (in 000's) | Remaining Life | Redemptions Frequency | Notice Period (in Days) | Redemption Restrictions Terms |
|----------------------------------|--|--------------------------|------------------------------------|-----------------|-----------------------|----------------------------|-------------------------------|
| Event Driven ^(a) | Investments which seek to create pricing opportunities that may occur before or after a corporate event and may frequently involve additional derivative securities. | \$33,572 | N/A | Indefinite life | Quarterly | 60-65 | N/A |
| Long Short Equity ^(b) | A diversified set of investments which include positions both long and short in primarily equity and equity derivative securities. | \$10,354 | N/A | Indefinite life | Quarterly | 60 - 90 | N/A |
| Macro ^(c) | Investments including a broad range of strategies predicated on movements in underlying economic variables in the equity, fixed income, hard currency and commodity markets. | \$16,183 | N/A | Indefinite life | Weekly - Quarterly | 2 - 30 | N/A |

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Valuation of Investments (concluded)

| Investment Category | Investment Strategy | Fair Value (in 000's) | Unfunded Commitments (in 000's) | Remaining Life | Redemptions Frequency | Notice Period (in Days) | Redemption Restrictions Terms |
|------------------------------------|--|--------------------------|------------------------------------|--|-----------------------|----------------------------|----------------------------------|
| Relative Value ^(d) | Investments predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Security types range broadly across equity, fixed income, and derivatives. | \$24,720 | N/A | Indefinite life | Quarterly | 90 | N/A |
| Private Investments ^(e) | Investments in Private Equity, Private Real Estate, Private Energy and Natural Resources, generally through private partnerships or direct investments. | \$340,790 | \$38,575 | Up to 10 years with extensions available after the stated termination date | None Permitted | N/A | N/A |

^a This category includes Adviser Funds which 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. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

^b This category includes Adviser Funds which 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 capitalizations and valuation ranges of typical portfolios.

^c This category includes Adviser Funds which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods.

^d This category includes Adviser Funds which 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.

^e This category invests in three sub-strategies (Private Equity, Private Real Estate and Private Energy and Natural Resources). Private Equity investing seeks to generate capital appreciation through investments in private companies in need of capital. Private Equity seeks to profit from, among other things, the inefficiencies inherent in these markets through valuation and due diligence analysis of available business opportunities. Private Real Estate strategy consists generally of investing in Adviser Funds that are private partnerships that make direct investments in (i) existing or newly constructed income-producing properties, including office, industrial, retail, and multi-family residential properties, (ii) raw land, which may be held for development or for the purpose of appreciation, and/or (iii) timber (whether directly or through a REIT or other Adviser Fund). The Private Energy and Natural Resources strategy consists generally of investing in Adviser Funds that are private partnerships that make direct investments in private or (sometimes publicly traded) energy companies.

d. Investment Transactions and Income

Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date, except that certain dividends from private equity investments are recorded as soon as the information is available to the Master Fund. Capital gain distributions received are recorded as capital gains as soon as information is available to the Master Fund. Investments in short-term investments, mutual funds, private companies and exchange traded funds are recorded on a trade date basis. Investments in Adviser Funds are recorded on a subscription effective date basis, which is generally the first day of the calendar month in which the investment is effective. Redemptions in Adviser Funds are recorded on a redemption effective date basis which is generally the last day of the calendar month in which the redemption is effective. Realized gains and losses on Adviser Fund and security redemptions are determined on identified cost basis. Return of capital or security distributions received from Adviser Funds and securities are accounted for as a reduction to cost.

