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# **PROSPECTUS**

JULY 31, 2019

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

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**HATTERAS**  
FUNDS

**HATTERAS CORE ALTERNATIVES FUND, L.P.**  
**HATTERAS CORE ALTERNATIVES TEI FUND, L.P.**

PROSPECTUS

JULY 31, 2019

LIMITED PARTNERSHIP UNITS

Hatteras Core Alternatives Fund, L.P. (the “Core Alternatives Fund”) and Hatteras Core Alternatives TEI Fund, L.P. (the “TEI Fund”) are Delaware limited partnerships that are each registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as diversified, closed-end management investment companies. The TEI Fund is designed for investment primarily by tax-exempt and tax-deferred investors. Hatteras Funds, LP (“Hatteras Funds”) and Portfolio Advisors, LLC (“Portfolio Advisors” or “Sub-Advisor”), are each an investment adviser registered with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Hatteras Funds serves as investment manager to the Master Fund (as defined below) (the “Investment Manager”) and Portfolio Advisors serves as sub-advisor to the Master Fund. The Sub-Advisor and the Investment Manager are collectively referred to herein as the “Investment Managers.”

The investment objective of each of the Core Alternatives Fund and the TEI Fund (each a “Fund” and together, the “Funds”) is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger institutions. To achieve its objective, the Core Alternatives Fund provides its Partners (as defined below) with access to a broad range of investment strategies, asset categories and independent 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 its assets in the Hatteras Master Fund, L.P., a Delaware limited partnership (the “Master Fund”), which is also registered under the 1940 Act and has the same investment objective as the Core Alternatives Fund.

The TEI Fund provides its Partners with access to a broad range of investment strategies and asset categories, Advisers and overall asset allocation services typically available on a collective basis to larger institutions through an investment of substantially all of the assets of the TEI Fund in the Hatteras Core Alternatives Offshore Fund, LDC (the “Offshore Fund”), a Cayman Islands limited duration company with the same investment objective as the TEI Fund. The Offshore Fund in turn invests substantially all of its assets in the Master Fund, which has the same investment objective as the TEI Fund and the Offshore Fund. The Offshore Fund serves solely as an intermediate entity through which the TEI Fund invests in the Master Fund. The Offshore Fund makes no independent investment decisions and has no investment or other discretion over the TEI Fund’s investable assets.

The Offshore Fund is interposed between the TEI Fund and the Master Fund and serves as an intermediate entity so that any income generated by the Master Fund is not ultimately recognized by Partners in the TEI Fund as unrelated business taxable income (“UBTI”). The Offshore Fund is treated as a corporation under the taxation laws of the United States. Any income received by the Offshore Fund is distributed to the TEI Fund as dividend income. UBTI should therefore not flow through the Offshore Fund to the Partners of the TEI Fund. As a result, income earned by a Partner from its investment in the TEI Fund should not constitute UBTI provided that the Partner does not itself incur indebtedness to finance its investment in the TEI Fund. See “TAXES”.

Although it is not required to do so, the Master Fund will typically seek to allocate its assets among at least 50 Advisers, generally through investments in a wide range of investment vehicles (“Adviser Funds,” which includes exchange-traded funds (“ETFs”), hedged investment funds, private investment funds and other investment funds) managed by the Advisers or by placing assets in an account directly managed by the Adviser (each, an “Adviser Account”). A Fund cannot guarantee that its investment objective will be achieved or that the Master Fund’s strategy of investing in the Adviser Funds will be successful. Investing in the Funds involves a heightened risk of

significant loss. **SEE “RISK FACTORS,” “GENERAL RISKS” AND “SPECIAL RISKS OF FUND OF FUNDS STRUCTURE” BEGINNING ON PAGE 34.**

This prospectus (the “Prospectus”) applies to the offering of units of limited partnership interest (“Units”) of each Fund. Each Fund commenced the public offering of the Units in 2008 and has publicly offered Units since that time.

The Units will generally be offered as of the first business day of each calendar month or at such other times as may be determined by Hatteras Funds, LP, the general partner of the Funds and the Master Fund (the “General Partner”), in each case subject to any applicable sales charge and other fees, as described herein. The Units are issued at net asset value (“NAV”) per Unit. The Core Alternatives Fund has registered \$2,500,000 and the Core Alternatives TEI Fund has registered \$2,500,000 for sale under the registration statement to which this Prospectus relates. No person who is admitted as a Partner will have the right to require a Fund to redeem its Units. Each limited partner of a Fund is referred to herein as a “Partner.” For more information on how to redeem your Units, see “TENDER/REPURCHASE PROCEDURES.”

If you purchase Units in either Fund, you will become bound by the terms and conditions of that Fund’s Amended and Restated Limited Partnership Agreement (each, a “Partnership Agreement”).

Investments in either of the Funds may be made only by “Eligible Investors” as defined herein. See “INVESTOR QUALIFICATIONS.”

For convenience, reference to the Funds may include the Offshore Fund and the Master Fund as the context requires. Also, the Master Fund’s investments may be referred to as investments with Advisers or Adviser Funds.

*Units are an illiquid investment.*

- You should generally not expect to be able to sell your Units (other than through the repurchase process).
- If you are permitted by the Board of Directors of a Fund to sell your Units to a third party rather than through the repurchase process, you may receive less than your purchase price.
- We do not intend to list our Units on any securities exchange and we do not expect a secondary market in the Units to develop.
- You should consider that you may not have access to the money you invest for a period of time.
- An investment in our Units is not suitable for you if you need immediate access to the money you invest.
- Because you will be unable to sell your Units or have them repurchased immediately, you may find it difficult to reduce your exposure on a timely basis during a market downturn.

This Prospectus concisely provides information that you should know about the Funds before investing. You are advised to read this Prospectus carefully and to retain it for future reference. Additional information about the Funds, including the Funds’ statement of additional information (“SAI”), dated July 31, 2019, has been filed with the Securities and Exchange Commission (the “SEC”). You can request a copy of the SAI without charge by writing to the Funds, U.S. Bancorp Fund Services, LLC, 615 East Michigan Street, Milwaukee, Wisconsin 53202, or by calling the Funds at 888-363-2324. You can also call 888-363-2324 to obtain a copy of the annual and semi-annual reports of the Funds, to request other information about the Funds and to make shareholder inquiries. You can also obtain a copy of the SAI and annual and semi-annual reports of the Funds at the following website: [www.hatterasfunds.com](http://www.hatterasfunds.com). The SAI is incorporated by reference into this Prospectus in its entirety. The table of contents of the SAI appears on page 65 of this Prospectus. You can obtain the SAI, and other information about the Funds, on the SEC’s website (<http://www.sec.gov>). The address of the SEC’s internet site is provided solely for the information of prospective investors and is not intended to be an active link.

*Hatteras Core Alternatives Fund, L.P.*

Total Offering Amount (1)	\$ 2,500,000
Maximum Sales Charge (2)	2.00%
Minimum Sales Charge (2)	0.00%
Proceeds to the Fund (maximum)(3)	\$ 2,500,000

Proceeds to the Fund (minimum)(3)	\$ 2,450,000
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*Hatteras Core Alternatives TEI Fund, L.P.*

Total Offering Amount (1)	\$ 2,500,000
Maximum Sales Charge (2)	2.00%
Minimum Sales Charge (2)	0.00%
Proceeds to the Fund (maximum)(3)	\$ 2,500,000
Proceeds to the Fund (minimum)(3)	\$ 2,450,000

(1) Hatteras Capital Distributors, LLC (the “Distributor”) acts as the principal underwriter of the Funds’ Units on a best-efforts basis, subject to various conditions. The Units are being offered through the Distributor and may also be offered through other brokers or dealers that have entered into selling agreements with the Distributor. The Investment Managers, the Distributor and/or their affiliates may make payments to selected affiliated or unaffiliated third parties (including the parties who have entered into selling agreements with the Distributor) from time to time in connection with the distribution of Units and/or the servicing of Partners and/or a Fund. These payments will be made out of the Investment Managers’, Distributor’s and/or affiliates’ own assets and will not represent an additional charge to a Fund. Such payments may be significant in amount and the prospect of receiving any such payments may provide such third parties or their employees with an incentive to favor sales of Units of a Fund over other investment options. See “DISTRIBUTION ARRANGEMENTS.” The Funds will sell Units only to investors who certify that they are “Eligible Investors.” See “INVESTOR QUALIFICATIONS.” The minimum initial investment in each Fund by any investor is \$1,000,000. However, the General Partner of each Fund, in its sole discretion, may accept investments below this minimum. Pending the closing of any offering, funds received from prospective investors will be placed in an interest-bearing escrow account with UMB Bank, N.A., the Funds’ escrow agent. On the date of any closing, the balance in the escrow account with respect to each investor whose investment is accepted will be invested in the Fund on behalf of such investor. Any interest earned on escrowed amounts will be credited to the Fund. See “The Offering.”

(2) Investments in the Funds are sold subject to a sales charge of up to 2.00% of the investment. For some investors, the sales charge may be waived or reduced. The full amount of the sales charges may be reallocated by the Distributor to brokers or dealers participating in the offering. Your financial intermediary may impose additional charges when you purchase Units of a Fund. See “The Offering.”

(3) A Fund’s offering expenses are described under “FUND FEES AND EXPENSES” below. The Core Alternatives Fund and the TEI Fund previously paid offering expenses estimated at \$37,740 and \$36,640, respectively, from the proceeds of the offering.

Neither the SEC nor any state securities commission has determined whether this Prospectus is truthful or complete, nor have they made, nor will they make, any determination as to whether anyone should buy these securities. Any representation to the contrary is a criminal offense.

You should not construe the contents of this Prospectus as legal, tax or financial advice. You should consult with your own professional advisors as to legal, tax, financial, or other matters relevant to the suitability of an investment in a Fund.

You should rely only on the information contained in this Prospectus and the SAI. The Funds have not authorized anyone to provide you with different information.

THE FUNDS’ PRINCIPAL UNDERWRITER IS HATTERAS CAPITAL DISTRIBUTORS, LLC.

The date of this Prospectus is July 31, 2019.

**Electronic Reports Disclosure**— 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.

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## FUND FEES AND EXPENSES

The following tables describe the aggregate fees and expenses that each Fund expects to incur and that the Partners can expect to bear, either directly or indirectly, through the Core Alternatives Fund's investment in the Master Fund, and the TEI Fund's investment in the Offshore Fund and the Master Fund.

### *Core Alternatives Fund*

PARTNER TRANSACTION EXPENSES:	
Maximum Sales Charge (Load) (percentage of offering price) (1)	2.00%
Maximum Early Repurchase Fee (2)	2.00%
ANNUAL EXPENSES (AS A PERCENTAGE OF NET ASSETS OF THE FUND) (3)	
Management Fee (4)	1.00%
Interest Expenses	0.05%
Other Expenses (5)	1.25%
Acquired Fund Fees and Expenses (6)	3.31%
Total Annual Expenses	5.61%

The following hypothetical example is intended to help you compare the cost of investing in the Core Alternatives Fund with the cost of investing in other funds. The example assumes that all distributions are reinvested at NAV and that the percentage amounts listed under annual expenses remain the same in the years shown. The table and the assumption in the hypothetical example of a 5% annual return are required by regulation of the SEC applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Units.

The example is based on the expenses set forth in the table above for the fiscal year ended March 31, 2019, including Acquired Fund Fees and Expenses. **The example should not be considered a representation of the Core Alternatives Fund's future expenses. Actual expenses of the Core Alternatives Fund may be higher or lower than those shown.** Moreover, the annual return may be greater or less than the hypothetical 5% return in the table below; if the annual return were greater, the amount of fees and expenses would increase, including the effect of the Performance Allocation.

### EXAMPLE

**You Would Pay the Following Expenses Based on the Imposition of the 2.00% Sales Charge and a \$1,000 Investment in the Fund, Assuming a 5% Annual Return:**

	1 Year	3 Years	5 Years	10 Years
Core Alternatives Fund	\$ 75	\$ 183	\$ 291	\$ 553

### *Core Alternatives Fund Footnotes*

- (1) Investors may be charged a sales charge of up to 2.00% of the investment, as more fully described below under the heading "Sales Charge."
- (2) A Partner participating in a repurchase offer may be subject to a repurchase fee payable to the Fund equal to 2.00% of the amount repurchased if such Partner has been a Partner for less than 12 months prior to the valuation date.
- (3) This table summarizes the aggregate expenses of the Fund and the Master Fund and is designed to help investors understand the costs and expenses they will bear, directly or indirectly, by investing in the Fund.
- (4) The Fund does not pay the Investment Managers a Management Fee directly, but the Partners bear an indirect share of this fee through the Fund's investment in the Master Fund. For its provision of services to the Master Fund, Hatteras Funds receives a monthly Management Fee equal to 1/12th of 1.00% (1.00% on an annualized basis) of the aggregate value of the Master Fund's net assets as of each month-end. The Management Fee is paid to Hatteras Funds before giving effect to any repurchase of interests in the Master Fund effective as of that

date, and decreases the net profits or increases the net losses of the Master Fund that are credited to its interest holders, including the Fund. In addition, the General Partner of the Master Fund is allocated a Performance Allocation (as defined below) that is equal to 10% of the excess of the new net profits of the limited partner interests of the Master Fund (calculated and accrued monthly and payable annually and calculated separately for the Core Alternatives Fund, TEI Fund and each other fund that serves as a feeder fund to the Master Fund) over the yield-to-maturity of 90 day U.S. Treasury Bill as reported by the Wall Street Journal for the last business day of the preceding calendar year of the Master Fund. For the period from April 1, 2018 to March 31, 2019, a Performance Allocation of \$483,827 was allocated to the Core Alternatives Fund.

- (5) “Other Expenses” includes direct expenses of the Fund as well as indirect expenses of the Master Fund. The Fund’s estimated offering expenses are included in “Other Expenses.” Directors’ fees, insurance costs and other costs have been allocated pro rata among the Master Fund and all of its feeder funds (including the Fund). Partners also indirectly bear a portion of the asset-based fees, performance and incentive fees or allocations and other expenses incurred by the Master Fund as an investor in Adviser Funds or Adviser Accounts. “Other Expenses” are based on estimated amounts for the current fiscal year and also includes the Fund Servicing Fee. The Fund Servicing Fee payable to Hatteras Funds will be borne pro rata by all Partners of the Fund. See “*FUND SERVICING FEE*” for additional information.
- (6) In addition to the Fund’s direct expenses, the Fund indirectly bears a pro rata share of the expenses of the Adviser Funds. The Adviser Funds generally charge, in addition to management fees calculated as a percentage of the average NAV of the Fund’s investment, performance-based fees generally from 10% to 35% of the net capital appreciation in the Fund’s investment for the year or other measurement period. The fees and expenses indicated are calculated based on estimated amounts for the current fiscal year. In the future, these fees and expenses may be substantially higher or lower than reflected, because certain fees are based on the performance of the Advisers, which fluctuates over time. In addition, the Master Fund’s portfolio changes from time to time, which will result in different Acquired Fund Fees and Expenses.

#### *TEI Fund*

##### **PARTNER TRANSACTION EXPENSES:**

Maximum Sales Charge (Load) (percentage of offering price) (1)	2.00%
Maximum Early Repurchase Fee (2)	2.00%

##### **ANNUAL EXPENSES (AS A PERCENTAGE OF NET ASSETS OF THE FUND) (3)**

Management Fee (4)	1.00%
Interest Expenses	0.05%
Other Expenses (5)	1.44%
Acquired Fund Fees and Expenses (6)	3.31%
Total Annual Expenses	5.80%

The following hypothetical example is intended to help you compare the cost of investing in the TEI Fund with the cost of investing in other funds. The example assumes that all distributions are reinvested at NAV and that the percentage amounts listed under annual expenses remain the same in the years shown. The table and the assumption in the hypothetical example of a 5% annual return are required by regulation of the SEC applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Units.

The example is based on the expenses set forth in the table above for the fiscal year ended March 31, 2019, including Acquired Fund Fees and Expenses. **The example should not be considered a representation of the TEI Fund’s future expenses. Actual expenses of the TEI Fund may be higher or lower than those shown.** Moreover, the annual return may be greater or less than the hypothetical 5% return in the table below; if the annual return were greater, the amount of fees and expenses would increase, including the effect of the Performance Allocation.

## EXAMPLE

**You Would Pay the Following Expenses Based on the Imposition of the 2.00% Sales Charge and a \$1,000 Investment in the Fund, Assuming a 5% Annual Return:**

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
TEI Fund	\$ 77	\$ 188	\$ 299	\$ 566

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### *TEI Fund Footnotes*

- (1) Investors may be charged a sales charge of up to 2.00% of the investment, as more fully described below under the heading “Sales Charge.”
- (2) A Partner participating in a repurchase offer may be subject to a repurchase fee payable to the Fund equal to 2.00% of the amount repurchased if such Partner has been a Partner for less than 12 months prior to the valuation date.
- (3) This table summarizes the aggregate expenses of the Fund, the Offshore Fund and the Master Fund and is designed to help investors understand the costs and expenses they will bear, directly or indirectly, by investing in the Fund. The Offshore Fund’s expenses, other than withholding taxes, are disclosed in the TEI Fund’s Statement of Operations.
- (4) The Fund and the Offshore Fund do not pay the Investment Managers a Management Fee directly, but the Partners bear an indirect share of this fee through the Fund’s investment in the Master Fund through the Offshore Fund. For its provision of services to the Master Fund, Hatteras Funds receives a monthly Management Fee equal to 1/12th of 1.00% (1.00% on an annualized basis) of the aggregate value of the Master Fund’s net assets as of each month-end. The Management Fee is paid to Hatteras Funds before giving effect to any repurchase of interests in the Master Fund effective as of that date, and decreases the net profits or increases the net losses of the Master Fund that are credited to its interest holders, including the Fund. In addition, the General Partner of the Master Fund is allocated a Performance Allocation (as defined below) that is equal to 10% of the excess of the new net profits of the limited partner interests of the Master Fund (calculated and accrued monthly and payable annually and calculated separately for the TEI Fund, the Core Alternatives Fund and each other fund that serves as a feeder fund to the Master Fund) over the yield-to-maturity of the 90 day U.S. Treasury Bill as reported by the Wall Street Journal for the last business day of the preceding calendar year of the Master Fund. For the period from April 1, 2018 to March 31, 2019, a Performance Allocation of \$608,724 was allocated to the TEI Fund.
- (5) “Other Expenses” includes direct expenses of the Fund as well as indirect expenses of the Master Fund. The Fund’s estimated offering expenses are included in “Other Expenses.” Directors’ fees, insurance costs and other costs have been allocated pro rata among the Master Fund and all of its feeder funds (including the Fund). “Other Expenses” includes any withholding taxes the Offshore Fund may be subject to on its allocable share of certain profits of the Master Fund. See “TAXES-TEI FUND” for additional information. Partners also indirectly bear a portion of the asset-based fees, performance and incentive fees or allocations and other expenses incurred by the Master Fund as an investor in Adviser Funds or Adviser Accounts. “Other Expenses” are based on estimated amounts for the current fiscal year and also includes the Fund Servicing Fee. The Fund Servicing Fee payable to Hatteras Funds will be borne pro rata by all Partners of the Fund. See “*FUND SERVICING FEE*” for additional information.
- (6) In addition to the Fund’s direct expenses, the Fund indirectly bears a pro rata share of the expenses of the Adviser Funds. The Adviser Funds generally charge, in addition to management fees calculated as a percentage of the average NAV of the Fund’s investment, performance-based fees generally from 10% to 35% of the net capital appreciation in the Fund’s investment for the year or other measurement period. The fees and expenses indicated are calculated based on estimated amounts for the current fiscal year. In the future, these fees and expenses may be substantially higher or lower than reflected, because certain fees are based on the performance of the Advisers, which fluctuates over time. In addition, the Master Fund’s portfolio changes from time to time, which will result in different Acquired Fund Fees and Expenses.