NOTES TO FINANCIAL STATEMENTS (*Continued*)

As of and for the year ended March 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Foreign Currency

Investments in Adviser Funds, securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Master Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Master Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

f. Master Fund Expenses

The Master Fund will bear all expenses incurred, on an accrual basis, in the business of the Master Fund, including, but not limited to, the following: all costs and expenses related to portfolio transactions and positions for the Master Fund's account; legal fees; accounting, auditing, and tax preparation fees; custodial fees; fees for data and software providers; costs of insurance; registration expenses; directors' fees; interest expenses and commitment fees on credit facilities; and expenses of meetings of the Board. Risk management expense includes expenses incurred by the Master Fund for third party valuation services, independent due diligence reviews of Adviser Funds, and other analytical and risk mitigation services provided to the portfolio.

g. Income Taxes

The Master Fund is treated as a partnership for federal income tax purposes and therefore is not subject to U.S. Federal income tax. For income tax purposes, the individual partners will be taxed upon their distributive share of each item of the Master Fund's profit and loss.

The Master Fund files tax returns as prescribed by the tax laws of the jurisdiction in which it operates. In the normal course of business, the Master Fund is subject to examination by federal, state, local and foreign jurisdictions, where applicable. For the Master Fund's tax years ended December 31, 2015 through December 31, 2018 the Master Fund is open to examination by major tax jurisdictions under the statute of limitations.

The Master Fund has reviewed any potential tax positions as of March 31, 2019 and has determined that it does not have a liability for any unrecognized tax benefits or expense. The Master Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the Master Fund did not incur any material interest or penalties. Due to the timing of tax information received from the Adviser Funds, tax basis reporting is not available as of the balance sheet date.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Master Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in partners' capital from operations during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

3. ALLOCATION OF PARTNERS' CAPITAL

Net profits or net losses of the Master Fund for each allocation period ("Allocation Period") will be allocated among and credited to or debited against the capital accounts of the Limited Partners. Allocation Periods begin on the day after the last day of the preceding Allocation Period and end at the close of business on (1) the last day of each month; (2) the last day of each taxable year; (3) the day preceding each day on which interests are purchased; (4) the day on which interests are repurchased; (5) the day preceding the day on which a substituted Limited Partner is admitted to the Master Fund; or (6) the day on which any amount is credited to or debited from the capital account of any Limited Partner other than an amount to be credited to or debited from the capital accounts of all Limited Partners in accordance with their respective investment percentages.

4. REPURCHASE OF LIMITED PARTNERS' INTERESTS

The Board may, from time to time and in its sole discretion, cause the Master Fund to repurchase interests from Limited Partners pursuant to written tenders by Limited Partners at such times and on such terms and conditions as established by the Board. In determining whether the Master Fund should offer to repurchase interests, the Board will consider, among other things, the recommendation of the Investment Manager and Sub-Adviser. The Investment Manager and Sub-Adviser generally recommend to the Board that the Master Fund offer to repurchase interests from Limited Partners on a quarterly basis as of the valuation date at the end of each calendar quarter. In addition, the Board approved two additional forced repurchases during the year ended March 31, 2019 for Limited Partners with capital balances below a specified minimum of \$25,000. The Master Fund will not offer repurchases of interests of more than 20% of its Partners' capital in any quarter. The Master Fund does not intend to distribute to the Limited Partners any of the Master Fund's income, but generally expects to reinvest substantially all income and gains allocable to the Limited Partners.

5. MANAGEMENT FEES, PERFORMANCE ALLOCATION, AND RELATED PARTY TRANSACTIONS

The Investment Manager and Sub-Adviser are responsible for providing day-to-day investment management services to the Master Fund, subject to the ultimate supervision of and any policies established by the Board, pursuant to the terms of the sub-advisory agreement among the Master Fund, the Investment Manager and Portfolio Advisors (the "Sub-Advisory Agreement") and the investment management agreement between the Master Fund and the Investment Manager (the "Advisory Agreement"). Under the Sub-Advisory Agreement and the Advisory Agreement (together, the "Investment Management Agreements"), the Investment Manager and Sub-Adviser are responsible for developing, implementing and supervising the Master Fund's investment program. In consideration for the advisory and other services provided by the Investment Manager, the Master Fund pays the Investment Manager a management fee (the "Management Fee") equal to 1.00% on an annualized basis of the aggregate value of its partners' capital determined as of the last day of the month (before giving effect to any repurchase of interests in the Master Fund).