**PERFORMANCE INFORMATION.** Past performance does not guarantee future investment results. Performance of the Funds will vary based on many factors, including market conditions, the composition of the Funds' portfolios and the Funds' expenses. For past performance information, please refer to the section entitled "FINANCIAL HIGHLIGHTS." Each Fund may from time to time advertise its performance relative to certain averages, performance rankings, indices (including, but not limited to, the Standard & Poor's 500 Stock Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the HFRX Global Hedge Fund Index), other information prepared by recognized investment company statistical services and investments for which reliable performance information is available. The Standard & Poor's 500 Stock Index with dividends reinvested is a market capitalization weighted index made up of the 500 U.S. companies with the largest market capitalizations. The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark index that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities. The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of certain 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. Indices are unmanaged and their returns do not include sales charges or fees. It is not possible to invest directly in the above referenced indices.

**MANAGEMENT FEE.** In consideration for the advisory and other services provided by Hatteras Funds to the Master Fund pursuant to an investment management agreement between the Master Fund and Hatteras Funds (the "Investment Management Agreement"), the Master Fund pays Hatteras Funds a monthly management fee (the "Management Fee") equal to 1/12th of 1.00% (1.00% on an annualized basis) of the aggregate value of the Master Fund's net assets as of each month-end. Net assets means the total value of all assets of the Master Fund, less an amount equal to all accrued debts, liabilities and obligations of the Master Fund. In the case of a partial month, the Management Fee will be based on the number of days during the month in which Hatteras Funds invested Master Fund assets. The Management Fee is paid to Hatteras Funds out of the capital account of each limited partner of the Master Fund pro rata after adjustment for any subscriptions effective on that date and before giving effect to any repurchase of interests in the Master Fund or portions of interests in the Master Fund effective as of that date, and decreases the net profits or increases the net losses of the Master Fund that are credited to or debited against the capital accounts of its limited partners.

Under the sub-advisory agreement among the Master Fund, Hatteras Funds and Portfolio Advisors (the "Sub-Advisory Agreement"), Portfolio Advisors is entitled to receive a percentage of management fees received by Hatteras Funds.

The Funds do not directly pay a management fee to the Investment Managers; however, the Core Alternatives Fund bears an indirect share of the Management Fee as a result of the Core Alternatives Fund's investment in the Master Fund, and the TEI Fund and Offshore Fund bear an indirect share of the Management Fee as a result of the TEI Fund's investment in the Master Fund through the Offshore Fund. A discussion regarding the basis for the approval of the Board of Directors of each Fund (each, a "Board") of the Investment Management Agreement for the Master Fund is available in the Master Fund's annual report dated March 31, 2019. A discussion regarding the basis for the approval of the Board of the Sub-Advisory Agreement for the Master Fund will be available in the Master Fund's semi-annual report dated September 30, 2019.

**SALES CHARGE.** Investments in the Funds may be subject to a sales charge of up to 2.00% by the Distributor. The sales charge will be in addition to each investor's purchase amount, and will not constitute part of an investor's capital contribution to a Fund or part of the assets of a Fund. No sales charge or a reduced sales charge is expected to be charged with respect to investments by Hatteras Funds and its affiliates, and their respective directors, principals, officers and employees and others in Hatteras Funds' sole discretion. See "DISTRIBUTION ARRANGEMENTS — SALES CHARGE."

**PERFORMANCE ALLOCATION.** The General Partner of the Master Fund will be allocated a Performance Allocation that is equal to 10% of the excess of the new net profits of the partner interests in the Master Fund (calculated and accrued monthly and payable annually and calculated separately for the Core Alternatives Fund, the

TEI Fund and each other fund that serves as a feeder fund to the Master Fund) over the yield-to-maturity of the 90 day U.S. Treasury Bill as reported by the Wall Street Journal for the last business day of the preceding calendar year of the Master Fund. The General Partner makes payments to Portfolio Advisors equal to a percentage of the Performance Allocation the General Partner receives from the Master Fund.

*FUND SERVICING FEE.* Each Fund intends to pay compensation to Hatteras Funds for fund services in accordance with a fund servicing agreement between each Fund and Hatteras Funds (in such capacity, the “Servicing Agent”). The Servicing Agent receives a monthly fund servicing fee (“Fund Servicing Fee”) equal to 1/12<sup>th</sup> of 0.65% (0.65% on an annualized basis) of the aggregate value of each Fund’s net assets as of the end of each month. The Fund Servicing Fee payable to the Servicing Agent will be borne pro rata by all Partners of each corresponding Fund before giving effect to any repurchase of Units in a Fund effective as of that date and will decrease the net profits or increase the net losses of the Fund that are credited to its Partners. The Servicing Agent may waive (to all investors on a pro rata basis) or pay to third parties all or a portion of any such fees in its sole discretion. The Servicing Agent may delegate some or all of its servicing responsibilities to one or more service providers. The Servicing Agent may delegate and any such service provider will provide customary services, including some or all of the following:

- Assisting in the maintenance of the Funds’ records containing information relating to Partners;
- Providing each Fund and its Partners with personnel to perform such executive, administrative and clerical services as are reasonably necessary to provide effective administration of the Fund and Partner services;
- As agreed from time to time with the Board in accordance with Rule 38a-1 under the 1940 Act, making available the services of appropriate compliance personnel and resources relating to compliance policies and procedures of the Funds;
- Providing the Funds with office space and office equipment and services including telephone service, heat, utilities, stationery supplies and similar items;
- Assisting in the administration of meetings of the Board and its committees;
- Periodically reviewing the services performed by the Funds’ service providers, and making such reports and recommendations to the Board concerning the performance of such services as the Board reasonably requests;
- Assisting the Funds in providing or procuring accounting services for the Fund and Partner account balances;
- Providing assistance in connection with the preparation of the Funds’ periodic financial statements and annual audit as reasonably requested by the Board or officers of the Funds or the Funds’ independent accountants;
- Assisting in communicating with Partners and providing information about the Funds, Units owned by Partners, repurchase offers and other activities of the Funds;
- Arrange for, at each Fund’s expense, the preparation of all required tax returns; assisting Partners and their individual service providers with questions pertaining to any tax documents received from the Funds;
- Establishment and enhancement of relationships and communications between Partners and the Funds, and the handling of Partners’ inquiries and calls relating to administrative matters;
- Assisting in the establishment of Partner accounts and providing ongoing account maintenance services to Partners, including handling inquiries from Partners regarding the Funds;
- Administering subscriptions and tender offers, including assistance in the preparation of regulatory filings and the transmission of cash between Partners and the Funds, and the Funds and the Master Fund (or any successor thereto designated by the Funds)
- Assisting in the periodic updating of the Funds’ prospectus and statement of additional information, the preparation of proxy statements to Partners, and the preparation of reports filed with regulatory authorities;
- To the extent requested by the Board or officers of the Funds, negotiating changes to the terms and provisions of the Funds’ custody, administration and escrow agreements;
- Providing information and assistance as requested in connection with the registration of the Funds’ interests in accordance with state securities requirements; and
- Supervising other aspects of the Funds’ operations and providing other administrative services to the Funds.

*ADMINISTRATION SERVICES.* Each Fund will pay U.S. Bancorp Fund Services, LLC, d/b/a U.S. Bank Global Fund Services (the “Administrator”) a fee of \$20,000 (the “Fund Administration Fee”). In addition, the Master Fund will pay the Administrator an administration fee of up to 0.075% on an annualized basis of the net assets of the Master Fund (prior to reduction for any Management Fee) (the “Master Fund Administration Fee”, and together with the Fund Administration Fee, the “Administration Fees”) calculated as of month-end. The Master Fund Administration Fee will be paid to the Administrator pro rata 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 Partners. The Funds and the Master Fund will also reimburse the Administrator for certain out-of-pocket expenses related to administration services.

*CUSTODIAL SERVICES.* U.S. Bank, N.A. (“U.S. Bank” or the “Custodian”) serves as the custodian of the Funds’ and the Offshore Fund’s assets. U.S. Bank also serves as the custodian of the Master Fund’s assets, including assets that are used to collateralize any borrowings pursuant to the Master Fund’s credit facility with Credit Suisse International (“Credit Suisse”). The Custodian may maintain custody of assets with domestic and non-U.S. subcustodians (which may be banks, trust companies, securities depositories and clearing agencies) approved by the Board. Assets are not held by the Investment Managers or commingled with the assets of other accounts except to the extent that securities are held in the name of a custodian in a securities depository, clearing agency or omnibus customer account of such custodian. U.S. Bank’s principal business address is 1555 North River Center Drive, Milwaukee, Wisconsin 53212.

*TRANSFER AGENCY SERVICES.* UMB Fund Services, Inc. (“UMB” or the “Transfer Agent”), located at 235 W. Galena Street, Milwaukee, WI 53212, services as the Funds’ transfer agent.

*FUND EXPENSES.* Each Fund will pay all of its own expenses other than those that the Investment Managers or an affiliate of the Investment Managers assume. The expenses of each Fund will include, but will not be limited to, any fees and expenses in connection with the organization of each Fund, including any offering expenses; brokerage commissions; interest and fees on any borrowings by a Fund; expenses incurred with respect to due diligence (including, without limitation, the fees and expenses of outside operational due diligence professionals); fees and expenses of outside legal counsel (including fees and expenses associated with review of documentation for prospective investments by each Fund), including foreign legal counsel; independent registered public accounting firm fees; fees and expenses in connection with repurchase offers and any repurchases of Units; taxes and governmental fees (including tax preparation fees); custody fees; expenses of preparing, printing, and distributing the Prospectus, the SAI (and any supplements or amendments thereto), reports, notices, other communications to Partners, and proxy materials; expenses of preparing, printing, and filing reports and other documents with government agencies; expenses of Partners’ meetings; expenses of corporate data processing and related services (including software expenses); Partner recordkeeping and Partner account services, fees, and disbursements; fees and expenses of the Directors that the Investment Managers do not employ; insurance premiums; and extraordinary expenses such as litigation expenses. Each Fund will also bear, as a direct or indirect investor in the Master Fund, its allocable portion of the fees and expenses of the Master Fund, and in the case of the TEI Fund, the expenses of the Offshore Fund. Each Fund may need to sell portfolio securities to pay fees and expenses, which could cause the affected Fund to realize taxable gains.

Ongoing offering costs required by applicable accounting principles to be charged to capital that are incurred during a fiscal period will be charged to capital for the period.

## FINANCIAL HIGHLIGHTS

The information contained in the table below for the year or period ended March 31, 2019, March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015, March 31, 2014, March 31, 2013, March 31, 2012, March 31, 2011, and March 31, 2010, sets forth selected information derived from each Fund's financial statements for the fiscal years or periods ended March 31. Financial statements for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017 have been audited by Cohen & Company, Ltd. Cohen & Company, Ltd's report, along with each Fund's financial statements and notes thereto, included in each Fund's annual report for the fiscal year ended March 31, 2019 previously filed on Form N-CSR on June 10, 2019 and are available upon request from each Fund. Financial statements for the prior years or periods have been audited by the former independent registered public accounting firm for the Funds. The information in the table below should be read in conjunction with those financial statements and the notes thereto.

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.

	<b>Hatteras Core Alternatives Fund, L.P.</b>	<b>Hatteras Core Alternatives TEI Fund, L.P.</b>
Unit Value, April 1, 2010	\$ 87.74	\$ 87.69
Income from investment operations:		
Net investment income/(loss)	(0.44)	(0.48)
Net realized and unrealized gain/(loss) on investment transactions	5.54	5.51
Total from investment operations	5.10	5.03
Unit Value, April 1, 2011	92.84	92.72
Income from investment operations:		
Net investment income/(loss)	(0.41)	(0.40)
Net realized and unrealized gain/(loss) on investment transactions	(2.86)	(2.95)
Total from investment operations	(3.27)	(3.35)
Unit Value, March 31, 2012	89.57	89.37
Income from investment operations:		
Net investment income/(loss)	(2.26)	(2.32)
Net realized and unrealized gain/(loss) on investment transactions	5.92	5.83
Total from investment operations	3.66	3.51
Unit Value, March 31, 2013	93.23	92.88
Income from investment operations:		
Net investment income/(loss)	(0.64)	(0.84)
Net realized and unrealized gain/(loss) on investment transactions	10.09	10.04
Total from investment operations	9.45	9.20
Unit Value, March 31, 2014	102.68	102.08
Income from investment operations:		
Net investment income/(loss)	0.15	(0.01)
Net realized and unrealized gain/(loss) on investment transactions	6.26	6.37
Total from investment operations	6.41	6.36
Unit Value, March 31, 2015	109.09	108.44
Income from investment operations:		
Net investment income/(loss)	0.58	0.18
Net realized and unrealized gain/(loss) on investment transactions	(7.89)	(7.65)
Total from investment operations	(7.31)	(7.47)
Unit Value, March 31, 2016	101.78	100.97

Income from investment operations:		
Net investment income/(loss)	(3.96)	(4.29)
Net realized and unrealized gain/(loss) on investment transactions	8.97	9.21
Total from investment operations	5.01	4.92
Unit Value, March 31, 2017	<u>106.79</u>	<u>105.89</u>
Income from investment operations:		
Net investment income/(loss)	(5.97)	(6.59)
Net realized and unrealized gain/(loss) on investment transactions	12.57	12.67
Total from investment operations	6.60	6.08
Unit Value, March 31, 2018	<u>113.39</u>	<u>111.97</u>
Income from investment operations:		
Net investment income/(loss)	(6.80)	(7.44)
Net realized and unrealized gain/(loss) on investment transactions	16.27	16.58
Total from investment operations	9.47	9.14
Unit Value, March 31, 2019	<u>\$ 122.86</u>	<u>\$ 121.11</u>

		<b>For the Years Ended March 31,</b>				
<b>Hatteras Core Alternatives Fund, L.P.</b>		<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
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) <sup>1</sup>		(1.53)%	(1.90)%	(1.44)%	2.24%	1.90%
Operating expenses, excluding						
Performance Allocation <sup>1,2,3</sup>		2.30%	2.56%	2.42%	2.44%	2.42%
Performance Allocation <sup>1</sup>		0.69%	0.02%	0.00%	0.00%	0.00%
Net expenses <sup>1</sup>		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%

<sup>1</sup> Ratios include allocations from the Master Fund.

<sup>2</sup> 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.

<sup>3</sup> 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.

	<b>For the Years Ended March 31,</b>				
<b>Hatteras Core Alternatives Fund, L.P.</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total return before Performance Allocation	10.14%	4.09%	(3.52)%	5.81%	15.01%
Performance Allocation	0.00%	0.00%	0.00%	0.00%	0.00%
Total return after Performance Allocation	10.14%	4.09%	(3.52)%	5.81%	15.01%
Net investment income (loss) <sup>1</sup>	1.18%	(0.17)%	(0.29)%	(0.60)%	(1.90)%
Operating expenses, excluding Performance Allocation <sup>1,2,3</sup>	2.38%	2.30%	2.33%	2.32%	2.35%
Performance Allocation <sup>1</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Net expenses <sup>1</sup>	2.38%	2.30%	2.33%	2.32%	2.35%
Limited Partners' capital, end of year (000's)	\$166,776	\$184,954	\$234,881	\$248,882	\$231,314
Portfolio Turnover Rate (Master Fund)	19.03%	25.15%	32.68%	25.12%	23.12%

<sup>1</sup> Ratios include allocations from the Master Fund.

<sup>2</sup> Ratios calculated based on total expenses and average partners' capital. If the expense ratio calculation had been performed monthly, as is done for expense cap calculations, the ratios would have been different.

<sup>3</sup> For the years ended March 31, 2010-2014, the ratios of other operating expenses to average partners' capital were, 2.29%, 2.22%, 2.25%, 2.22%, and 2.29%, respectively, and the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.06%, 0.10%, 0.08%, 0.08%, and 0.09%, respectively.

**For the Years Ended March 31,**

<b>Hatteras Core Alternatives TEI Fund, L.P.</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
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) <sup>1</sup>	(1.71)%	(2.01)%	(1.50)%	2.05%	1.87%
Operating expenses, excluding					
Performance Allocation <sup>1,2,3</sup>	2.49%	2.66%	2.49%	2.63%	2.45%
Performance Allocation <sup>1</sup>	0.67%	0.32%	0.00%	0.00%	0.00%
Net expenses <sup>1</sup>	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%

<sup>1</sup> Ratios include allocations from the Master Fund.

<sup>2</sup> 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.

<sup>3</sup> 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.