The Master Fund does not pay the Sub-Adviser directly, but rather the Sub-Adviser is entitled to a portion of the Management Fee received by the Investment Manager.

The General Partner is allocated a performance allocation payable annually equal to 10% of the amount by which net new profits of each Limited Partner interests of the Master Fund exceed the non-cumulative "hurdle amount," which is calculated as of the last day of the preceding calendar year of the Master Fund at a rate equal to the yield-to-maturity of the 90-day U.S. Treasury Bill for the last business day of the last calendar year (the "Performance Allocation"). The Performance Allocation is made on a "peak to peak", or "high watermark" basis, which means that no Performance Allocation will be made with respect to such subsequent appreciation until such net loss has been recovered. Pursuant to the Sub-Advisory Agreement, the Sub-Adviser is entitled to a percentage of the Performance Allocation the General Partner receives from the Master Fund. For the year ended March 31, 2019, a Performance Allocation of \$3,101,094 was accrued or earned for the period from April 1, 2018 to March 31, 2019.

Each member of the Board who is not an "interested person" of the Master Fund ("Independent Director"), as defined by the 1940 Act, receives an annual retainer. The allocation of the retainer to the Master Fund is based on the assets under management of all of the affiliated funds and trusts that the Board oversees. All Board members are reimbursed by the Master Fund for all reasonable out-of-pocket expenses incurred by them in performing their duties.

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

5. MANAGEMENT FEES, PERFORMANCE ALLOCATION, AND RELATED PARTY TRANSACTIONS (CONTINUED)

The Master Fund has engaged Cipperrman Compliance Services (“Cipperrman”) to provide compliance services including the appointment of the Master Fund’s Chief Compliance Officer. Effective January 1, 2019, Cipperrman is paid an annual fee of \$63,000 for services provided, which is allocated among the Master Fund and other affiliated entities.

6. ACCOUNTING, ADMINISTRATION, AND CUSTODIAL AGREEMENT

In consideration for accounting, administrative, and recordkeeping services, the Master Fund pays U.S. Bancorp Fund Services, LLC, d/b/a U.S. Bank Global Fund Services (“Fund Services”) an administration fee based on the month-end partners’ capital of the Master Fund. Fund Services also provides regulatory administrative services and accounting. UMB Fund Services, Inc. (“UMBFS”) provides transfer agency functions, and shareholder services. For the year ended March 31, 2019, the total accounting, administration and transfer agency fees were \$353,458.

U.S. Bank, N.A. (“USB”) serves as custodian of the Master Fund’s assets and provides custodial services for the Master Fund.

7. INVESTMENT TRANSACTIONS

Total purchases of Adviser Funds and securities for the year ended March 31, 2019 amounted to \$42,756,654. Total proceeds from redemptions, sales, or other dispositions of Adviser Funds and securities for the year ended March 31, 2019 amounted to \$112,535,678. The cost of investments in Adviser Funds for U.S. Federal income tax purposes is adjusted for items of taxable income allocated to the Master Fund from the Adviser Funds. The Master Fund relies upon actual and estimated tax information provided by the Adviser Funds as to the amounts of taxable income allocated to the Master Fund as of March 31, 2019.

The Master Fund invests substantially all of its available capital in Adviser Funds and Private Investments. These investments will generally be restricted securities that are subject to substantial holding periods or are not traded in public markets at all, so that the Master Fund may not be able to resell some of its securities holdings for extended periods.

8. CREDIT FACILITY

The Master Fund maintains a credit facility, consisting of two separate tranches (“Tranche L” and “Tranche U”, collectively the “Facility”), which is secured by certain interests in Adviser Funds that expires on October 8, 2019. Collateral for the Facility is held by U.S. Bank N.A. as custodian. The maximum borrowing amount available on the Facility is \$40,000,000. A fee of 60 basis points per annum is payable monthly in arrears on the unused portion of the Facility of Tranche L, while the interest rate charged on the borrowings is the 3-month London Interbank Offer Rate (“LIBOR”) plus a spread of 175 basis points. At March 31, 2019, the Master Fund had \$11,333 payable on the unused portion of Tranche L and there were no outstanding payables for interest on borrowings. For the year ended March 31, 2019, there were no borrowings on Tranche L. The weighted average interest rate, the average daily balance, and the maximum balance outstanding for borrowing under the Facility of Tranche U for the year ended March 31, 2019 was 3.47%, \$76,712, and \$1,500,000, respectively. The date of maximum borrowing was August 1, 2018. The interest rate charged on the borrowing of Tranche U is the 3-month LIBOR plus a spread of 115 basis points. There was no outstanding borrowing of the Facility at March 31, 2019.

9. INDEMNIFICATION

In the normal course of business, the Master Fund enters into contracts that provide general indemnifications. The Master Fund’s maximum exposure under these agreements is dependent on future claims that may be made against the Master Fund, and therefore cannot be established; however, based on experience, the risk of loss from such claims is considered remote.

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the year ended March 31, 2019

10. COMMITMENTS

As of March 31, 2019, the Master Fund had outstanding investment commitments to Adviser Funds totaling approximately \$38,574,562. Four Adviser Funds in the Private Investment Strategy have commitments denominated in Euros, and two Adviser Funds have commitments denominated in Pound Sterling. At March 31, 2019, the unfunded commitments for these Adviser Funds totaled €2,228,155 and £800,554, respectively. At March 31, 2019, the exchange rate used for the conversion was 1.122 USD/EUR and 1.303 USD/GBP. The U.S. Dollar equivalent of these commitments is included in the Master Fund's total unfunded commitment amount.

11. RISK FACTORS

An investment in the Master Fund involves significant risks, including leverage risk, interest rate risk, liquidity risk and economic conditions risk, that should be carefully considered prior to investing and should only be considered by persons financially able to maintain their investment and who can afford a loss of a substantial part or all of such investment. The Master Fund generally does not employ leverage. However, certain Adviser Funds may employ leverage, either synthetically or through borrowed funds, which can enhance returns or increase losses on smaller changes in the value of an underlying investment. Adviser Funds that invest in fixed income securities may be subject to interest rate risk, where changes in interest rates affect the value of the underlying fixed income investment. The Master Fund intends to invest substantially all of its available capital in securities of private investment companies. These investments will generally be restricted securities that are subject to substantial holding periods or are not traded in public markets at all, so that the Master Fund may not be able to resell some of its securities holdings for extended periods, which may be several years. Investments in the Adviser Funds may be restricted from early redemptions or subject to fees for early redemptions as part of contractual obligations agreed to by the Investment Manager on behalf of the Master Fund. Adviser Funds may have initial lock-up periods, the ability to suspend redemptions, or employ the use of side pockets, all of which may affect the Master Fund's liquidity in the respective Adviser Fund.

Adviser Funds generally require the Master Fund to provide advanced notice of its intent to redeem the Master Fund's total or partial interest and may delay or deny a redemption request depending on the Adviser Funds' governing agreements. Interests in the Master Fund provide limited liquidity since Limited Partners will not be able to redeem interests on a daily basis because the Master Fund is a closed-end fund. Therefore, investment in the Master Fund is suitable only for investors who can bear the risks associated with the limited liquidity of interests and should be viewed as a long-term investment. No guarantee or representation is made that the investment objective will be met.

The Master Fund's investments may be made in a number of different currencies. Any returns on, and the value of, such investments may therefore be materially affected by exchange rate fluctuations, local exchange control, limited liquidity of the relevant foreign exchange markets, the convertibility of the currencies in question and/or other factors. A decline in the value of the currencies in which the Master Fund's investments are denominated against the U.S. dollar may result in a decrease in value of the Master Fund's partners' capital.