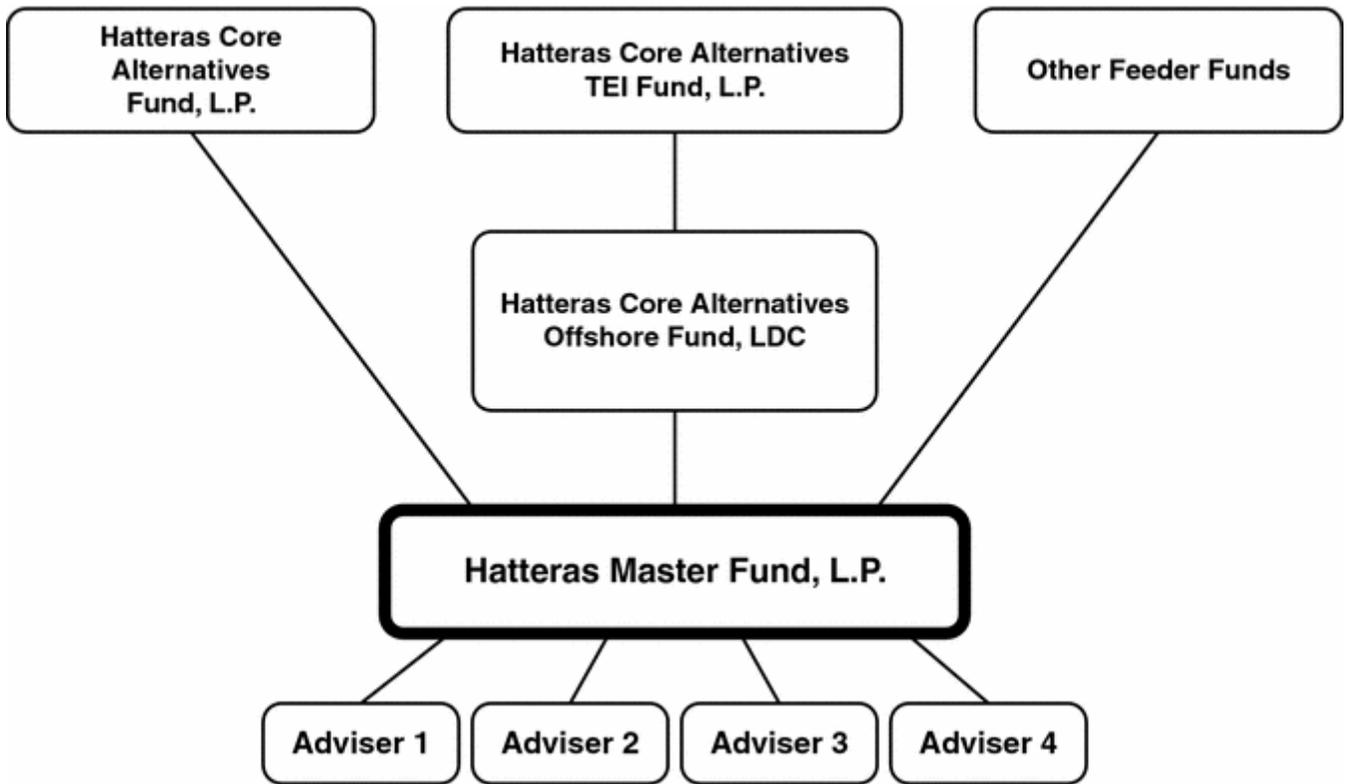
Hatteras Core Alternatives TEI Fund, L.P	For the Years Ended March 31,				
	2014	2013	2012	2011	2010
Total return before Performance Allocation	9.91%	3.93%	(3.62%)	5.74%	14.97%
Performance Allocation	0.00%	0.00%	0.00%	0.00%	0.00%
Total return after Performance Allocation	9.91%	3.93%	(3.62%)	5.74%	14.97%
Net investment income (loss) <sup>1</sup>	0.96%	(0.25%)	(0.39%)	(0.68%)	(1.94%)
Operating expenses, excluding Performance Allocation <sup>1,2,3</sup>	2.59%	2.38%	2.43%	2.39%	2.39%
Performance Allocation <sup>1</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Net expenses <sup>1</sup>	2.59%	2.38%	2.43%	2.39%	2.39%
Limited Partners' capital, end of year (000's)	\$222,419	\$246,049	\$312,204	\$325,745	\$300,576
Portfolio Turnover Rate (Master Fund)	19.03%	25.15%	32.68%	25.12%	23.12%

<sup>1</sup> Ratios include allocations from the Master Fund.

<sup>2</sup> Ratios calculated based on total expenses and average partners' capital. If the expense ratio calculation had been performed monthly, as is done for expense cap calculations, the ratios would have been different.

<sup>3</sup> For the years ended March 31, 2010-2014, the ratios of other operating expenses to average partners' capital were 2.27%, 2.20%, 2.23%, 2.18%, and 2.26% respectively; the ratios of allocated credit facility fees and interest expense to average partners' capital were 0.06%, 0.10%, 0.08%, 0.08%, and 0.09% respectively; and the ratios of withholding tax to average partner's capital were 0.06%, 0.09%, 0.12%, 0.12%, and 0.24% respectively.

**Fund Structure**



## FUNDS SUMMARY

This is only a summary. This summary does not contain all of the information that investors should consider before investing in the Funds. Investors should review the more detailed information appearing elsewhere in this Prospectus and SAL, especially the information set forth under the heading “RISK FACTORS.”

### The Funds and the Units

Hatteras Core Alternatives Fund, L.P. (the “Core Alternatives Fund”) is a closed-end, management investment company, organized as a Delaware limited partnership on November 23, 2004. Hatteras Core Alternatives TEI Fund, L.P. (the “TEI Fund”) is a closed-end, management investment company, organized as a Delaware limited partnership on October 29, 2004. The Core Alternatives Fund and the TEI Fund (together, the “Funds”) are classified as diversified. Limited partnership interests of the Funds were offered in private placement from April 1, 2005 until the Funds became publicly offered beginning on November 3, 2008. The Core Alternatives Fund invests substantially all of its assets in Hatteras Master Fund, L.P., a Delaware limited partnership (the “Master Fund”), which is also registered under the 1940 Act. The TEI Fund invests substantially all of its assets in the Hatteras Core Alternatives Offshore Fund, LDC (the “Offshore Fund”), a Cayman Islands limited duration company with the same investment objective as the TEI Fund. The Offshore Fund invests substantially all of its assets in the Master Fund. The Master Fund invests substantially all of its assets with a number of independent trading advisers (“Advisers”) selected by Hatteras Funds, the Investment Manager of the Master Fund, and Portfolio Advisors, the Sub-Advisor of the Master Fund, that are typically available on a collective basis to larger institutions. The Investment Managers primarily pursue the Funds’ objective by investing the Master Fund’s assets with each Adviser either by becoming a participant in an investment vehicle operated by the Adviser (each, an “Adviser Fund,” which includes exchange-traded funds (“ETFs”), hedged investment funds, private investment funds and other investment funds) or by placing assets in an account directly managed by the Adviser (each, an “Adviser Account”). See “Fund Structure” on prior page.

### The General Partner

Hatteras Funds, LP, the Investment Manager, also serves as the general partner of the Funds and of the Master Fund (in each case, the “General Partner”). The General Partner has irrevocably delegated to the boards of directors of the Funds (each, a “Board”) its rights and powers to monitor and oversee the business affairs of the Funds, including the complete and exclusive authority to oversee and establish policies regarding the management, conduct and operation of the Funds’ business.

### Investment Objective and Strategies

The Master Fund has the same investment objective as the Funds and the Offshore Fund, which is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger institutions. The Funds’ secondary objective is to provide capital appreciation with less volatility than that of the equity markets.

### The Investment Managers

In their capacity as Investment Manager and Sub-Advisor, respectively, Hatteras Funds and Portfolio Advisors provide day-to-day investment management services to the Master Fund. Hatteras Funds’ principal place of business is located at 8510 Colonnade Center Drive, Suite 150,

Raleigh, NC 27615, Telephone (888) 363-2324, Facsimile (816) 860-3138. Portfolio Advisors' principal place of business is located at 9 Old Kings Highway South, Darien, CT 06820, Telephone (203) 662-3456, Facsimile (203) 662-0013. Each of the Investment Managers is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). As of July 1, 2019, approximately \$450 million of assets were under the management of Hatteras Funds and its affiliates. As of July 1, 2019, Portfolio Advisors had assets under management of approximately \$23.5 billion. In order to comply with applicable Cayman Islands law, Hatteras Funds holds a nominal, non-voting interest in the Offshore Fund. For further information, see Part 2 of Form ADV of Hatteras Funds, which is available on the SEC's website and upon request to Hatteras Funds at (888) 363-2324, and Part 2 of Form ADV of Portfolio Advisors, which is available on the SEC's website and upon request to Portfolio Advisors at info@portad.com.

#### Management Fee

The Master Fund pays Hatteras Funds a monthly management fee ("Management Fee") equal to 1/12th of 1.00% (1.00% on an annualized basis) of the aggregate value of the Master Fund's net assets as of the end of each month. The Management Fee is paid to Hatteras Funds before giving effect to any repurchase of interests in the Master Fund effective as of that date, and decreases the net profits or increases the net losses of the Master Fund that are credited to its interest holders, including each Fund. Although neither the Funds nor the Offshore Fund pay any direct investment management fee, the Funds and the Offshore Fund bear, as a result of their investment in the Master Fund, their allocable portion of the management fee charged to the Master Fund. Pursuant to the Sub-Advisory Agreement, Portfolio Advisors is entitled to a portion of the Management Fee received by Hatteras Funds from the Master Fund.

#### Performance Allocation

The General Partner of the Master Fund is allocated a performance allocation (calculated and accrued monthly and payable annually and calculated separately for the Core Alternatives Fund, the TEI Fund and each other fund that serves as a feeder fund to the Master Fund) equal to 10% of the amount by which net new profits of the 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 as reported by the Wall Street Journal for the last business day of the preceding calendar year of the Master Fund (the "Performance Allocation"). 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, with respect to a Fund, 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. Portfolio Advisors is entitled to a portion of the Performance Allocation received by Hatteras Funds from the Master Fund.

#### Fees of Advisers

Advisers will charge the Master Fund asset-based fees, and certain Advisers will also be entitled to receive performance-based fees or allocations. Such fees and performance-based compensation are in addition to both the fees that are charged by Hatteras Funds to the Master Fund and allocated to the Funds, and the Performance

Allocation charged by the General Partner. Moreover, an investor in the Core Alternatives Fund bears a proportionate share of the expenses of the Master Fund and the Core Alternatives Fund and, indirectly, similar expenses of the Adviser Funds. Likewise, an investor in the TEI Fund bears a proportionate share of the expenses of the Master Fund, the Offshore Fund and the TEI Fund, and indirectly, similar expenses of the Adviser Funds.

#### Investor Qualifications

Each prospective investor in a Fund will be required to certify that it is a “qualified client” within the meaning of Rule 205-3 under the Advisers Act. A “qualified client” means an individual or company (other than an investment company) that has a net worth (or in the case of individuals, a joint net worth with their spouse) of more than \$2,100,000 (excluding the value of the prospective investor’s primary residence), or that meets certain other qualification requirements. For more information see “*INVESTOR QUALIFICATIONS*.” In addition, Units are generally being offered only to investors that are U.S. persons for U.S. federal income tax purposes. Investors who meet such qualifications are referred to in this Prospectus as “Eligible Investors.”

#### The Offering

The minimum initial investment in a Fund by any investor is \$1,000,000, and the minimum additional investment in a Fund by a Partner is \$100,000. However, each Fund, in its sole discretion, may accept investments below these minimums. Investors subscribing through a given broker/dealer or registered investment advisor may have interests aggregated to meet these minimums, so long as denominations are not less than \$50,000 and incremental contributions to those interests are not less than \$10,000.

Units will generally be offered for purchase as of the first business day of each calendar month, except that Units may be offered more or less frequently as determined by the General Partner in its sole discretion. Potential investors should deposit monies in the capital account by wire transfer pursuant to instructions provided to them by the Funds.

Subscriptions are generally subject to the receipt of cleared funds on or prior to the acceptance date set by the Funds and notified to prospective investors. Pending the closing of any offering, funds received from prospective investors will be placed in an interest-bearing escrow account with UMB Bank, N.A., the Funds’ escrow agent. On the date of any closing, the balance in the escrow account with respect to each investor whose investment is accepted will be invested in the applicable Fund on behalf of such investor. Any interest earned on escrowed amounts will be credited to such Fund.

A prospective investor must submit a completed investor application on or prior to the acceptance date set by the Funds. Each Fund reserves the right to reject, in its sole discretion, any request to purchase Units in the Fund at any time. Each Fund also reserves the right to suspend or terminate offerings of Units at any time at the applicable Board’s discretion. Additional information regarding the subscription process is set forth under “Investor Qualifications.”

Investments in each Fund may be subject to a sales charge of up to 2.00% by Hatteras Capital Distributors, LLC (the “Distributor”). Hatteras Funds may waive or reduce the sales charge for its professional

staff (e.g., portfolio managers and traders) and others in its sole discretion. The full amount of sales charges may be reallocated by the Distributor to brokers or dealers participating in the offering. Your financial intermediary may impose additional charges when you purchase Units of a Fund.

Fund Servicing Fee

Each Fund will pay Hatteras Funds, LP (in such capacity, the “Servicing Agent”) for fund servicing in accordance with a fund servicing agreement. The Servicing Agent receives a monthly fund servicing fee (“Fund Servicing Fee”) equal to 1/12th of 0.65% (0.65% on an annualized basis) of the aggregate value of each Fund’s net assets as of the end of each month. The Fund Servicing Fee payable to the Servicing Agent will be borne pro rata by all Partners before giving effect to any repurchase of Units in a Fund effective as of that date, and will decrease the net profits or increase the net losses of the Fund that are credited to its Partners. The Servicing Agent may waive (to all investors on a pro rata basis) or pay to service providers all or a portion of any such fees in its sole discretion. For more information see “*FUND SERVICING FEE*” above.

Distribution Policy

It is expected that distributions will generally not be made to Partners. However, the Board has the right to cause distributions to be made in cash or in-kind to the Partners in its sole discretion. Whether or not distributions are made, each Partner will be required each year to pay applicable federal, state and local income taxes on its allocable share of the Funds’ taxable income.

Closed-End Structure

Each Fund has been organized as a closed-end management investment company. Closed-end funds differ from open-end management investment companies (commonly known as mutual funds) in that beneficial owners of a closed-end fund do not have the right to redeem their Units on a daily basis.

Repurchase Offers

In order to provide a limited degree of liquidity to the Partners, each Fund intends to conduct repurchase offers generally quarterly with a Valuation Date (as defined below) on or about March 31, June 30, September 30 and December 31 of each year, provided that it is in the best interests of the Funds and the Partners to do so as determined by the Board. In each repurchase offer, each Fund intends to offer to repurchase a percentage of its Units at its NAV determined as of approximately March 31, June 30, September 30 and December 31, as applicable (each, a “Valuation Date”), but in no event will more than 20% of the Units of a Fund be repurchased per quarter. For purposes of clarification, it should be noted that there is no guarantee that a Fund will offer to repurchase 20% (or any other percentage) of the Units of a Fund in any given quarter. If the value of Units tendered for repurchase exceeds the value a Fund intended to repurchase, the Fund may determine to repurchase less than the full number of Units tendered. In such event, Partners will have their Units repurchased on a pro rata basis, and tendering Partners will not have all of their tendered Units repurchased by the Fund and such Partners would be required to submit tender requests in the next tender offer made by the Fund. Furthermore, such Partners’ tender requests would not take priority over any other requests in future tender offers. Partners tendering Units for repurchase will be asked to give written notice of their intent to do so by the date specified in the notice describing the terms of the applicable repurchase

offer, which date will be approximately 65 days prior to the date of repurchase by a Fund. A Partner participating in a repurchase offer may be subject to a repurchase fee payable to a Fund equal to 2.00% of the amount requested if such Partner has been a Partner for less than 12 months prior to the Valuation Date. See “TENDER OFFERS/OFFERS TO REPURCHASE.”

#### Risk Factors

An investment in a Fund involves substantial risks, including the risk that the entire amount invested may be lost. The Core Alternatives Fund, through its investment in the Master Fund, and the TEI Fund, through its investment in the Master Fund through the Offshore Fund, primarily allocate their assets to Advisers and invest in Adviser Funds and Adviser Accounts that invest in and actively trade securities, commodities and other financial instruments using a variety of strategies and investment techniques that may involve significant risks. Various other types of risks are also associated with an investment in the Funds, including risks relating to the fund of funds structure of the Master Fund, risks relating to the master-feeder structure, risks relating to compensation arrangements and risks relating to the limited liquidity of the Units. Additional risks include:

- Industry Concentration Risk
- Leverage
- Turnover
- Valuation of Adviser Funds
- Highly Volatile Markets
- Counter-Party Credit Risk
- Dilution

Accordingly, the Funds should be considered speculative investments, and you should invest in the Funds only if you can sustain a complete loss of your investment. Past results of the Investment Managers or their principals, the Funds or the Advisers are not indicative of future results. See “RISK FACTORS.”

#### USE OF PROCEEDS

Substantially all of the proceeds from the sale of Units, net of the Core Alternatives Fund’s and TEI Fund’s fees and expenses, will be invested in the Master Fund by the Core Alternatives Fund, and in the Master Fund through the Offshore Fund by the TEI Fund, to pursue its investment program and objective as soon as practicable, but in no event later than three months after receipt, consistent with market conditions and the availability of suitable investments.

#### DISTRIBUTION ARRANGEMENTS

*General.* Hatteras Capital Distributors, LLC (the “Distributor”), located at 8510 Colonnade Center Drive, Suite 150, Raleigh, North Carolina 27615, acts as principal underwriter to the Funds on a best-efforts basis, subject to various

conditions, pursuant to distribution services agreements between each Fund and the Distributor (together, the “Distribution Agreement”). Units of the Core Alternatives Fund and the TEI Fund are offered with a maximum sales charge of 2.00%. The Distributor is also responsible for selecting brokers and dealers in connection with the offering of Units and for negotiating the terms of any such arrangements. The Distributor is an affiliate of Hatteras Funds and it also serves as the Master Fund’s placement agent.

Neither the Distributor nor any other party is obligated to buy from the Funds any of the Units. There is no minimum aggregate amount of Units required to be purchased in any offering. In addition, the Distributor does not intend to make a market in the Units.

The General Partner, Investment Managers, Distributor and/or their affiliates may make payments to selected affiliated or unaffiliated third parties (including the parties who have entered into selling agreements with the Distributor) from time to time in connection with the distribution of Units and/or the servicing of Unit holders. These payments will be made out of the General Partner’s, Investment Managers’, Distributor’s and/or affiliates’ own assets and will not represent an additional charge to a Fund. Such payments may be significant in amount and the prospect of receiving any such payments may provide such third parties or their employees with an incentive to favor sales of Units in the Funds over other investment options. Contact your financial intermediary for details about revenue sharing payments it receives or may receive.

Pursuant to the Distribution Agreement, the Distributor is solely responsible for the costs and expenses incurred in connection with (i) its qualification as a broker-dealer under state or federal laws, and (ii) the advertising or promotion of the offering of the Units. The Distribution Agreement also provides that the Funds will indemnify the Distributor and its affiliates and certain other persons against certain liabilities, including certain liabilities arising under the Securities Act of 1933, as amended.

Units in each Fund are available to investors investing through broker/dealers and other financial intermediaries where the financial intermediary and/or the Servicing Agent has agreed to provide certain administrative services.

*Sales Charge.* Investments in the Funds may be subject to a sales charge of up to 2.00%. The sales charge will be in addition to each Partner’s purchase amount, and will not constitute part of a Partner’s capital contribution to a Fund or part of the assets of such Fund. No sales charge or a reduced sales charge is expected to be charged with respect to investments by Hatteras Funds and its affiliates, and their respective directors, principals, officers and employees and others in Hatteras Funds’ sole discretion. The full amount of the sales charge may be reallocated by the Distributor to brokers or dealers participating in the offering. Your financial intermediary may impose additional charges when you purchase Units of a Fund.

**ADDITIONAL SALES OF UNITS.** Each Fund currently intends to accept initial and additional subscriptions of Units as of the first business day of each calendar month or at such other times as may be determined by the General Partner. The General Partner may discontinue accepting subscriptions for Units at any time. Any amounts received in connection with a subscription for Units will be promptly placed in an escrow account with UMB Bank, N.A., as the Funds’ escrow agent, prior to their investment in a Fund. Any interest earned on escrowed amounts will be credited to the Fund. All subscriptions for Units are subject to the receipt of cleared funds prior to the applicable purchase date in the full offering price. Although a Fund may accept, in its sole discretion, a subscription prior to receipt of cleared funds, a prospective investor may not become a Partner until cleared funds have been received, and the prospective investor is not entitled to interest or performance returns until accepted as a Partner. The prospective investor must also submit a completed investor application before the applicable purchase date. Each Fund reserves the right to reject any offer to purchase Units and the Funds may, in their sole discretion, suspend subscriptions for Units at any time and from time to time.

### **Advisor Affiliates**

Hatteras Funds (“Issuer”) has certain affiliated companies that offer retail brokerage accounts and/or investment advisory services. These broker dealers and investment advisers, consistent with their obligations under applicable law, determine the appropriateness of the investments for each client independently, based upon the facts and circumstances of each proposed sale or recommendation of independent financial advisers associated with these

firms. However, these broker-dealers or investment advisers, as a result of the affiliation with Issuer, may have a financial interest in offering a security of Issuer. One or more of the affiliated broker dealers may also act as a soliciting dealer for other offerings sponsored directly or indirectly by Issuer or other affiliated companies. In accordance with Employee Retirement Income Security Act of 1974 (“ERISA”) affiliated investment advisers of Issuer may be required to waive certain fees for the advisory accounts that are covered by ERISA. Specifically, if these ERISA covered accounts invest in securities of affiliated issuers there may be a prohibition under ERISA from charging management fees for both the account and affiliated security. Please consult with your financial adviser or investment adviser about these fees if the account at the affiliated broker-dealer or investment adviser is covered by ERISA.

## MANAGEMENT OF THE FUNDS

*GENERAL.* Each Fund is registered under the 1940 Act as a closed-end, diversified management investment company. The Core Alternatives Fund was formed as a limited partnership organized under the laws of the State of Delaware on November 23, 2004. The TEI Fund was formed as a limited partnership organized under the laws of the State of Delaware on October 29, 2004.

*THE BOARD OF DIRECTORS.* Each Fund and the Master Fund are governed by a Board, which is responsible for protecting the interests of the Partners under the 1940 Act. At least a majority of the members of each Board are independent directors. A Board is elected by Partners and meets periodically throughout the year to oversee the applicable Fund’s business, review its performance, and review the actions of the Investment Managers. “BOARDS OF DIRECTORS AND OFFICERS” in the SAI identifies the Directors and officers of each Fund and the Master Fund and provides more information about them.

The Offshore Fund has two members, the TEI Fund and Hatteras Funds (which holds only a nominal non-voting interest). The TEI Fund is the managing member of the Offshore Fund, and the non-managing member has delegated the day-to-day management and general oversight responsibilities of the Offshore Fund to the TEI Fund. The Offshore Fund therefore is effectively controlled by the Board of the TEI Fund.

*THE INVESTMENT MANAGERS.* Hatteras Funds is the investment manager to the Master Fund, and Portfolio Advisors is the sub-advisor to the Master Fund. The Investment Managers 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 Investment Management Agreement and the Sub-Advisory Agreement. Under the Investment Management Agreement and the Sub-Advisory Agreement (together, the “Agreements”), the Investment Managers are responsible for developing, implementing and supervising the Master Fund’s investment program. A discussion regarding the basis for the approval of the Board of the Investment Management Agreement for the Master Fund is available in the Master Fund’s annual report dated March 31, 2019. A discussion regarding the basis for the approval of the Board of the Sub-Advisory Agreement for the Master Fund will be available in the Master Fund’s semi-annual report dated September 30, 2019.

David B. Perkins serves as the Chief Executive Officer of Hatteras Funds. Mr. Perkins founded Hatteras Funds and its affiliated entities in September 2003. Hatteras Funds, along with its affiliated entities (collectively referred to as “Hatteras Funds Entities”) is a provider of unique alternative investment solutions for financial advisors and their clients. Hatteras Funds Entities believe that all investors should have access to the same sophisticated investment approach and superior portfolio management talent as the largest institutions. A boutique alternative investment specialist founded in 2003, Hatteras Funds offers a suite of innovative products designed to solve specific portfolio needs.

As of July 1, 2019, Hatteras Funds and its affiliates had assets under management of approximately \$450 million.

Founded in 1994, Portfolio Advisors is an independent, employee-owned investment firm specializing in the private equity, private real estate and private credit asset classes. Portfolio Advisors conducts its private equity, private real estate and private credit funds management, separate account advisory and administrative activities from its office headquarters in Darien, CT. Portfolio Advisors’ clients include the private equity, private real estate and private credit “funds-of-funds” and other private funds that it manages and the separately managed accounts it advises. The BPM Family Trust owns 15% of Portfolio Advisors.

As of July 1, 2019, Portfolio Advisors had assets under management of approximately \$23.5 billion.

The following biographies are of the members of the Investment Managers' investment committee (the "Investment Committee"), who are primarily responsible for selecting Advisers and investments on behalf of the Investment Managers and allocating the Master Fund's assets among them:

**Michael P. Hennen, CFA**

*Head of Investment Management, Hatteras Funds*

Michael Hennen serves as head of investment management. In this role, Mike oversees and provides strategic direction for Hatteras' investment team. In his role as portfolio manager, Mike's responsibilities include asset allocation, portfolio construction, and risk management.

Prior to joining our team, Mike was a vice president at Morgan Stanley in the Graystone Research Group— an alternative investments advisory group within Morgan Stanley— where he led the sourcing, evaluation, execution, and monitoring of alternative investments across a variety of strategies. Before joining Morgan Stanley, Mike was an analyst at Morningstar in Chicago. He received his Bachelor of Business Administration degree in Finance from Western Michigan University. Mike has also earned his designation as a chartered financial analyst (CFA).

**Brian Murphy, CFA**

*Managing Member, Portfolio Advisors*

Brian P. Murphy, CFA is the managing member and a Managing Director of Portfolio Advisors, a member of the firm's Management Committee, and serves as a voting member of most of the firm's Investment Committees. Brian has been with Portfolio Advisors since 1996. Previously, he was a Senior Vice President of Morris Anderson Investment Advisors, where he co-managed a \$385 million portfolio of direct and partnership investments. He started his private equity advisory career while at Chemical Bank Corporation. Brian has served as a director of nine client portfolio companies and has served or is serving as an Advisory Board member of twenty-four private equity partnerships. He received his Bachelor of Arts degree from Brigham Young University and earned an M.B.A. from Columbia University. Brian has also earned his designation as a chartered financial analyst (CFA).

For more information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities in the Funds, see the SAI.

## **INVESTMENT OBJECTIVE AND STRATEGIES**

### **INVESTMENT OBJECTIVE**

*THE FUNDS' INVESTMENT OBJECTIVE.* The Master Fund has the same investment objective as the Funds and the Offshore Fund, which is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger institutions. The Funds' secondary objective is to provide capital appreciation with less volatility than that of the equity markets. To achieve its objective, the Core Alternatives Fund will invest substantially all of its assets in the Master Fund, and the TEI Fund will invest substantially all of its assets in the Offshore Fund, which will invest substantially all of its assets in the Master Fund. The Master Fund invests substantially all of its assets with Advisers selected by the Investment Managers. Generally, the Investment Managers intend to select Advisers that collectively employ widely diversified investment strategies (e.g., allocate to a broad spectrum of alternative investments).

*ALLOCATION.* To pursue their objective, the Core Alternatives Fund invests in the Master Fund, and the TEI Fund invests in the Master Fund indirectly through the Offshore Fund. The Master Fund utilizes investment strategies and uses Advisers that are typically available on a collective basis to larger institutions. The Investment Managers primarily pursue the Funds' objective by allocating the Master Fund's assets with Advisers by the Master Fund becoming an investor in an Adviser Fund. However, the Investment Managers may place the Master Fund's

assets in an account directly managed by an Adviser (“Adviser Account”). Generally, the Investment Managers intend to select Advisers that invest in investment strategies within hedged and private investment strategies. However, the Investment Managers may also retain Advisers who invest in other investment strategies. These investments may be accomplished in various ways including direct investments and indirect investments such as through derivative transactions including swaps and options. Although it is not required to do so, the Investment Managers anticipate that the Master Fund will typically utilize at least 50 different Advisers. The Investment Managers are responsible for determining the amount of assets to be allocated to each Adviser and for reallocating assets among new and existing Advisers. Advisers may invest in a wide range of instruments and markets, including, but not limited to, U.S. and non-U.S. equities and equity-related instruments (including, without limitation, common and preferred stock, warrants, options, convertible stock and restricted securities), currencies, commodities, real estate, financial futures, fixed income, debt-related instruments (including corporate debt instruments), high yield bank loans, as well as securities and other financial instruments issued or guaranteed by the U.S. government or a federal agency or instrumentality, or by a non-U.S. government, agency or instrumentality. Advisers may also invest in repurchase and reverse repurchase agreements, securities lending agreements, futures contracts, spot and forward contracts, options, swaps, and hybrid, synthetic and derivative instruments.

In addition to benefiting from the Advisers’ individual investment strategies, each Fund expects to achieve the benefits of the Master Fund’s broad allocation of its assets among a carefully selected group of Advisers across numerous markets and investment strategies. The Investment Managers expect that by investing through multiple Advisers and across multiple investment strategies, the Master Fund may significantly reduce the volatility inherent in a more concentrated portfolio that is invested in fewer Advisers and/or strategies.

Notwithstanding the above, the Master Fund may, from time to time and subject to applicable law, invest directly in securities of operating companies, including, without limitation, in portfolio companies held by one or more Adviser Funds (whether or not the investment is sourced from an Adviser Fund in which the Master Fund is currently invested).

*ACCESS.* Many Adviser Funds are organized as limited partnerships that are not required to register under the 1940 Act because they do not publicly offer their securities and are restricted as to either the number of investors permitted to invest in such Adviser Funds or as to the qualifications of persons eligible to invest (determined with respect to the value of investment assets held by the managers of such investor) in such Adviser Funds. Many of these Adviser Funds will have greater investment flexibility than traditional investment funds (such as mutual funds and most other registered investment companies) as to the types of securities owned, the nature of performance-based compensation paid to Advisers, the types of trading strategies employed, and in many cases, the amount of leverage they may use.

An investment in a Fund enables investors to invest, through the Master Fund’s investments, with Advisers whose services typically are not available to the general investing public, whose investment funds may be closed from time to time to new investors or who otherwise may place stringent restrictions on the number and type of persons whose money they will manage. An investment in a Fund also enables investors to invest with a cross-section of investment strategies without incurring the high minimum investment requirements that Advisers typically would impose on investors.

*CAPITAL ALLOCATION DECISIONS.* The Funds expect the Master Fund to allocate its assets broadly among various investment strategies, and to have target ranges for the allocation of capital among such investment strategies. However, the allocation ranges provide the latitude for the Investment Managers to allocate more or less capital to a particular investment strategy depending on the Investment Managers’ beliefs about the opportunities for attractive risk-adjusted returns afforded by that investment strategy over a given investment time horizon. In making such allocation decisions, the Investment Managers will consider national and international economic and geopolitical conditions, the risks incident to the investment strategy and the return opportunities for such strategy (among other considerations) and gauge these factors versus the relative opportunities with other investment strategies and the need for a broad portfolio to reduce risk (as measured by volatility).

The Funds’ investment objective is non-fundamental and may be changed by the Board without the approval of the Partners. Except as otherwise stated in this Prospectus or the Limited Partnership Agreement of a Fund, the investment policies, allocation ranges, strategies and restrictions of the Funds are not fundamental and may be

changed by the Board without the approval of the Partners. The Funds' principal investment policies and strategies are discussed below.

## **INVESTMENT STRATEGIES**

The Core Alternatives Fund seeks to achieve its investment objective by investing substantially all of its assets in the Master Fund, which in turn will invest its assets in Adviser Funds managed by Advisers, with the objective of adding additional Adviser Funds as the Master Fund's assets grow and the need to diversify among additional Adviser Funds increases. The TEI Fund seeks to achieve its investment objective by investing substantially all of its assets in its corresponding Offshore Fund, which in turn will invest its assets in the Master Fund, which in turn will invest its assets in Adviser Funds managed by Advisers, with the objective of adding additional Adviser Funds as the Master Fund's assets grow and the need to diversify among additional Adviser Funds increases. The Funds provide diversified exposure to private investments for potential return enhancement and hedged investments for potential volatility and risk mitigation. Private investment strategies may include, but are not limited to private equity, private real estate, private energy and natural resources and private credit. Hedged investment strategies may include, but are not limited to, long/short equity, relative value, event driven, and global macro.

## **STRATEGIES**

### **PRIVATE INVESTMENT STRATEGIES**

- Private Equity
- Private Real Estate
- Private Energy and Natural Resources
- Private Credit

Private Equity investing seeks to generate capital appreciation through investments in private companies in need of capital. The Private Equity strategy seeks to profit from, among other things, the inefficiencies inherent in these markets through valuation and due diligence analysis of available business opportunities. Over time, the Master Fund will attempt to invest in a group of Adviser Funds that vary widely in sector, size, stage (venture, mezzanine, etc.), duration, liquidity, and the extent to which the Advisers take an active role in managing and operating the business. Additionally, it is expected that Adviser Funds will engage in both direct investment and co-investment private equity deals. The Investment Managers believe that the key capabilities necessary to successfully structure private equity transactions include, among other things: comprehensive business operations analysis; competitive industry landscape analysis; legal, environmental and other contingent liability analysis; ability to gauge management skill and effectiveness; ability to align interests of company management and the Adviser Fund; and ability to ascertain the optimal financing vehicle and structure.

Private Real Estate investing consists generally of investing in 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 real estate investment trust ("REIT") or other Adviser Fund).

Funds that are private partnerships that invest in real estate typically offer the opportunity to generate high absolute returns, but without the liquidity offered by REITs. These Adviser Funds will invest mainly in established properties with existing rent and expense schedules or in newly constructed properties with predictable cash flows or in which a seller agrees to provide certain minimum income levels. On occasion, these Adviser Funds may invest in raw land, which may be acquired for appreciation or development purposes. These Adviser Funds typically provide their investors with a current yield (generally from rental or lease income on properties) and will often seek to generate capital gains through the sale of properties. However, these Adviser Funds often do not provide their investors with the right to redeem their investment in the Adviser Fund, thus the investors only gain liquidity in their investment through the distribution of rental income and the ultimate liquidation or sale of real estate assets held by the Adviser Fund.

Private Real Estate Funds may additionally invest in foreign real estate or real estate-related investments. The Master Fund will consider the special risks involved in foreign investing before investing in foreign real estate and will not invest unless an underlying Adviser Fund has exhibited prior expertise in the foreign markets in which it invests.

Private Energy and Natural Resources investments consist generally of investing in Adviser Funds that are private partnerships that make direct investments in private or (sometimes) publicly traded energy companies. The types of companies included within the “energy” sector will include a diverse range of energy industry sectors, including: oilfield service and equipment manufacturing sectors; exploration and production; technology, pipelines and storage; and power generation and transmission. Securities issued by private partnerships investing in energy or natural resources may be more illiquid than securities issued by other Adviser Funds generally, because the partnerships’ underlying energy and natural resources investments may tend to be less liquid than other types of investments. Also, Adviser Funds in the Private Energy and Natural Resources strategy may invest in other natural resources, such as timberlands, basic metals (e.g., iron, aluminum, and copper), precious metals (e.g. gold, silver, platinum and palladium) and other basic commodities.

Private Credit investments generally consist of investing in Adviser Funds that invest in senior and/or subordinated debt which is secured and/or unsecured and, potentially as a component of the transaction, preferred or common equity, warrants and other securities offered in connection with such debt.

## **HEDGED INVESTMENT STRATEGIES**

- Long/Short Equity
- Relative Value
- Event Driven
- Convertible Arbitrage
- Global Macro

The Long/Short Equity (Opportunistic Equity) strategy primarily involves investments in publicly traded equity instruments. This strategy involves identifying securities that are mispriced relative to related securities, groups of securities, or the overall market. Advisers that manage Long/Short Equity Adviser Funds generally derive performance by establishing offsetting positions (a “long” and “short” position) based on perceived disparities in the relative values of the positions or portfolio of positions. Unlike “long only” managers, Long/Short Equity Advisers will almost always have “short” positions in stocks, and may also use a variety of other tools designed to enhance performance (e.g., leverage), mitigate risk and/or protect profits (e.g., market “puts” and “calls,” etc.). An Adviser within the strategy may run a net “long” position; provided, however, that the net “long” position will typically be less than those included in a traditional “long” equity portfolio.

Investments may represent short-term trading opportunities or a longer-term fundamental judgment on the relative performance of a security. The Investment Managers believe key capabilities in long/short equity investing are in-depth fundamental and regulatory analysis, industry experience, and/or valuation and financial modeling. It is important to note that an Adviser may employ all or a portion of these capabilities in constructing its portfolio. There can be no assurance that any such hedging techniques will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position.

The Relative Value (Absolute Return and Enhanced Fixed Income) strategy focuses on identifying and exploiting spread relationships between pricing components of financial assets or commodities, either with respect to single assets or commodities or groups of assets or commodities whose prices are deemed to move in relation to each other. These strategies seek to avoid assuming any outright market risk, although the risk of loss may be significant

if the Relative Value Adviser has incorrectly evaluated the nature or extent of the expected spread relationships. Relative Value strategies include, but are not limited to, the strategies listed below.

- High Yield Debt - invests predominantly in the debt of financially troubled, or stressed, companies. These companies are generally experiencing financial difficulties that have either led to a default on their indebtedness or increased the likelihood of default. A default may be related to missing a payment of interest or principal when due (“payment default”), which is generally considered a major default, or more minor events of default, such as breaking a financial ratio (e.g., if the debt instrument requires a 2:1 cash flow to debt payment ratio, having a ratio of less than 2:1). These more minor events of default may be waived by the creditor (generally the trustee of the bond issuance), but evidence an increased likelihood that the issuer will not be able to pay the indebtedness when due. Thus, in the event that such a company is experiencing financial difficulties (which is generally the case), the Investment Managers believe it is important to determine the following: (1) the capital structure of the company (particularly debt that is senior to the debt issuance being considered); (2) the asset base of the company (what would be realized in a distressed liquidation, which is generally less than what the assets would be worth in a more orderly disposition); and (3) whether such a liquidation would cover senior obligations and generate sufficient proceeds to repay the debt instrument being purchased. This would represent the liquidation value of the company and give the High Yield Debt Adviser the “downside” case. In addition, the High Yield Debt Adviser would typically analyze the company to determine the ability of the company to correct any operational difficulties, weather a recession or downturn in its industry or otherwise return to operational health. This requires strong fundamental analysis to determine the company’s current health, its prospects for returning to financial health based on current trends or management plans, and the current and prospective operational and economic environment (“fundamental analysis”). In other contexts, a high yield instrument may be issued by a company that still is an investment grade company (typically in the lower end of investment grade) but may have a specific contingent liability clouding its horizon (e.g., underfunded pension obligations), be in an industry that is experiencing significant turmoil, be in a troubled region of the world, etc. Thus, the Investment Managers believe a critical aspect of investing in high yield fixed income instruments is analyzing these type and other types of exogenous events. High Yield Debt Advisers will generally consider, among other factors, the price of the security, the prospects of the issuer, the company’s history, management and current conditions when making investment decisions. It is important to note that some or all of these factors may not be included in the construction of this portion of the portfolio. Investments may involve both U.S. and non-U.S. entities, including emerging markets, and may utilize leverage.
- Distressed Securities - invest in the debt of companies experiencing significant financial or operational difficulties that often lead to bankruptcies, exchange offers, workouts, financial reorganizations, and other special credit event-related situations. These companies are generally experiencing even greater difficulties than companies in the “high yield” category. These securities generally trade at significant discounts to par value because of these difficulties and because certain classes of investors are precluded, based on their investment mandates, from holding low-credit instruments. Profits are generally made based on two kinds of mispricings: (1) fundamental or intrinsic value; and (2) relative value between comparable securities. The Investment Managers believe that the main competencies required to successfully implement these strategies lie in correctly valuing the intricacies of distressed businesses and industries as well as in adequately assessing the period over which the capital will be invested.