12. FINANCIAL HIGHLIGHTS

The financial highlights are intended to help an investor understand the Master Fund's financial performance. The total returns in the table represent the rate that a typical Limited Partner would be expected to have earned or lost on an investment in the Master Fund.

The ratios and total return amounts are calculated based on the Limited Partner group taken as a whole. An individual Limited Partner's results may vary from those shown below due to the timing of capital transactions and Performance Allocation.

The ratios are calculated by dividing total dollars of net investment income or expenses, as applicable, by the average of total monthly Limited Partners' capital.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS (Concluded)

As of and for the year ended March 31, 2019

12. FINANCIAL HIGHLIGHTS (CONCLUDED)

Total return amounts are calculated by geometrically linking returns based on the change in value during each accounting period.

| | For the Years Ended March 31, | | | | |
|---|-------------------------------|------------|------------|----------------------|------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total return before Performance Allocation | 10.41% | 7.69% | 6.03% | (5.62)% | 7.43% |
| Total return after Performance Allocation | 9.72% | 7.51% | 6.03% | (5.61)% | 6.97% |
| Partners' capital, end of year (000's) | \$ 419,786 | \$ 482,268 | \$ 579,200 | \$ 687,882 | \$ 904,464 |
| Portfolio turnover | 9.62% | 18.90% | 6.49% | 8.20% | 8.78% |
| Ratio of net investment income, excluding Performance Allocation | (0.64)% | (0.79)% | (0.36)% | 3.33% | 3.03% |
| Ratio of other operating expenses to average partners' capital | 1.36% | 1.36% | 1.25% | 1.23% | 1.19% |
| Ratio of credit facility fees and interest expense to average partners' capital | 0.05% | 0.08% | 0.09% | 0.12% | 0.10% |
| Operating expenses, excluding Performance Allocation | 1.41% | 1.44% | 1.34% | 1.35% | 1.29% |
| Performance Allocation | 0.69% | 0.18% | 0.00% | (0.01)% ¹ | 0.46% |
| Total Operating expenses and Performance Allocation | 2.10% | 1.62% | 1.34% | 1.34% | 1.75% |

¹ Reversal of accrued Performance Allocation from April 1, 2015 to December 31, 2015

13. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. Management has chosen not to early adopt the removed or modified disclosures, and delay adoption of the additional disclosures for the year ended March 31, 2019.

14. SUBSEQUENT EVENTS

Management has evaluated the events and transactions through the date the financial statements were issued and determined there were no other subsequent events that required adjustment to our disclosure in the financial statements except for the following:

The Investment Manager recommended to the Board that a tender offer in an amount of up to approximately 5.00% of the partners' capital of the Master Fund be made for the quarter ending June 30, 2019 to those Limited Partners who elect to tender their interests prior to the expiration of the tender offer period. The Board approved such recommendation and Limited Partners in the Master Fund were notified of the tender offer's expiration date on April 26, 2019, and submitted tender requests from March 28, 2019 through the date of expiration of the tender offer totaling approximately \$20,380,069.

Effective May 1, 2019, Nicole Shortridge-Lis resigned as Treasurer and effective May 1, 2019, Allison Zollicoffer was appointed Treasurer.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of Hatteras Master Fund, L.P.

Opinion on the Financial Statements

We have audited the accompanying statement of assets, liabilities and partners' capital, including the schedule of investments, of Hatteras Master Fund, L.P. (the "Master Fund") as of March 31, 2019, and the related statements of operations and cash flows for the year then ended, the statements of changes in partners' capital for each of the two years in the period then ended, and the financial highlights (as presented in Note 12 to the financial statements) for each of the three years in the period then ended, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Master Fund as of March 31, 2019, the results of its operations and its cash flows for the year then ended, the changes in its partners' capital for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

The Master Fund's financial highlights for the years ended March 31, 2016 and prior, were audited by other auditors whose report dated May 31, 2016, expressed an unqualified opinion on those financial highlights.

Basis for Opinion

These financial statements are the responsibility of the Master Fund's management. Our responsibility is to express an opinion on the Master Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Master Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2019, by correspondence with the custodian and underlying fund managers or by other appropriate auditing procedures where replies from underlying fund managers were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the auditor for one or more funds advised by Hatteras Funds, LP since 2013.

/s/ Cohen & Company, Ltd.

COHEN & COMPANY, LTD.
Cleveland, Ohio
May 30, 2019

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

BOARD OF DIRECTORS

(Unaudited)

The identity of the Board members (each a “Director”) and brief biographical information is set forth below. The business address of each Director is care of Hatteras Funds, 8510 Colonnade Center Drive, Suite 150, Raleigh, NC 27615. The term of office of each Director is from the time of such Director’s election and qualification until his or her successor shall have been elected and shall have qualified, or until he or she is removed, resigns or is subject to various disabling events such as death or incapacity. A Director may resign upon 90 days’ prior written notice to the Board and may be removed either by a vote of a majority of the Board not subject to the removal vote or of Limited Partners holding not less than two-thirds of the total number of votes eligible to be cast by all of the Limited Partners.

| Name & Date of Birth | Position(s) Held with the Feeder Funds | Length of Time Served | Principal Occupation(s) During Past 5 Years and Other Directorships Held by Director | Number of Portfolios in Fund Complex ¹ Overseen by Director |
|--|--|-----------------------------|---|---|
| INTERESTED DIRECTOR | | | | |
| David B. Perkins ² July 18, 1962 | President and Chairman of the Board of Directors | Since Inception | President and Trustee, each fund in the Fund Complex (2004 to Present); Chief Executive Officer of Hatteras Funds, LP (2014 to Present); Co-Founder of Hatteras Investment Partners LLC and its affiliated entities (“Hatteras Funds”) in 2003. | 6 |
| INDEPENDENT DIRECTORS | | | | |
| H. Alexander Holmes May 4, 1942 | Director; Audit Committee Member | Since Inception | Founder, Holmes Advisory Services, LLC, a financial consultation firm (1993 to Present). | 6 |
| Steve E. Moss, CPA February 18, 1953 | Director; Audit Committee Member | Since Inception | Principal, Holden, Moss, Knott, Clark & Copley, PA, accountants and business consultants (1996 to Present). | 6 |
| Gregory S. Sellers May 5, 1959 | Director; Audit Committee Member | Since Inception | Chief Financial Officer, Chief Operating Officer, Spectrum Consultants, Inc., a sales marketing firm in the prior housing industry (2015 to present); Chief Financial Officer, Imagemark Business Services, Inc., a provider of marketing and print communications solutions (2009 to Present). | 6 |
| Thomas Mann February 1, 1950 | Director; Audit Committee Member | Since 2013 | Private Investor (2012 to Present). | 6 |

¹ The “Fund Complex” consists of, as of March 31, 2019, the Feeder Funds, the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

² Deemed to be an “interested” Director of the Master Fund because of his affiliations with Hatteras Funds.

HATTERAS MASTER FUND, L.P.
(a Delaware Limited Partnership)

FUND MANAGEMENT

(Unaudited)

Set forth below is the name, date of birth, position with the Master Fund, length of term of office, and the principal occupation for the last five years of each of the persons currently serving as Executive Officers of the Master Fund. The business address of each officer is care of Hatteras Funds, 8510 Colonnade Center Drive, Suite 150, Raleigh, NC 27615.