Distressed Securities Advisers may seek to identify distressed securities in general or focus on one particular segment of the market (such as the senior secured debt sector, subordinated notes, trade claims or distressed real estate obligations) depending on their expertise and prior experience. Additionally, Distressed Securities Adviser Funds may be diversified across passive investments in the secondary market, participations in merger and acquisition activity, or active participation in a re-capitalization or restructuring plan. It is important to note that some or all of these factors may not be included in the construction of this portion of the portfolio. Distressed Securities Advisers may actively attempt to modify or improve a restructuring plan with the intent of improving the value of such securities upon consummation of a restructuring. Additionally, they may take an active role and seek representation in management on a board of directors or a creditors’ committee. In order to achieve these objectives,

Distressed Securities Advisers may purchase, sell, exchange, or otherwise deal in and with restricted or marketable securities including, without limitation, any type of debt security, preferred or common stock, warrants, options, and hybrid instruments.

- Structured Credit - invests in tranching securities issued by synthetic collateralized debt obligations by creating custom securities to take both long and short positions in credits. Such investments include residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities and other collateralized debt obligations (“CDOs”).

CDOs are debt instruments backed by a pool of other debt securities. CDOs include collateralized bond obligations (“CBOs”) and collateralized loan obligations (“CLOs”) and other similarly structured securities. A CBO is a trust or other special purpose entity that is typically backed by a diversified pool of fixed-income securities (which may include high risk, below investment grade securities). A CLO is a trust or other special purpose entity that is typically collateralized by a pool of loans, which may include, among others, domestic and non-U.S. senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

Each mortgage pool underlying residential and commercial mortgage-backed securities consists of mortgage loans evidenced by promissory notes secured by mortgages or deeds of trust or other similar security instruments creating a lien on owner occupied and non-owner occupied residential, commercial or mixed use properties. The investment characteristics of adjustable and fixed rate mortgage-backed securities differ from those of traditional fixed-income securities. The major differences include the payment of interest and principal on mortgage-backed securities on a more frequent (usually monthly) schedule, and the possibility that principal may be prepaid at any time due to prepayments on the underlying mortgage loans or other assets.

- Asset-Backed Securities - represent participations in, or are secured by and payable from, assets such as motor vehicle installment sales, installment loan contracts, leases of various types of real and personal property, receivables from revolving credit (credit card) agreements and other categories of receivables. Such assets are securitized through the use of trusts and special purpose corporations. Payments or distributions of principal and interest may be guaranteed up to certain amounts and for a certain time period by a letter of credit or a pool insurance policy issued by a financial institution unaffiliated with the trust or corporation, or other credit enhancements may be present.
- Opportunistic Credit - Advisers take long or short positions in credit markets. This strategy includes global debt investing, which involves purchasing debt securities including bonds, notes and debentures issued predominantly by non-U.S. corporations; debt securities issued predominantly by non-U.S. Governments; or debt securities guaranteed by non-U.S. Governments or any agencies thereof. Global debt investing generally consist of Adviser Funds investing in global fixed income portfolios and/or emerging markets debt securities. The Master Fund may invest in more than one Opportunistic Credit Adviser Fund, with a goal of gaining diversification.

The Event Driven strategy centers on investing in securities of companies facing a major corporate event. The goal is to identify securities with a favorable risk-reward ratio based on the probability that a particular event will occur. Such events include, but are not limited to, corporate events, such as restructurings, spin-offs and significant litigation (e.g., tobacco litigation). Opportunities in this area are created by the reluctance of traditional investors to assume the risk associated with certain corporate events.

The Convertible Arbitrage strategy typically involves the purchase of a convertible debt or preferred equity instrument (an instrument that is effectively a bond or has a fixed obligation of repayment with an embedded equity option, non-detachable warrants or an equity-linked or equity-indexed note) concurrent with the short sale of, or a short over-the-counter derivative position in, the common stock of the issuer of such debt instrument. Investment returns are driven by a combination of an attractive coupon or dividend yield, interest on the short position and the level of the underlying stock’s volatility (which directly affects the option value of the security’s conversion feature). The Investment Managers believe that some of the key capabilities necessary to successfully run a

Convertible Arbitrage portfolio include, among other things: reviewing the convertible market for attractive investment opportunities, accurately modeling the conversion option value, and in-depth fundamental credit analysis in building and managing the Convertible Arbitrage portfolio.

The Master Fund may invest with one or more Advisers with exposure in the Convertible Arbitrage strategy to provide greater diversification across markets (U.S. and non-U.S. issues), sectors, credit ratings, and market capitalizations.

- Merger Arbitrage - involves taking short and long investment positions in the stock of acquiring and target companies upon the announcement of an acquisition offer. Acquisitions are typically paid for in stock, cash or a combination thereof. Therefore, when an acquisition is announced, the acquiring company (“Acquiror”) will establish a price per share of the company being acquired (“Target”) in cash (per share cash price), stock (a share ratio is established) or a combination thereof. Typically, the Target is traded for less than the price being paid (in either cash or stock) prior to the announcement. When the announcement is made, the Target’s stock price will typically increase but still trade at a discount to the price being offered by the Acquiror. This discount — and the size of the discount — is principally a function of three factors: (1) the risk that the acquisition will not close; (2) the time frame for closing (i.e., the time value of money); and (3) the amount of liquidity or capital being deployed by merger arbitrageurs and other investors.

Accordingly, if a merger arbitrageur or investor believes that the risk of the acquisition not closing is not significant relative to the returns that can be generated by the “spread” between the current stock price of the Target and the price being offered by the Acquiror, the merger arbitrageur or investor will generally buy shares of the Target and “short” shares of the Acquiror in a stock-for-stock transaction. When the deal closes, the risk premium vanishes and the Adviser’s profit is the spread.

- Fixed Income Arbitrage - is designed to identify and exploit anomalous (typically based on historical trading ranges) spreads in the prices of related securities. Such disparities, or spreads, are often created by imbalances in supply and demand of different types of issues (for example, agency securities relative to U.S. Treasury securities). A combination of macroeconomic analysis, political risk analysis, analysis of government policy and sophisticated financial modeling is oftentimes used to identify pricing anomalies. A typical arbitrage position consists of a long position in the higher yield, and therefore lower priced, security and a short position in the lower yield, higher priced security. For example, agency securities with a similar duration as U.S. Treasury bills have over time established a relatively well defined trading range and carry a higher interest rate or yield. When agency securities trade at a discount to this range (e.g., when there is discussion about whether agencies should continue to receive a U.S. government guarantee), such agency securities will trade at a higher than normal discount to U.S. Treasury securities (reflected by a higher current yield in agency securities). Accordingly, in such a situation, an Adviser would typically buy the agency securities “long” and then “short” the U.S. Treasury securities. When the spread narrows or becomes more in line with historical norms, the Adviser generates a profit by closing its position. In general, these fixed income investments are structured with the expectation that they will be non-directional and independent of the absolute levels of interest rates. As interest rate exposure is typically “hedged out,” these strategies generally exhibit little to no correlation to the broader equity and bond markets.

Fixed Income Arbitrage may also include buying fixed income or yield bearing instruments “long” with a higher coupon or yield and “shorting” a shorter duration instrument with a lower coupon. The Adviser typically makes a “spread” on the difference between the higher yielding “long” position and the lower yielding “short” position. Investment banks may allow an Adviser to use significant leverage in these positions (particularly if the instruments are investment grade corporate securities or government securities).

- Volatility Arbitrage - entails the use of derivative investments and can be used on both a stand-alone basis and as a hedging strategy in conjunction with other investment strategies. As a stand-alone strategy, exchange-traded domestic or global index options and/or options on futures contracts are used

to exploit anomalies in the pricing of volatilities in related assets. There are several well-defined related securities and/or asset classes that Volatility Arbitrage Advisers typically follow to determine when they are out of their historical trading ranges. By continually monitoring these relationships, the Adviser can attempt to identify when the securities or asset classes trade out of their normal trading range and can put a trade on when there has not been a fundamental, or exogenous, change in the relationship. This strategy thus seeks to profit when overall market index volatility declines, reverting back to a more normal historical range. As an adjunct strategy, these same derivative instruments can be used to manage risk and enhance returns on investments made utilizing other strategies.

- Statistical Arbitrage - seek to profit from offsetting long and short positions in stocks or groups of related stocks exhibiting pricing inefficiencies that are identified through the use of mathematical models. The strategy primarily seeks out these inefficiencies by comparing the historical statistical relationships between related pairs of securities (e.g., intra-industry or competitor companies). Once identified, the Adviser will establish both long and short positions and will often utilize leverage as the identified discrepancies are usually very slight in nature. A strong reliance on computer-driven analysis and relatively minute pricing inefficiencies are what typically separate this strategy from a more traditional long/short equity strategy. Though typically market neutral in nature, a Statistical Arbitrage portfolio's gross long and short positions may be significantly large and portfolio turnover can often be high.

In addition to identifying related pairs of securities, statistical arbitrageurs will also seek out inefficiencies in market index constructions. This index arbitrage strategy is designed to profit from temporary discrepancies between the prices of the stocks comprising an index and the price of a futures contract on that index. For example, by buying the 500 stocks comprising the S&P 500 Index and simultaneously selling an S&P 500 futures contract, an investor can profit when the futures contract is expensive relative to the underlying basket of stocks based on statistical analysis. Like all arbitrage opportunities, index arbitrage opportunities typically disappear once the opportunity becomes better-known and other investors act on it.

Global Macro (Tactical Trading) strategy typically seek to generate income and/or capital appreciation through a portfolio of investments focused on macro-economic opportunities across numerous markets and instruments. This strategy may include positions in the cash, currency, futures and forward markets. These Advisers employ such approaches as long/short strategies, warrant and option arbitrage, hedging strategies, inter- and intra-market equity spread trading, futures, options and currency trading, and emerging markets (debt and equity) and other special situation investing. Trading positions are generally held both long and/or short in both U.S. and non-U.S. markets. Global Macro strategies are generally categorized as either discretionary or systematic in nature and may assume aggressive investment postures with respect to position concentrations, use of leverage, portfolio turnover, and the various investment instruments used. With a broader global scope, returns to the Global Macro strategy generally exhibit little to no correlation with the broader domestic equity and bond markets. Advisers that are commodity trading advisors are registered with the Commodity Futures Trading Commission and generally actively trade futures and options on futures to manage portfolios.

## OVERVIEW OF INVESTMENT PROCESS

*MANAGER CRITERIA; PORTFOLIO CONSTRUCTION.* The Funds strive to maintain a broad allocation of their assets, both with regard to allocation of assets among Advisers and also allocation of assets among various investment strategies, as set forth below. In general, studies indicate that a broadly allocated portfolio enables an investor to generate more consistent returns than one that is more concentrated. Accordingly, a broad allocation of assets is generally noted as a means to reduce investment risk as measured by volatility. Correspondingly, while a broad allocation of assets generally lowers volatility and helps to mitigate the risk of investment losses, an unconcentrated portfolio is subject to limitations on its ability to generate relatively high investment returns than a more concentrated portfolio can sometimes generate. Accordingly, an unconcentrated portfolio may be appropriate for investors that want less volatility in their portfolio and are willing to accept relatively lower, but generally more consistent, returns than a portfolio concentrated in very few investment strategies or Advisers.

In general, the Master Fund seeks to allocate its assets in two ways: (1) allocation among various investment strategies; and (2) allocation among Advisers. The Master Fund may allocate assets to more than one Adviser Fund sponsored by the same Adviser, such as in the event that an Adviser sponsors Adviser Funds in various investment strategies.

**MANAGER DIVERSIFICATION.** The Investment Managers define “manager risk” as the risk that an Adviser will not generate the returns commensurate with the mean of the Adviser’s peer group (e.g., same investment strategy and investment style) because of (a) poor fundamental analysis and/or security selection, (b) market timing, (c) management turnover within the Adviser or (d) other factors or circumstances that affect that Adviser’s performance specifically that are not caused by market conditions within the Adviser’s investment strategy generally. Manager risk may be reduced by, among other things, due diligence conducted on the Advisers and diversifying across multiple Advisers within the same or similar investment strategy.

Accordingly, the Investment Managers, on behalf of each Fund, generally attempt to allocate assets among multiple Advisers to achieve an appropriately broad allocation among investment strategies and also among Advisers. The Master Fund generally does not invest assets that, at the time invested, represent more than 5% of its net assets with any one Adviser Fund or 15% of its net assets with any family of funds known by the Investment Managers to be managed by the same Adviser. It is important to note, however, that the Master Fund may invest less than 5% of its net assets with an Adviser Fund or 15% of its assets with an Adviser, and through appreciation of the Adviser Fund or Funds or depreciation of the other Adviser Funds owned by the Master Fund, these limitations may be exceeded. In such a case, the Investment Managers will reduce the Master Fund’s exposure to such Adviser Fund or Adviser, as the case may be, as soon as reasonably practicable. In addition, the Master Fund shall not invest capital, which at the time invested, represents more than 10% of an Adviser Fund’s assets. For purposes of this calculation, an Adviser Fund’s assets shall be deemed to include the assets in all of the Adviser’s accounts that are managed using a strategy substantially similar to the Adviser Fund.

**ALLOCATION AMONG INVESTMENT STRATEGIES.** The allocation ranges are generally intended to be approximately as follows during normal market conditions. However, the actual allocations may vary from the ranges from time to time, including for substantial periods of time, when the Investment Managers deem such variances appropriate from a portfolio management standpoint.

Investment Strategy	Range Min.	Target	Max.
<b>Private Investment Strategy (1)</b>	<b>30%</b>	<b>50%</b>	<b>70%</b>
<b>Hedged Investment Strategies</b>	<b>30%</b>	<b>50%</b>	<b>70%</b>

- (1) Securities issued by Adviser Funds in the Private Investment Strategy may be more illiquid than securities issued by other Adviser Funds generally because such partnerships’ underlying investments may tend to be less liquid than other types of investments. The Investment Managers anticipate that attractive opportunities to invest in such partnerships will typically occur only periodically, as the Advisers in this investment strategy often only raise capital for new partnerships when existing partnerships are substantially invested.

**INVESTMENT MANAGERS’ RIGHT TO ALTER ALLOCATION RANGES.** Subject to the Limited Partnership Agreement of each Fund, the Investment Managers may, in their discretion, change or modify the allocation ranges from time to time.

## **DUE DILIGENCE AND SELECTION OF ADVISERS**

**GENERAL.** It is the responsibility of the Investment Managers to research and identify Advisers, to satisfy themselves as to the suitability of the terms and conditions of the Adviser Funds and to allocate or reallocate the Master Fund’s assets among Advisers and investment strategies. In the event that the Master Fund has one or more sub-advisers, it is also the responsibility of the Investment Manager to negotiate the investment subadvisory agreements, subject to requisite approval by the Partners or SEC exemptive relief from such requirements. There can be no assurance that the Funds will seek, or that the SEC will grant, such exemptive relief. The Investment Managers allocate the Master Fund’s assets among Advisers using the diverse knowledge and experiences of

Portfolio Advisors to assess the capabilities of the Advisers and to determine an appropriate mix of investment strategies, sectors and styles given the prevailing economic and investment environment. The Advisers with which the Master Fund invests may pursue various investment strategies and are subject to special risks. See “RISK FACTORS — GENERAL RISKS” and “RISK FACTORS — INVESTMENT-RELATED RISKS.”

*PROCESS OF PORTFOLIO CONSTRUCTION.* The Investment Managers generally intend to employ a multi-step process in structuring and monitoring the Master Fund’s portfolio.

*Step 1:* The Investment Managers will attempt to develop a pool of potential Adviser Funds to consider for investment. The Investment Managers will use their expertise and contacts in the investment management industry, along with third party publications and databases, to gain coverage of relevant investment opportunities across strategies, sectors, risk tolerances and objectives.

*Step 2:* The Investment Managers will attempt to identify potential Adviser Funds based on quantitative, qualitative, or due diligence criteria. In its quantitative consideration of potential investments, the Investment Managers may undertake a variety of analyses to screen prospective Adviser Funds. Quantitative considerations may include, among other things, an analysis of each Adviser Fund’s return, risk (as measured by the volatility of a prospective Adviser Fund’s returns), drawdowns (any period during which a prospective Adviser Fund’s value is below its previous highest value—that is, any period during which it has suffered a loss), and correlations (the statistical relationship between a prospective Adviser Fund’s return and the return of other Adviser Funds or certain markets) on both an individual basis and relative to its associated strategy. In addition, the Investment Managers may consider certain historical portfolio information for each prospective Adviser Fund.

The potential Adviser Funds may also be evaluated on the basis of certain qualitative or due diligence criteria. Qualitative considerations may include, among other things, organizational profile, assets under management, quality and experience of key investment personnel, depth and continuity of the investment team, quality of administrative systems and support staff, ability to implement strategies, and a consideration of various risk control philosophies employed by the various Advisers.

*Step 3:* Once a broad pool of potential Adviser Funds has been identified, the Investment Managers then determine an allocation for the Master Fund’s assets across the pool, consistent with the allocation ranges then in effect. In creating the Master Fund’s allocation targets (which shall be within the allocation ranges then in effect), the Investment Managers will analyze the performance results associated with each potential Adviser Fund and its investment strategy to determine the return, risk, and correlation relationships within and between each investment strategy and potential Adviser Fund over time. The Investment Managers may also analyze existing and developing market, economic, and/or financial trends.

*Step 4:* The fourth step will see this due diligence effort revisited from time to time for the life of the Master Fund. The Investment Managers intend to monitor the overall level of assets managed, the estimated capacity of each Adviser Fund, any management or firm ownership changes and the adherence to the pre-defined strategy and risk/return targets set forth when the investment was made. The Investment Managers will regularly monitor the returns of each Adviser Fund in an effort to evaluate whether its return pattern is consistent with the expected return pattern for that particular Adviser Fund or investment strategy, as applicable. If any Adviser Fund’s returns fall outside certain limits established by the Investment Managers, the Investment Managers may carry out a formal review of the Adviser Fund to determine if a reallocation of the Master Fund’s assets is necessary. In addition, the Investment Managers will also seek to add Adviser Funds that provide certain types of exposure or risk-return tendencies that complement the entire investment portfolio of the Funds or other Adviser Funds within that particular investment strategy.

## **RISK FACTORS**

All investments carry risks to some degree. The Funds cannot guarantee that their investment objective will be achieved or that the Master Fund’s strategy of investing in the Adviser Funds will be successful. **Investments in the Funds involve substantial risks, including the risk that the entire amount invested may be lost.** The Core Alternatives Fund, through its investment in the Master Fund, and the TEI Fund, through its investment in the Offshore Fund and Master Fund, allocate their assets to Advisers and invest in Adviser Funds (or open Adviser

Accounts) that invest in and actively trade securities and other financial instruments using a variety of strategies and investment techniques that may involve significant risks. Various other types of risks are also associated with investments in the Funds, including risks relating to the fund of funds structure of the Master Fund, risks relating to the master-feeder structure of the Funds, risks relating to compensation arrangements and risks relating to the limited liquidity of the Units. In addition, Partners should be aware that by combining the Prospectus of each Fund into this one document, there is the possibility that one Fund may be liable for any misstatements in the Prospectus about the other Fund. To the extent a Fund incurs such liability, a Partner's investment in the Fund could be adversely affected.

## **GENERAL RISKS**

*LACK OF OPERATING HISTORY OF ADVISER FUNDS.* Certain Adviser Funds may be newly formed entities that have no operating histories. In such cases, the Investment Managers may evaluate the past investment performance of the applicable Advisers or of their personnel. However, this past investment performance may not be indicative of the future results of an investment in an Adviser Fund. Although the Investment Managers, their affiliates and their personnel have considerable experience evaluating the performance of alternative asset managers and providing manager selection and asset allocation services to clients, the Funds' investment programs should be evaluated on the basis that there can be no assurance that the Investment Managers' assessments of Advisers, and in turn their assessments of the short-term or long-term prospects of investments, will prove accurate. Thus, the Funds may not achieve their investment objective and each Fund's NAV may decrease.

*MASTER/FEEDER STRUCTURE.* The Master Fund may accept investments from other investors (including other feeder funds), in addition to the Funds. The Master Fund currently has other investors that are feeder funds, and it may have additional investors in the future, including feeder funds managed by the Investment Managers or affiliates thereof. Because each Fund and the Master Fund, as well as any other feeder fund, can set its own transaction minimums, feeder-specific expenses, and other conditions, one fund could offer access to the Master Fund on more attractive terms, or could experience better performance, than the Funds. Smaller feeder funds may be harmed by the actions of larger feeder funds. For example, a larger feeder fund will have more voting power than each Fund over the operations of the Master Fund. If other feeder funds tender for a significant portion of their interests in a repurchase offer, the assets of the Master Fund will decrease. This could cause each Fund's expense ratio to increase to the extent contributions to the Master Fund do not offset the cash outflows.

*INDUSTRY CONCENTRATION RISK.* Adviser Funds generally are not subject to industry concentration restrictions on their investments and, in some cases, may invest 25% or more of the value of their total assets in a single industry or group of related industries. Although the Funds do not believe it is likely to occur given the nature of their investment program, it is possible that, at any given time, the assets of Adviser Funds in which the Master Fund has invested will, in the aggregate, be invested in a single industry or group of related industries constituting 25% or more of the value of their combined total assets. However, because these circumstances may arise, each Fund is subject to greater investment risk to the extent that a significant portion of its assets may at some times be invested, indirectly through investments the Master Fund makes in the Adviser Funds, in the securities of issuers engaged in similar businesses that are likely to be affected by the same market conditions and other industry-specific risk factors. Adviser Funds are not generally required to provide current information regarding their investments to their investors (including the Funds). Thus, the Funds and the Investment Managers may not be able to determine at any given time whether or the extent to which Adviser Funds, in the aggregate, have invested 25% or more of their combined assets in any particular industry.

*REPURCHASE OFFERS.* Each Fund will offer to purchase only a small portion of its Units (generally each quarter), and there is no guarantee that Partners will be able to sell all of the Units that they desire to sell in any particular repurchase offer. If a repurchase offer is oversubscribed, each Fund may repurchase only a pro rata portion of the Units tendered by each Partner. The potential for proration may cause some investors to tender more Units for repurchase than they wish to have repurchased.

The Core Alternatives Fund's assets consist primarily of its interest in the Master Fund. The TEI Fund's assets consist primarily of its interest in the Master Fund held through its investment in the Offshore Fund. Accordingly, the Funds will be required to liquidate a portion of their interest in the Master Fund in order to fund repurchases. In order to liquidate its interest in the Master Fund, the Offshore Fund (which is effectively controlled by the TEI

Fund's Board) must accept repurchase orders made by the Master Fund and distribute the proceeds of such repurchases to the TEI Fund.

The Funds' repurchase policy will have the effect of decreasing the size of each Fund over time from what it otherwise would have been. Such a decrease may therefore force the Master Fund to sell assets it would not otherwise sell. It may also reduce the investment opportunities available to the Master Fund and cause its expense ratio to increase. In addition, because of the limited market for the Master Fund's private equity, real estate, venture capital and energy and natural resource investments, the Master Fund may be forced to sell its more liquid securities in order to meet cash requirements for repurchases. This may have the effect of substantially increasing the Master Fund's ratio of illiquid investments to liquid investments for the remaining investors.

Payment for repurchased Units may require the Master Fund to liquidate portfolio holdings earlier than the Investment Managers would otherwise want, potentially resulting in losses, and may increase the Master Fund's portfolio turnover, subject to such policies as may be established by the Board in an attempt to avoid or minimize potential losses and turnover resulting from the repurchase of Units.

If a Partner tenders all of its Units (or a portion of its Units) in connection with a repurchase offer made by a Fund, that tender may not be rescinded by the Partner after the date on which the repurchase offer terminates. However, although the amount payable to the Partner will be based on the value of the Master Fund's assets as of the repurchase date, the value of Units that are tendered by Partners generally will not be determined until a date approximately one month later. Thus, a Partner will not know its repurchase price until after it has irrevocably tendered its Units.

*LIMITED LIQUIDITY; IN-KIND DISTRIBUTIONS.* Units in each Fund provide limited liquidity since Partners will not be able to redeem Units on a daily basis because the Funds are closed-end funds. A Partner may not be able to tender its interest in a Fund promptly after it has made a decision to do so. In addition, with very limited exceptions, Units are not transferable, and liquidity will be provided only through repurchase offers made from time to time by the Funds. Units in the Funds are therefore suitable only for investors who can bear the risks associated with the limited liquidity of Units and should be viewed as a long-term investment.

Each Fund expects to distribute cash to the Partners for Units that are repurchased. However, there can be no assurance that each Fund will have sufficient cash to pay for Units that are being repurchased or that each will be able to liquidate investments at favorable prices to pay for repurchased Units. Adviser Funds may be permitted to redeem their interests in-kind. Thus, upon a Fund's withdrawal of all or a portion of its interest in the Master Fund, the Master Fund may liquidate certain holdings in Adviser Funds. The Adviser Funds may pay the Funds' redemption proceeds in securities that are illiquid or difficult to value. In these circumstances, the Investment Managers would seek to dispose of these securities in a manner that is in the best interests of each Fund. The Funds do not intend to make in-kind distributions to the Partners.

In addition, in extreme cases, the Funds may not be able to complete repurchases if the Master Fund is unable to repurchase a portion of the Funds' interests in the Master Fund (held, in the case of the TEI Fund, through the Offshore Fund) due to the Master Fund's holding of illiquid investments.

*CREDIT FACILITY.* The Funds and the Master Fund may enter into one or more credit agreements or other similar agreements negotiated on market terms (each, a "Borrowing Transaction") with one or more banks or other financial institutions which may or may not be affiliated with the Investment Managers (each, a "Financial Institution") as chosen by the Investment Managers and approved by the Boards of each Fund and the Master Fund, as applicable. To facilitate such Borrowing Transactions, the Funds and the Master Fund may pledge their assets to the Financial Institution. Currently, the Master Fund has established a secured line of credit with Credit Suisse International ("Credit Suisse") and has agreed to pledge certain assets, to be held in custody by U.S. Bank, as collateral against any drawdown it makes on the line of credit.

Any Borrowing Transaction, including the current agreement with Credit Suisse, will primarily be used to provide the Funds or the Master Fund, as applicable, with liquidity for investments. Borrowing Transactions may be used for additional purposes, including to pay fees and expenses, to make annual income distributions and to satisfy certain repurchase offers in a timely manner to ensure liquidity for the investors.

*ABSENCE OF LIABILITY.* Subject to any limitations imposed by the federal securities laws, neither the General Partner nor the Investment Managers shall be liable to a Fund or any of the Partners for any loss or damage occasioned by any act or omission in the performance of their respective services as such in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of their duties.

*ANTI-MONEY LAUNDERING.* If a Fund, the Investment Managers or any governmental agency believes that a Fund has sold Units to, or is otherwise holding assets of, any person or entity that is acting, directly or indirectly, in violation of U.S., international or other anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, suspected drug trafficker, or senior foreign political figure(s) suspected of engaging in corruption, a Fund, Investment Managers or such governmental agency may freeze the assets of such person or entity invested in the Fund or suspend the repurchase of Units. A Fund may also be required to, or deem it necessary or advisable to, remit or transfer those assets to a governmental agency, in some cases without prior notice to the investor.

*CONFLICTS OF INTEREST.* The Investment Managers and their affiliates, as well as many of the Advisers and their respective affiliates, provide investment advisory and other services to clients other than the Funds, the Offshore Fund, the Master Fund, Adviser Funds and Adviser Accounts. In addition, investment professionals associated with the Investment Managers or Advisers may carry on investment activities for their own accounts and the accounts of family members (collectively with other accounts managed by the Investment Managers, Advisers and their affiliates, "Other Accounts"). As a result of the foregoing, the Investment Managers and Advisers will be engaged in substantial activities other than on behalf of the Master Fund, the Offshore Fund and the Funds and may have differing economic shares in respect of such activities and may have conflicts of interest in allocating investment opportunities, and their time, among the Master Fund, the Offshore Fund, the Funds and Other Accounts.

However, it is the policy of the Investment Managers that investment decisions for the Master Fund be made based on a consideration of its investment objective and policies, and other needs and requirements affecting each account that they manage and that investment transactions and opportunities be fairly allocated among their clients, including the Master Fund, the Offshore Fund and the Funds.

*BORROWING, USE OF LEVERAGE.* The Master Fund may leverage its investments with the Advisers by "borrowing." In addition, the strategies implemented by the Advisers typically are leveraged. The use of leverage increases both risk and profit potential. The Investment Managers may cause the Master Fund to use various methods to leverage investments, including (i) borrowing, (ii) swap agreements or other derivative instruments, (iii) employing certain Advisers (many of which trade on margin and do not generally need additional capital in order to increase the level of the positions they acquire for it) to trade notional equity in excess of the equity actually available in their accounts or (iv) a combination of these methods. The Investment Managers expect that under normal business conditions the Master Fund will utilize a combination of the leverage methods described above. The Master Fund and the Funds are subject to the 1940 Act requirement that an investment company satisfy an asset coverage requirement of 300% of its indebtedness, including amounts borrowed, measured at the time the investment company incurs the indebtedness (the "Asset Coverage Requirement"). This means that at any given time the value of the Master Fund's or Funds' total indebtedness may not exceed one-third the value of its total assets (including such indebtedness). These limits do not apply to the Adviser Funds and, therefore, the Master Fund's portfolio may be exposed to the risk of highly leveraged investment programs of certain Adviser Funds. The Asset Coverage Requirement will apply to borrowings by Adviser Accounts, as well as to other transactions by Adviser Accounts that can be deemed to result in the creation of a "senior security."

*LEGAL, TAX AND REGULATORY.* Legal, tax and regulatory changes could occur that may materially adversely affect the Funds. For example, the regulatory and tax environment for derivative instruments in which Advisers may participate is evolving, and changes in the regulation or taxation of derivative instruments may materially adversely affect the value of derivative instruments held by the Funds and the ability of the Funds to pursue its trading strategies. Similarly, the regulatory environment for leveraged investors and for hedge funds generally is evolving, and changes in the direct or indirect regulation of leveraged investors or hedge funds may materially adversely affect the ability of a Fund to pursue its investment objective or strategies. Increased regulatory oversight and other legislation or regulation relating to hedge fund managers, hedge funds and funds of hedge funds could result. Such legislation or regulation could pose additional risks and result in material adverse consequences to the Adviser

Funds or the Funds and/or limit potential investment strategies that would have otherwise been used by the Advisers or the Funds in order to seek to obtain higher returns.

Certain additional tax risks associated with investments in the Funds are discussed in “TAXES” in this Prospectus and in “Certain Tax Considerations” in the SAI.

## **SPECIAL RISKS OF FUND OF FUNDS STRUCTURE**

*NO REGISTRATION.* Adviser Funds generally will not be registered as investment companies under the 1940 Act and, therefore, the Master Fund will not be entitled to the various protections afforded by the 1940 Act with respect to its investments in Adviser Funds. Accordingly, the provisions of the 1940 Act, which, among other things, require investment companies to have securities held in custody at all times in segregated accounts and regulate the relationship between the investment company and its asset management, are not applicable to an investment in the Adviser Funds. Unlike registered investment companies such as the Master Fund, Adviser Funds generally are not obligated to disclose the contents of their portfolios. This lack of transparency may make it difficult for the Investment Managers to monitor whether holdings of the Adviser Funds cause the Master Fund to be above specified levels of ownership in certain investment strategies. Although the Master Fund expects to receive information from each Adviser regarding its investment performance on a regular basis, in most cases there is little or no means of independently verifying this information. An Adviser may use proprietary investment strategies that are not fully disclosed to its investors and may involve risks under some market conditions that are not anticipated by the Master Fund. In addition, while many Advisers will register with the SEC and state agencies as a result of developments in certain laws, rules and regulations, some Advisers may still be exempt from registration. In such cases, these Advisers will not be subject to various disclosure requirements and rules that would apply to registered investment advisers.

*MULTIPLE LEVELS OF FEES AND EXPENSES.* Although in many cases investor access to the Adviser Funds may be limited or unavailable, an investor who meets the conditions imposed by an Adviser Fund may be able to invest directly with the Adviser Fund. By investing in Adviser Funds indirectly through the Funds, the Offshore Fund (for the TEI Fund only) and the Master Fund, the investor bears asset-based fees and performance-based fees and allocations. Moreover, investors in each Fund bear a proportionate share of the fees and expenses of that Fund and the Master Fund (including organizational and private placement expenses, operating costs, sales charges, brokerage transaction expenses, and administrative fees) and, indirectly, similar expenses of the Adviser Funds. Investors in the TEI Fund also bear a proportionate share of the fees and expenses of the Offshore Fund (including organizational and private placement expenses, operating costs, sales charges, brokerage transaction expenses, and administrative fees). Thus, investors in the Funds may be subject to higher operating expenses than if he or she invested in an Adviser Fund directly or in a closed-end fund which did not utilize a “fund of funds” structure.

Certain of the Adviser Funds may be subject to a performance-based fee or allocation, irrespective of the performance of other Adviser Funds and the Funds generally. Accordingly, an Adviser to an Adviser Fund with positive performance may receive performance-based compensation from the Adviser Fund, and thus indirectly from the Funds and their Partners, even if a Fund’s overall performance is negative. Generally, fees payable to Advisers of the Adviser Funds will range from 1% to 2% (annualized) of the average NAV of each Fund’s investment. In addition, certain Advisers charge an incentive allocation or fee generally ranging from 10% to 35% of an Adviser Fund’s net profits, although it is possible that such ranges may be exceeded for certain Advisers. The performance-based compensation received by an Adviser also may create an incentive for that Adviser to make investments that are riskier or more speculative than those that it might have made in the absence of the performance-based allocation. Such compensation may be based on calculations of realized and unrealized gains made by the Adviser without independent oversight.

*ADVISERS INVEST INDEPENDENTLY.* The Advisers generally invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that the Advisers do, in fact, hold such positions, the Master Fund’s portfolio, considered as a whole, may not achieve any gain or loss despite incurring fees and expenses in connection with such positions. Furthermore, it is possible that from time to time various Advisers selected by the Investment Managers may be competing with each other for the same positions in one or more markets. In any such situations, a Fund could indirectly incur certain transaction costs without accomplishing any net investment result.

*LIQUIDITY CONSTRAINTS OF ADVISER FUNDS.* Since the Master Fund may make additional investments in or affect withdrawals from an Adviser Fund only at certain times pursuant to limitations set forth in the governing documents of the Adviser Fund, a Fund from time to time may have to invest a greater portion of its assets temporarily in money market securities than it otherwise might wish to invest and may have to borrow money to repurchase Units. The redemption or withdrawal provisions regarding the Adviser Funds vary from fund to fund. Therefore, the Master Fund may not be able to withdraw its investment in an Adviser Fund promptly after it has made a decision to do so. Some Adviser Funds may impose early redemption fees while others may not. This may adversely affect a Fund's investment return or increase a Fund's expenses and limit the Fund's ability to make offers to repurchase Units from Partners.

Adviser Funds may be permitted to redeem their interests in-kind. Thus, upon the Master Fund's withdrawal of all or a portion of its interest in an Adviser Fund, it may receive securities that are illiquid or difficult to value. See "CALCULATION OF NET ASSET VALUE." In these circumstances, the Investment Managers would seek to dispose of these securities in a manner that is in the best interests of each Fund and do not intend to distribute securities to Partners.

Limitations on the Master Fund's ability to withdraw its assets from Adviser Funds and Adviser Accounts may, as a result, limit each Fund's ability to repurchase Units. For example, many Adviser Funds and Adviser Accounts may impose lock-up periods prior to allowing withdrawals, which can be two years or longer from the date of the Master Fund's investment. After expiration of the lock-up period, withdrawals may be permitted only on a limited basis, such as semi-annually or annually. Because the primary source of funds to repurchase Units will be withdrawals from Adviser Funds and Adviser Accounts, the application of these lock-ups and other withdrawal limitations, such as gates or suspension provisions, will significantly limit each Fund's ability to tender its Units for repurchase.

*SEGREGATED ACCOUNT ALLOCATIONS.* Subject to applicable law, the Master Fund may on occasion allocate its assets to an Adviser by retaining the Adviser to manage an Adviser Account for the Master Fund, rather than invest in an Adviser Fund. It is possible, given the leverage at which certain of the Advisers will trade, that the Master Fund could lose more in an Adviser Account that is managed by a particular Adviser than the Master Fund has allocated to such Adviser to invest. This risk may be avoided if the Master Fund, instead of retaining an Adviser to manage a separate account comprised of a designated portion of each Fund's assets, creates a separate investment vehicle for which an Adviser will serve as general partner and in which the Master Fund will be the sole limited partner. Use of this structure, however, involves various expenses, and there is no requirement that separate investment vehicles be created for Adviser Accounts. Adviser Accounts will be subject to the investment policies and restrictions of the Master Fund, as well as the provisions of the 1940 Act and the rules thereunder (including, without limitation, the approval of the Adviser in accordance with the 1940 Act).