| Name & Date of Birth | Position(s) Held with the Feeder Funds | Length of Time Served | Principal Occupation(s) During Past 5 Years and Other Directorships Held by Officer | Number of Portfolios in Fund Complex ¹ Overseen by Officer |
|--|--|-----------------------------|--|--|
| OFFICERS | | | | |
| Andrew P. Chica September 7, 1975 | Chief Compliance Officer | Since 2008 | Compliance Director, Cipperman Compliance Services (from 2019 to present); Chief Compliance Officer, Hatteras Funds, LP (from 2014 to 2019); Chief Compliance Officer, Hatteras Investment Partners and Hatteras Capital Investment Management (from 2007 to 2014), Chief Compliance Officer, Hatteras Alternative Mutual Funds, LLC (from 2009 to 2014). | N/A |
| Allison Zollicoffer ² March 24, 1956 | Treasurer | Since 2019 | Chief Financial Officer, Hatteras Funds, LP (2018 to present); self- employed as Fractional CFO/Financial Consultant with companies in wholesale distribution, real estate, specialty apparel and light manufacturing (since 2012). | N/A |
| Jessica R. Sherburne November 4, 1977 | Secretary | Since 2017 | Head of Operations, Hatteras Funds, LP (2018 to present); Chief Marketing Officer, Hatteras Funds, LP (2015 to 2017); Director of Marketing, Hatteras Funds, LP (2011 to 2015). | N/A |

¹ The "Fund Complex" consists of, as of March 31, 2019, the Feeder Funds, the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

² Effective May 1, 2019, Nicole Shortridge-Lis resigned as Treasurer and effective May 1, 2019, Allison Zollicoffer was appointed Treasurer.

OTHER INFORMATION

(Unaudited)

PROXY VOTING

A description of the policies and procedures that the Master Fund uses to determine how to vote proxies relating to portfolio securities and the Master Fund's record of actual proxy votes cast during the period ended June 30, 2018 is available at <http://www.sec.gov> and by calling 1-800-504-9070 and may be obtained at no additional charge.

AVAILABILITY OF QUARTERLY PORTFOLIO SCHEDULES

The Master Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Master Fund's Form N-Q is available, without charge and upon request, on the SEC's website at <http://www.sec.gov> or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the Public Reference Room may be obtained by calling 1-800-SEC-0330.

APPROVAL OF INVESTMENT ADVISORY AGREEMENT

At a meeting of the Master Fund's Board held on March 7, 2019, by a unanimous vote, the Board, including a majority of the Directors who are not "interested persons" within the meaning of Section 2(a)(19) of the 1940 Act, approved the Investment Advisory Agreement for the Master Fund.

In the course of their review, the Directors considered their legal responsibilities with regard to all factors deemed to be relevant to the Funds. The Independent Directors evaluated the Advisory Agreement in light of information they had requested and received from the Adviser prior to the meeting. The Directors reviewed these materials with management of the Adviser and legal counsel to the Independent Directors. The Independent Directors considered whether the Advisory Agreement would be in the best interests of the Funds and their shareholders and the overall fairness of the Advisory Agreement. Among other things, the Independent Directors reviewed information concerning: (1) the nature, extent and quality of services to be provided by Hatteras to the Master Fund; (2) the performance of the Master Fund; (3) the Master Fund's advisory and sub-advisory fee, overall Master Fund expenses, and the profits realized by Hatteras and its affiliates from its relationship with the Master Fund; (4) the extent to which economies of scale will be realized as the Master Fund grows and the extent to which fee levels reflect such economies of scale, if any, for the benefit of the Master Fund's partners; (5) the ancillary benefits and other factors. In their deliberations, the Independent Directors did not rank the importance of any particular piece of information or factor considered, and it is presumed that each Independent Director attributed different weights to the various factors.

Nature, Extent and Quality of Services Provided to the Master Fund.

The Independent Directors considered information it believed necessary to assess the nature and quality of services to be provided to the Master Fund by Hatteras. The Independent Directors noted Hatteras will continue to serve in its role as investment adviser to the Master Fund, and that the Master Fund's current portfolio managers will continue to provide services to the Master Fund. The Independent Directors considered the advisory services and other services to be provided by Hatteras, as well as the services to be provided by Portfolio Advisors as sub-adviser, noting that such services are not expected to change. The Independent Directors noted management's explanation about how fees and services were allocated and delegated between Hatteras and Portfolio Advisors. The Independent Directors noted the positive 5-year performance numbers. In response to a question from Mr. Cipperman, Mr. Perkins opined that the performance was sustainable even considering recent positive, one-time events. Mr. Perkins said that these types of events were ordinary course for this type of fund. The Independent Directors considered that the Master Fund's investment objective and policies are not expected to change. The Board members considered that Adviser's due diligence process would continue to utilize the same investment team.