*VALUATION OF ADVISER FUNDS.* The valuation of the Master Fund's investments in Adviser Funds is ordinarily determined based upon valuations calculated by the Administrator, based on information provided by the Advisers or their respective fund administrator. Although the Investment Managers review the valuation procedures used by all Advisers, neither the Investment Managers nor the Administrator can confirm or review the accuracy of valuations provided by Advisers or their administrators. An Adviser may face a conflict of interest in valuing such securities since their values will affect the Adviser's compensation.

If an Adviser's valuations are consistently delayed or inaccurate, the Investment Managers generally will consider whether the Adviser Fund continues to be an appropriate investment for the Master Fund. The Master Fund may be unable to sell interests in such an Adviser Fund quickly, and could therefore be obligated to continue to hold such interests for an extended period of time. In such a case, such interests would continue to be valued without the benefit of the Adviser's valuations, and the Investment Managers may determine to discount the value of the interests or value them at zero, if deemed to be the fair value of such holding. Revisions to a Fund's gain and loss calculations will be an ongoing process, and no appreciation or depreciation figure can be considered final until the annual audits of Adviser Funds are completed.

*TURNOVER.* The Master Fund's activities involve investment in the Adviser Funds, which may invest on the basis of short-term market considerations. The turnover rate within the Adviser Funds may be significant, potentially

involving negative tax implications and substantial brokerage commissions and fees. The Master Fund will have no control over this turnover. It is anticipated that the Master Fund's income and gains, if any, will be primarily derived from ordinary income. In addition, the withdrawal of the Master Fund from an Adviser Fund could involve expenses to the Master Fund under the terms of the Master Fund's investment.

*INDEMNIFICATION OF ADVISER FUNDS.* The Advisers often have broad indemnification rights and limitations on liability. The Master Fund may also agree to indemnify certain of the Adviser Funds and their Advisers from any liability, damage, cost, or expense arising out of, among other things, certain acts or omissions relating to the offer or sale of the shares of the Adviser Funds.

*INVESTMENTS IN NON-VOTING SECURITIES.* In order to avoid becoming subject to certain 1940 Act prohibitions with respect to affiliated transactions, the Master Fund intends to own less than 5% of the voting securities of certain Adviser Funds. This limitation on owning voting securities is intended to ensure that an Adviser Fund is not deemed an "affiliated person" of the Master Fund for purposes of the 1940 Act, which may, among other things, potentially impose limits on transactions with the Adviser Funds, both by the Master Fund and other clients of the Investment Managers. To limit its voting interest in certain Adviser Funds, the Master Fund may enter into contractual arrangements under which the Master Fund irrevocably waives its rights (if any) to vote its interests in an Adviser Fund (for example, to facilitate investments in small Adviser Funds determined to be attractive by the Investment Managers). Other accounts managed by the Investment Managers may also waive their voting rights in a particular Adviser Fund. The Investment Managers will decide whether to waive such voting rights and, in making these decisions, will consider the amounts (if any) invested by the Master Fund and their other clients in the particular Adviser Fund. No rights would be waived or contractually limited for an Adviser Fund that does not provide an ongoing ability for follow-on investment, such as an Adviser Fund having a single initial funding, closing or commitment, after which no new investment typically would occur. These voting waiver arrangements may increase the ability of the Master Fund and other clients of the Investment Managers to invest in certain Adviser Funds. However, to the extent the Master Fund contractually forgoes the right to vote the securities of an Adviser Fund, the Master Fund will not be able to vote on matters that require the approval of the interest holders of the Adviser Fund, including matters adverse to the Master Fund's and the Funds' interests.

Although the Master Fund may hold non-voting interests, the 1940 Act and the rules and regulations thereunder may nevertheless require the Master Fund to limit its position in any one Adviser Fund in accordance with applicable regulatory requirements, as may be determined by the Master Fund in consultation with counsel. These restrictions could change from time to time as applicable laws, rules or interpretations thereof are modified. There are also other statutory tests of affiliation (such as on the basis of control), and, therefore, the prohibitions of the 1940 Act with respect to affiliated transactions could apply in some situations where the Master Fund owns less than 5% of the voting securities of an Adviser Fund. In these circumstances, transactions between the Master Fund and an Adviser Fund may, among other things, potentially be subject to the prohibitions of Section 17 of the 1940 Act notwithstanding that the Master Fund has entered into a voting waiver arrangement.

*CONTROL OVER ADVISERS.* The Master Fund will invest in Adviser Funds that the Investment Managers believe will generally, and in the aggregate, be managed in a manner consistent with the Funds' investment objective and strategy. The Investment Managers do not and will not control the Advisers and there can be no assurances that an Adviser will manage its Adviser Funds in a manner consistent with the Funds' investment objective.

## **TEI FUND ONLY**

*INVESTMENT IN THE OFFSHORE FUND.* The Offshore Fund is not registered under the 1940 Act, and is not subject to the investor protections offered thereby. The TEI Fund, as an investor in the Offshore Fund, will not have the protections offered to an investor in registered investment companies. However, the TEI Fund will control the Offshore Fund.

*CHANGES IN UNITED STATES AND/OR CAYMAN ISLANDS LAW.* If there are changes in the laws of the United States and/or the Cayman Islands, under which the TEI Fund and Offshore Fund, respectively, are organized, so as to result in the inability of the TEI Fund and/or the Offshore Fund to operate as set forth in this Prospectus, there may be substantial effect on the Partners. For example, if Cayman Islands law changes such that the Offshore Fund must conduct business operations within the Cayman Islands, or pay taxes, investors in the TEI Fund would

likely suffer decreased investment returns. If Cayman Islands law, which limits the duration of a limited duration company to 30 years, were to change such that, at the end of 30 years, the TEI Fund could not replace the Offshore Fund with another identical limited duration company, the structure of the TEI Fund would be affected, potentially adversely. Such changes could also result in the inability of the TEI Fund to operate on a going-forward basis, resulting in the TEI Fund being liquidated.

*REGULATORY CHANGE.* The TEI Fund's structure is consistent with a position taken by the staff of the SEC with respect to a non-affiliated investment company allowing a structure whereby the TEI Fund will invest in the Master Fund via the Offshore Fund. To the extent that the views of the SEC staff were to change, the structure of the TEI Fund's investment in the Master Fund could be adversely affected, possibly affecting the treatment of UBTI.

Subject to obtaining any required regulatory approval, the TEI Fund may determine to invest its assets directly in non-U.S. investment funds that are classified as passive foreign investment companies ("PFICs") for U.S. federal income tax purposes. The TEI Fund may pursue such an investment approach only if it believes that it could avoid generating UBTI by making such investments and the approach is approved by the TEI Fund's Board. The TEI Fund will provide Partners with at least 90 days' notice before implementing such a change.

For more information regarding the tax considerations applicable to an investment in the TEI Fund, see "TAXES — TEI FUND."

## **INVESTMENT-RELATED RISKS**

### **GENERAL INVESTMENT-RELATED RISKS**

*GENERAL ECONOMIC AND MARKET CONDITIONS.* The success of a Fund's investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of investments held by Master Fund in the Adviser Funds and Adviser Accounts and, thus, a Fund's investments. Unexpected volatility or illiquidity could impair a Fund's profitability or result in losses.

*HIGHLY VOLATILE MARKETS.* Price movements of forwards, futures and other derivative contracts in which an Adviser Fund's or Adviser Account's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The prices of commodities contracts and all derivative instruments, including futures and options, can be highly volatile. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Adviser Funds and Adviser Accounts are also subject to the risk of the failure of any exchanges on which their positions trade or of the clearinghouses for those exchanges.

*NATURAL RESOURCE AND PRECIOUS METAL INVESTMENTS.* Adviser Funds and Adviser Accounts may make investments in natural resources and precious metals, and thus may be susceptible to economic, business or other developments that affect those industries. Natural resources historically have been subject to substantial price fluctuations over short periods of time. Their prices are affected by various factors, including economic conditions, political events, natural disasters, exploration and development success or failure, and technological changes. In addition, certain natural resources are geographically concentrated, and events in those parts of the world in which such concentration exists may affect their values. The price of gold and other precious metals is affected by unpredictable international monetary and political policies such as currency devaluations or revaluations, economic and social conditions within a country, trade imbalances, or trade or currency restrictions between countries. The markets for those industries therefore are volatile at times, and there may be sharp fluctuations in prices even during periods of rising prices.

*ETFs.* ETFs are listed and traded on securities exchanges and in over-the-counter markets, and the purchase and sale of these shares involve transaction fees and commissions. In addition, shares of an ETF are issued in "creation

units” and are not redeemable individually except upon termination of the ETF. To redeem shares of an ETF held by the Master Fund, the Master Fund must accumulate enough shares of an ETF to reconstitute a creation unit. The liquidity of such Adviser Funds therefore, will depend upon the existence of a secondary market. Also, even though the market price of an ETF is derived from the securities it owns, such price at any given time may be at, below or above the ETF’s NAV.

*RISKS OF SECURITIES ACTIVITIES OF THE ADVISERS.* The Advisers will invest and trade in a variety of different securities, and utilize a variety of investment instruments and techniques. Each security and each instrument and technique involves the risk of loss of capital. While the Investment Managers will attempt to moderate these risks, there can be no assurance that the Master Fund’s investment activities will be successful or that the Partners will not suffer losses. See “RISKS OF SECURITIES ACTIVITIES OF THE ADVISERS” and “SPECIAL INVESTMENT INSTRUMENTS AND TECHNIQUES” in the SAI for further information.

*DERIVATIVES.* Adviser Funds and Adviser Accounts may engage in transactions involving options, futures and other derivative financial instruments. Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Derivatives permit Adviser Funds and Adviser Accounts to increase or decrease the level of risk, or change the character of the risk, to which their portfolios are exposed in much the same way as they can increase or decrease the level of risk, or change the character of the risk, of their portfolios by making investments in specific securities. Special risks may apply to instruments that are invested in by Adviser Funds or Adviser Accounts in the future that cannot be determined at this time or until such instruments are developed or invested in by Adviser Funds or Adviser Accounts. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on an Adviser Fund’s or Adviser Account’s performance.

If an Adviser Fund or Adviser Account invests in derivatives at inopportune times or judges market conditions incorrectly, such investments may lower the Adviser Fund’s or Adviser Account’s return or result in a loss. An Adviser Fund or Adviser Account also could experience losses if its derivatives were poorly correlated with its other investments, or if the Adviser Fund or Adviser Account were unable to liquidate its position because of an illiquid secondary market. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

*COUNTERPARTY CREDIT RISK.* Many of the markets in which the Adviser Funds or Adviser Accounts effect their transactions are “over the counter” or “inter-dealer” markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. To the extent an Adviser Fund or Adviser Account invests in swaps, derivative or synthetic instruments, or other over the counter transactions, on these markets, it is assuming a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those associated with transactions effected on an exchange, which generally are backed by clearing organization guarantees, daily marking to market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. This exposes an Adviser Fund or Adviser Account to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Adviser Fund or Adviser Account to suffer a loss. Such counterparty risk is accentuated in the case of contracts with longer maturities where events may intervene to prevent settlement, or where an Adviser Fund or Adviser Account has concentrated its transactions with a single or small group of counterparties. Adviser Funds and Adviser Accounts are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. However, the Investment Managers, with the intent to diversify, intend to attempt to monitor counterparty credit exposure of Adviser Funds and Adviser Accounts. The ability of Adviser Funds and Adviser Accounts to transact business with any one or number of counterparties, the lack of any independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund.

*LIBOR RISK.* According to various reports, certain financial institutions, commencing as early as 2005 and throughout the global financial crisis, routinely made artificially low submissions in the London Interbank Offered Rate (“LIBOR”) setting process. Since the LIBOR scandal came to light, several financial institutions have been fined significant amounts by various financial regulators in connection with allegations of manipulation of LIBOR rates. Other financial institutions in various countries are being investigated for similar actions. These developments may have adversely affected the interest rates on securities whose interest payments were determined by reference to LIBOR. Any future similar developments could, in turn, reduce the value of such securities owned by the Funds.

In 2017, the United Kingdom’s Financial Conduct Authority warned that LIBOR may cease to be available or appropriate for use by 2021. The unavailability of LIBOR presents risks to the Funds, including the risk that any pricing or adjustments to the Funds’ investments resulting from a substitute reference rate may adversely affect a Fund’s performance and/or NAV.

*NON-U.S. SECURITIES.* Adviser Funds and Adviser Accounts may make investments in entities located in or managed from countries other than the U.S. Such investments may be subject to greater risk than investments in U.S. entities due to various political considerations, U.S. and foreign tax problems, currency controls, the fluctuation of currency exchange rates, the lack of, or different, regulations applicable to such investments as compared to U.S. investments and other factors.

Non-U.S. investments involve certain special risks, including (i) political or economic instability; (ii) the unpredictability of international trade patterns; (iii) the possibility of foreign governmental actions such as expropriation, nationalization or confiscatory taxation; (iv) the imposition or modification of currency controls; (v) price volatility; (vi) the imposition of withholding taxes on dividends, interest and gains; and (vii) different bankruptcy laws and practice. As compared to U.S. entities, non-U.S. entities generally disclose less financial and other information publicly and are subject to less stringent and less uniform accounting, auditing and financial reporting standards. Also, it may be more difficult to obtain and enforce legal judgments against non-U.S. entities than against U.S. entities.

*EMERGING MARKET INVESTING.* Adviser Funds and Adviser Accounts may allocate assets in securities in emerging markets. The value of emerging market investments may be drastically affected by political developments in the country of issuance. In addition, the existing governments in the relevant countries could take actions that could have a negative impact on Adviser Funds and Adviser Accounts, including nationalization, expropriation, imposition of confiscatory taxation or regulation or imposition of withholding taxes on interest payments. The economies of many of the emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. Also, many emerging market country economies have a high dependence on a small group of markets or even a single market. Emerging market countries tend to have periods of high inflation and high interest rates as well as substantial volatility in interest rates. The value of emerging market debt can be expected to be extremely sensitive to changes in interest rates worldwide and, in particular, in the country of the relevant issuer. Emerging market debt issuers and their obligations are not generally rated by any credit rating agency, and a significant proportion of such issuers and obligations would likely fall in the lowest rating category if they were rated. In certain cases, the structures used to make trades in emerging market securities may be complex, entail significant counterparty exposure and/or involve legal uncertainty under local law.

## **INVESTMENT STRATEGY-SPECIFIC INVESTMENT-RELATED RISKS**

In addition to the risks generally described in this Prospectus and the SAI, the following are some of the specific risks of each investment strategy:

## HEDGE FUND STRATEGY

A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss. Short selling relies on, among other things, fundamental analysis, in-depth knowledge of accounting, an understanding of public market pricing and/or industry research. There can be no assurance that any hedging techniques employed by an Adviser will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position.

The main risk of investing in real estate, equity securities issued by real estate companies and in REITs is that the value of such investments might decline as a result of the performance of individual stocks, a decline in the stock market in general or a general decline in real estate markets. Other risks include: extended vacancies of properties, increased competition or overbuilding, increases in property taxes and operating expenses, changes in zoning laws, losses due to costs resulting from the clean-up of environmental problems, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, limitations on rents, changes in neighborhood values and the appeal of properties to tenants, and changes in interest rates. REITs prices also may drop because of the failure of borrowers to pay their loans, a dividend cut, a disruption to the real estate investment sales market, changes in federal or state taxation policies affecting REITs, and poor management.

Adviser Funds and Adviser Accounts may invest in securities of energy and natural resources companies, which means that their performances will be susceptible to the economic, business or other developments that affect those industries. For example, the value of such investments may be impacted by energy prices, supply and demand fluctuations, energy conservation, tax and other regulatory policies of governments, and global events including instability in the Middle East or war. Prices of gold and other precious metals can be influenced by a variety of global economic, financial and political factors and may fluctuate substantially over short periods of time, and such investments may be more volatile than other types of investments. At times, the performance of these companies may lag the performance of the broader stock market. In addition, Adviser Funds and Adviser Accounts may, but the Funds do not expect that they would, invest in energy and natural resources directly.

Adviser Funds may invest in securities of companies in the health care sector. Many health care-related companies are smaller and less seasoned than companies in other sectors and may be strongly affected by scientific or technological developments. Additionally, many health care-related companies offer products and services that are subject to governmental regulation and may be adversely affected by changes in governmental policies or laws, which may impact the returns of Adviser Funds investing in this sector.

Adviser Funds may invest in the financial services sector. Financial, business and economic factors, including market conditions, interest rates, economic, regulatory and financial developments, are likely to have a substantial impact on Adviser Funds' holdings. The financial services sector is subject to extensive government regulation, which can limit the amounts and types of loans and other financial commitments that companies can make, the interest rates and fees that they can charge and the manner in which they distribute their products. Profitability can be largely dependent on the availability and cost of capital and can fluctuate significantly when interest rates change. Credit losses resulting from financial difficulties of borrowers can negatively affect lending institutions. Insurance companies can be subject to severe price competition. The financial services sector generally is subject to rapid change.

Adviser Funds may invest in the technology sector. Technology companies may produce or use products or services that prove commercially unsuccessful, become obsolete or become adversely impacted by government regulation. Competitive pressures in the technology sector, and Adviser Fund's concentration in technology company securities, may subject it to more volatile price movements than a more diversified securities portfolio.

High Yield Debt Advisers may deal in and with restricted or marketable securities and a significant portion of a High Yield Debt Adviser's portfolio may be invested in restricted securities that may not be registered and for which a market may not be readily available (i.e., not freely traded).

High Yield Debt securities generally trade at discounts (sometimes substantial discounts) to par value because many investors are either prohibited from, or willingly avoid, investing due to the complexity of determining the

securities' true risk/reward profile. Accordingly, High Yield Debt Adviser Funds typically experience significantly more volatility and risk than traditional fixed income Adviser Funds. To mitigate some of this risk, a High Yield Debt Adviser may use certain hedging tools, such as "shorting" securities in other portions of the capital structure (e.g., being "long" the high yield debt position and "short" the issuer's common stock) in order to mitigate the risk associated with an investment in the company (which may well be highly leveraged). There can be no assurance that any such hedging techniques will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position.

A significant portion of a Distressed Securities Adviser's portfolio may be invested in restricted securities that may not be registered and for which a market may not be readily available, and therefore a significant portion of the portfolio may not be freely traded. Investments may involve both U.S. and non-U.S. entities and may utilize leverage. In addition, a Distressed Securities Adviser may use certain hedging tools, such as "shorting" securities in other portions of the capital structure (e.g., being "long" the distressed securities position and "short" the issuer's common stock) in order to mitigate the risk associated with an investment in an otherwise "troubled" company. There can be no assurance that any such hedging techniques will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position. Distressed Securities Adviser Funds typically experience significantly more volatility and risk than traditional fixed income Adviser Funds.