Investment Performance of the Master Fund.

The Independent Directors considered the investment performance of the Master Fund. The Independent Directors reviewed the Master Fund's performance against certain peers, noting that it appeared that recent changes appeared to be improving performance. The Independent Directors asked several questions about the Master Fund's performance against certain peers

OTHER INFORMATION (*Concluded*)

(*Unaudited*)

and whether the peer group was properly representative. Mr. Perkins said that the peer group is the most representative possible given that it is very difficult to find performance information for this type of evergreen private equity fund. The Independent Directors also considered the Master Fund's performance versus two benchmark indices identified by Hatteras.

Costs of Services Provided and Profits Realized by Hatteras.

In connection with the Independent Directors' consideration of the level of the advisory services, the Independent Directors considered a number of factors. The Independent Directors noted that Hatteras is not requesting a change to the advisory fee rate or performance allocation rate to be paid under the Advisory Agreement. Based on current Fund asset levels, management indicated that Hatteras earned a small profit margin providing services to the Master Fund. The Independent Directors noted the differing services and responsibilities provided by Hatteras and Portfolio Advisors. The Independent Directors considered the relative profitability of Hatteras. Mr. Zollicoffer indicated that Hatteras had been working to cut internal costs and hoped profitability would improve in the short-term. However, he also said that could be offset by the necessity to hire additional staff if assets increased. In response to a question from Mr. Moss, Mr. Zollicoffer described expenses related to marketing. Based on the information provided, the Independent Directors determined that, based on the information provided, Hatteras did not earn excessive profits.

The Independent Directors' analysis of the Master Fund's advisory fee and overall expenses included a discussion of the Master Fund's fees. The Independent Directors also considered the fee and expense information provided by the Adviser, including the Adviser's representations that fees and expenses were reasonable in light of the services rendered and were within the range of fees and expenses charged to similar-managed accounts and funds. In connection with the Independent Directors' consideration of the level of the advisory fees, the Independent Directors considered a number of factors and determined that the fees and expenses were reasonable.

Economies of Scale and Fee Levels Reflecting Those Economies.

The Independent Directors considered the extent to which economies of scale were expected to be realized relative to fee levels as the Master Fund's assets grow, and whether the advisory fee levels reflect these economies of scale for the benefit of the Master Fund. After discussions of the Independent Directors concerning Hatteras' expected profitability and growth in assets for the Master Fund, the Independent Directors noted that it will address the issue if Master Fund assets grow.

Other Benefits.

In addition to the above factors, the Independent Directors also discussed other benefits received by Hatteras from its management of the Master Fund, including ancillary benefits that could accrue to Hatteras. The Independent Directors noted that Hatteras receives a fund servicing fee for its services as servicing agent to the Master Fund under a fund servicing agreement. It was noted that Hatteras may waive (to all investors on a pro rata basis) or pay to third parties all or a portion of the fund servicing fee in its sole discretion. The Board also noted that Hatteras Capital Distributors, LLC receives service fees from Hatteras and sales charges (which may be subject to waivers or reductions) with respect to the Master Fund. It was further discussed that the full amount of the sales charges may also be subject to waivers or reductions and may be re-allowed by Hatteras Capital Distributors, LLC to third parties.

In considering the Advisory Agreement, the Board did not identify any one factor as all-important, but rather considered all factors collectively in light of the Funds' surrounding circumstances. Based on this review, it was the judgment of the Board and its Independent Directors that approval of the Advisory Agreement was in the best interest of the Funds.

HATTERAS CORE ALTERNATIVES FUNDS

8510 Colonnade Center Drive, Suite 150
Raleigh, NC 27615

INVESTMENT MANAGER AND FUND SERVICING AGENT

Hatteras Funds, LP
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