Given liquidity issues, currency risk, credit risk, interest rate risk and geo-political risks, Global Debt Adviser Funds typically experience significantly more volatility and risk than traditional fixed income Adviser Funds. To mitigate some of this risk, a Global Debt Adviser may use certain hedging tools, such as "shorting" securities in other portions of the capital structure (e.g., being "long" the global debt position and "short" the issuer's common stock) or buying protection for a decline in the native currency or the U.S. dollar in order to mitigate the risk associated with an investment in a particular Global Debt security. There can be no assurance that any such hedging techniques will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position. Given the markets in which it invests, a significant portion of a Global Debt Adviser's portfolio may be invested in restricted securities that may not be registered and for which a market may not be readily available, and therefore a significant portion of the portfolio may not be freely traded. Further, an investment in bonds issued by foreign governments or corporations may carry significant geo-political risks, legal risks, currency risks (significant devaluations) and liquidity risks (lack of developed trading markets), among other things.

The Structured Credit strategy involves risks of investing in a CDO. The risks of an investment in a CDO depends largely on the type of the collateral securities and the class of the CDO in which an Adviser Fund invests. Normally, CBOs, CLOs and other CDOs are privately offered and sold, and thus are not registered under the securities laws. As a result, investments in CDOs may be characterized by an Adviser Fund as illiquid securities. However, an active dealer market may exist for CDOs, allowing a CDO to qualify for Rule 144A transactions. In addition to the normal risks associated with fixed-income securities and asset-backed securities, CDOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) an Adviser Fund may invest in tranches of CDOs that are subordinate to other tranches; (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results; and (v) the CDO's manager may perform poorly or default.

Although certain CDOs may receive credit enhancement in the form of a senior-subordinate structure, over-collateralization or bond insurance, such enhancement may not always be present and may fail to protect an Adviser Fund against the risk of loss on default of the collateral. CDOs may use derivatives contracts to create "synthetic" exposure to assets rather than holding such assets directly, which entails the risks of derivative instruments.

Mortgage-backed securities may have significantly greater price and yield volatility than is the case with traditional fixed-income securities. As a result, if an Adviser Fund purchases mortgage-backed securities at a premium, a faster than expected prepayment rate will reduce both the market value and the yield to maturity from those which were anticipated. A prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity and market value. Conversely, if an Adviser Fund purchases mortgage-backed securities

at a discount, faster than expected prepayments will increase, while slower than expected prepayments will reduce yield to maturity and market values. To the extent that an Adviser Fund invests in mortgage-backed securities, it may seek to manage these potential risks by investing in a variety of mortgage-backed securities and by using certain hedging techniques.

In addition, asset-backed securities present certain additional risks because asset-backed securities generally do not have the benefit of a security interest in collateral that is comparable to mortgage assets. Credit card receivables are generally unsecured and the debtors on such receivables are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due. Automobile receivables generally are secured, but by automobiles rather than residential real property. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. Therefore, if the issuer of an asset-backed security defaults on its payment obligations, there is the possibility that, in some cases, an Adviser Fund will be unable to possess and sell the underlying collateral and that the Adviser Fund's recoveries on repossessed collateral may not be available to support payments on the securities.

Event Driven Arbitrage is research intensive and requires continual review of announced and anticipated events. In addition, the analysis required differs significantly from conventional securities analysis, and many investors may be ill-equipped to analyze certain types of situations or respond to them in a timely manner. There can be no assurance that any hedging techniques employed by an Adviser will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position.

In regards to Convertible Arbitrage, the Investment Managers believe that it necessitates rigorous analysis to determine the portion of the value of the convertible security that is composed of equity-like elements and the portion that is composed of debt-like elements.

Merger Arbitrage is more cyclical than many other strategies, since it requires a supply of corporate mergers and acquisitions to deploy capital. There can be no assurance that any such hedging techniques will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position.

Acquisitions sometimes fail because the U.S. government, European Union or some other governmental entity does not approve of aspects of a transaction due to anti-trust concerns, tax reasons, subsequent disagreements between the Acquiror or Target as to management transition or corporate governance matters or changing market conditions. Accordingly, the Investment Managers believe that key factors in the successful implementation of merger arbitrage are expertise in: regulatory areas such as antitrust, tax, and general corporate law; corporate governance; fundamental analysis and valuation; the ability to assess the probability of a successful outcome; and the ability to access superior market intelligence.

The principal risk of Fixed Income Arbitrage is rising interest rates, which often result in a greater decline in the value of the "long" position than in the "short" position. In such a case, the Adviser will either have to provide additional collateral to the investment bank lender or close the position at a loss. There can be no assurance that any hedging techniques employed by an Adviser will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position.

Volatility Arbitrage often relies on extensive quantitative modeling, volatility estimation and proprietary in-house trading models. There can be no assurance that any hedging techniques employed by an Adviser will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position.

Statistical Arbitrage can involve large transaction costs because of the need to simultaneously buy and sell many different stocks and futures, and so leverage is often applied. In addition, sophisticated computer programs are typically needed to keep track of the large number of stocks and futures involved. While Statistical Arbitrage typically relies on quantitative, computer-driven models, some subjective investment decisions are required of the Adviser when selecting securities to be “long” and “short.” The Investment Managers believe that the key requirement to profit in this strategy is strong fundamental company and industry analysis. An Adviser who is able to more clearly discern closely related pairs of securities will be more likely to outperform trading the strategy over time. There can be no assurance that any such hedging techniques will be successful or that the hedging employed by the Adviser will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position.

The Global Macro/Managed Futures strategy involves positions in the cash, currency, futures and forward markets. Foreign currency transactions may involve, for example, the purchase of foreign currencies for U.S. dollars or the maintenance of short positions in foreign currencies. Foreign currency transactions may involve an Adviser Fund or Adviser Account agreeing to exchange an amount of a currency it does not currently own for another currency at a future date. An Adviser Fund or Adviser Account would typically engage in such a transaction in anticipation of a decline in the value of the currency it sells relative to the currency that the Adviser Fund or Adviser Account has contracted to receive in the exchange. An Adviser’s success in these transactions will depend principally on its ability to predict accurately the future exchange rates between foreign currencies and the U.S. dollar.

#### PRIVATE INVESTMENTS

Securities issued by private partnerships investing in private equity, real estate, energy and natural resources and other investments may be more illiquid than securities issued by other Adviser Funds generally, because the partnerships’ underlying investments may tend to be less liquid than other types of investments. The eventual success or failure of Private Equity investing ultimately hinges on the ability of Advisers to attract and develop a steady flow of quality investment opportunities to analyze.

Generally, little public information exists about privately held companies, and Advisers will be required to rely on the ability of their management teams to obtain adequate information to evaluate the potential risks and returns involved in investing in these companies. These companies and their financial information will not be subject to the Sarbanes-Oxley Act and other rules that govern public companies. If the Advisers are unable to uncover all material information about these companies, they may not make a fully informed investment decision, and may lose money on these investments.

Substantially all of the securities of privately held companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. See the “RISKS OF SECURITIES ACTIVITIES OF THE ADVISERS — ILLIQUID PORTFOLIO INVESTMENTS” in the Funds’ SAI for a detailed discussion of risks of investing in illiquid securities.

Additionally, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. All of these factors could affect the Funds’ investment returns.

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*LIMITS OF RISK DISCLOSURES.* The above discussions of the various risks, and the related discussion of risks in the SAI, that are associated with the Funds, the Master Fund, the Offshore Fund (with respect to the TEI Fund only), the Units and the Adviser Funds are not, and are not intended to be, a complete enumeration or explanation of the risks involved in an investment in each Fund. Prospective investors should read this entire Prospectus and the applicable Fund’s Limited Partnership Agreement and consult with their own advisers before deciding whether to invest in a Fund. In addition, as a Fund’s investment program changes or develops over time, an investment in a Fund may be subject to risk factors not currently contemplated or described in this Prospectus.

## INVESTOR QUALIFICATIONS

Each prospective investor in a Fund will be required to certify that it is a U.S. person for federal income tax purposes and a “qualified client” within the meaning of Rule 205-3 under the Advisers Act. A “qualified client” is, among other categories, (i) a natural person or company (other than an investment company) that represents that it has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000 (excluding the value of the prospective investor’s primary residence); (ii) a person who has at least \$1,000,000 under the Investment Managers’ or their affiliates’ management, including any amount invested in a Fund; (iii) a person who is a “qualified purchaser” as defined by the 1940 Act and the rules thereunder; and (iv) certain knowledgeable employees who participate in the Investment Managers’ investment activities. Investors who meet such qualifications are referred to in this Prospectus as “Eligible Investors.” The qualifications required to invest in a Fund will appear in an investor application that must be completed by each prospective investor. Existing Partners who wish to request to purchase additional Units will be required to qualify as “Eligible Investors” and to complete an additional investor application prior to the additional purchase.

An investment in the Funds may not be appropriate for certain types of tax-exempt entities, including charitable remainder unitrusts (“CRUTs”). Tax-exempt entities should consult with their tax advisers prior to making an investment in the Funds.

## TENDER OFFERS/OFFERS TO REPURCHASE

In no event will more than 20% of the Units of a Fund be repurchased per quarter. For purposes of clarification, it should be noted that there is no guarantee that a Fund will offer to repurchase 20% (or any other percentage) of the Units of a Fund in any given quarter. Each Fund is structured as a closed-end fund, which means that the Partners will not have the right to redeem their Units on a daily basis. In addition, the Funds do not expect any trading market to develop for the Units. As a result, if investors decide to invest in a Fund, they will have very limited opportunity to sell their Units.

At the discretion of the Board and provided that it is in the best interests of the Funds and their Partners to do so, the Funds intend to provide a limited degree of liquidity to the Partners by conducting repurchase offers generally quarterly with a Valuation Date (as defined below) on or about March 31, June 30, September 30 and December 31 of each year.

The Board will consider the following factors, among others, in making its determination for each Fund separately to make each repurchase offer:

- the recommendation of the Investment Managers and/or the General Partner;
- whether any Partners have requested to tender Units or portions thereof to the Fund;
- the liquidity of a Fund’s assets (including fees and costs associated with withdrawing from investments);
- the investment plans and working capital requirements of the Fund;
- the effect on an investment strategy and the Fund’s ability to raise assets while maintaining the target asset allocation ranges set forth in the Prospectus effective at the time;
- the relative economies of scale with respect to the size of the Fund;
- the history of a Fund in repurchasing Units or portions thereof;
- the availability of information as to the value of a Fund’s assets;

- the economic condition of the securities markets and the economy generally as well as political, national or international developments or current affairs; and
- the anticipated tax consequences to a Fund of any proposed repurchases of Units or portions thereof.

When a repurchase offer commences, the affected Fund will send a notification of the offer, in advance of such offer, to the Partners via their financial intermediaries. The notification will specify, among other things:

- the percentage of Units that the Fund is offering to repurchase;
- the date on which a Partner's repurchase request is due;
- the Valuation Date (as defined below) applicable to the repurchase;
- the approximate date by which the Partners will receive the proceeds from their Unit sales; and
- the most current NAV of the Units that is available on the date of the notification, although such NAV may not be the NAV at which repurchases are made.

In each repurchase offer, each Fund intends to repurchase a percentage of its Units at its NAV, but in no event to exceed the repurchase of more than 20% of the Units per quarter. A Partner that participates in a repurchase offer with a Valuation Date (as defined below) occurring prior to the end of the 12th month of its admission to that Fund may be subject to a penalty payable to the Fund equal to 2% of the amount requested to be repurchased, to be netted against withdrawal proceeds. A Partner whose Units (or a portion thereof) are repurchased by a Fund will not be entitled to a return of any sales charge that was charged in connection with the Partner's purchase of the Units.

Units will be repurchased at their NAV determined as of approximately March 31, June 30, September 30 and December 31, as applicable (each such date, a "Valuation Date"). Partners tendering Units for repurchase will be asked to give written notice of their intent to do so by the date specified in the notice describing the terms of the applicable repurchase offer, which date will be approximately 65 days prior to the date of repurchase by each Fund. Partners who tender may not have all of the tendered Units repurchased by a Fund. If over-subscriptions occur, a Fund may elect to repurchase less than the full amount that a Partner requests to be repurchased. In such an event, the Funds may repurchase only a pro rata portion of the amount tendered by each Partner and such Partners would be required to submit tender requests in the next tender offer made by the Fund. Such Partners' tender requests would not take priority over any other requests in future tender offers.

The decision to offer to repurchase Units is in the complete and absolute discretion of the applicable Fund's Board, which may, under certain circumstances, elect not to offer to repurchase Units. In certain circumstances, the General Partner may require a Partner to tender its Units.

A Partner who tenders for repurchase only a portion of his Units in a Fund may be required to maintain a minimum account balance to be determined by the General Partner. If a Partner tenders a portion of his Units and the repurchase of that portion would cause the Partner's account balance to fall below this required minimum (except as a result of proration), each Fund reserves the right to reduce the portion of the Units to be purchased from the Partner so that the required minimum balance is maintained. Such minimum capital account balance requirement may also be waived by the General Partner in its sole discretion, subject to applicable federal securities laws.

### **TENDER/REPURCHASE PROCEDURES**

Due to liquidity restraints associated with the Master Fund's investments in Adviser Funds and the fact that the Funds will have to effect withdrawals from the Master Fund (for the TEI Fund, the withdrawal from the Master Fund will be via the Offshore Fund) to pay for Units being repurchased, it is presently expected that, under the procedures applicable to the repurchase of Units, Units will be valued as of the applicable Valuation Date. Each Fund will generally pay the value of the Units repurchased (or as discussed below, 95% of such value if all Units

owned by a Partner are repurchased) approximately 90 days after the Valuation Date. This amount will be subject to adjustment within 45 days after completion of the annual audit of each Fund's financial statements for the fiscal year in which the repurchase is effected. Units may be repurchased prior to Adviser Fund audits. To mitigate any effects of this, if all Units owned by a Partner are repurchased, the Partner will receive an initial payment equal to 95% of the estimated value of the Units (after adjusting for fees, expenses, reserves or other allocations or redemption charges) within approximately 90 days after the Valuation Date, subject to audit adjustment, and the balance due will be determined and paid within 45 days after completion of each Fund's annual audit.

Under these procedures, Partners will have to decide whether to tender their Units for repurchase without the benefit of having current information regarding the value of the Units as of the Valuation Date. The Partner may inquire of a Fund, at the telephone number within this Prospectus, or the Administrator, at the telephone number accompanying an offer to purchase relating to a tender offer, as to the value of the Units last determined. In addition, there will be a substantial period of time between the date as of which the Partners must tender the Units and the date they can expect to receive payment for their Units from a Fund. However, promptly after the expiration of a repurchase offer, Partners whose Units are accepted for repurchase may be given non-interest bearing, non-transferable promissory notes by the Fund representing the Fund's obligation to pay for repurchased Units. Any such promissory notes will be held by UMB and can be provided upon request by calling UMB at 1-888-844-3350. Payments for repurchased Units may be delayed under circumstances where the Master Fund has determined to redeem its interest in Adviser Funds to make such payments, but has experienced delays in receiving payments from the Adviser Funds.

Repurchases of Units by each Fund are subject to certain regulatory requirements imposed by SEC rules.

#### **TRANSFERS OF UNITS**

No person shall become a substituted Partner of a Fund without the consent of that Fund, which consent may be withheld in its sole discretion. Units held by Partners may be transferred only: (i) by operation of law; or (ii) under other extremely limited circumstances, with the consent of the Board (which may be withheld in its sole and absolute discretion and is expected to be granted, if at all, only under extenuating circumstances).

Unless counsel to a Fund confirms that the transfer will not cause the Fund to be treated as a "publicly traded partnership" taxable as a corporation, the Board generally will not consider consenting to a transfer of a Unit (or portion of a Unit) unless the transfer is: (i) one in which the tax basis of the Unit in the hands of the transferee is determined, in whole or in part, by reference to its tax basis in the hands of the transferring Partner (e.g., certain transfers to affiliates, gifts and contributions to family entities); (ii) to members of the transferring Partner's immediate family (siblings, spouse, parents, or children); or, with respect to the TEI Fund, (iii) a distribution from a tax-qualified retirement plan or an individual retirement account.

Notice to a Fund of any proposed transfer must include evidence satisfactory to the Board that the proposed transferee, at the time of transfer, meets any requirements imposed by the Fund with respect to investor eligibility and suitability. See "INVESTOR QUALIFICATIONS." Notice of a proposed transfer of a Unit must also be accompanied by a properly completed investor application in respect of the proposed transferee. In connection with any request to transfer a Unit (or portion of a Unit), a Fund may require the Partner requesting the transfer to obtain, at the Partner's expense, an opinion of counsel selected by the Fund as to such matters as the Fund may reasonably request. The Board generally will not consent to a transfer of a Unit by a Partner (i) unless such transfer is to a single transferee, or (ii) if, after the transfer of the Unit, the balance of the capital account of each of the transferee and transferor is less than \$25,000. Each transferring Partner and transferee may be charged reasonable expenses, including, but not limited to, attorneys' and accountants' fees, incurred by the Fund in connection with the transfer.

Any transferee acquiring a Unit or a portion of a Unit by operation of law in connection with the death, bankruptcy, insolvency, adjudicated incompetence or dissolution of the Partner, will be entitled to the allocations and distributions allocable to the Unit or portion of the Unit so acquired, to transfer the Unit or portion of the Unit in accordance with the terms of the applicable Limited Partnership Agreement and to tender the Unit or portion of the Unit for repurchase by a Fund, but will not be entitled to the other rights of a Partner unless and until the transferee becomes a substituted Partner as specified in that Fund's Limited Partnership Agreement. If a Partner transfers a

Unit with the approval of the Board, each Fund shall as promptly as practicable take all necessary actions so that each transferee or successor to whom the Unit is transferred is admitted to the Fund as a Partner.

By subscribing for a Unit, each Partner agrees to indemnify and hold harmless a Fund, its Board, the General Partner of the Fund, the Investment Managers, and each other Partner, and any affiliate of the foregoing against all losses, claims, damages, liabilities, costs, and expenses (including legal or other expenses incurred in investigating or defending against any losses, claims, damages, liabilities, costs, and expenses or any judgments, fines, and amounts paid in settlement), joint or several, to which such persons may become subject by reason of or arising from any transfer made by that Partner in violation of the Limited Partnership Agreement or any misrepresentation made by that Partner in connection with any such transfer.

## CAPITAL ACCOUNTS AND ALLOCATIONS

*Capital Accounts.* Each Fund shall maintain a separate capital account on its books for each Partner. As of any date, the capital account of a Partner shall be equal to the NAV per Unit as of such date, multiplied by the number of Units then held by such Partner. Any amounts charged or debited against a Partner's capital account under a Fund's ability to allocate special items, and to accrue reserves as described under "Reserves" below, other than among all Partners in accordance with the number of Units held by each such Partner, shall be treated as a partial redemption of such Partner's Units for no additional consideration as of the date on which the Board determines such charge or debit is required to be made, and such Partner's Units shall be reduced thereby as appropriately determined by the Fund. Any amounts credited to a Partner's capital account under a Fund's ability to allocate special items and to accrue reserves, other than among all Partners in accordance with the number of Units held by each such Partner, shall be treated as an issuance of additional Units to such Partner for no additional consideration as of the date on which the Board determines such credit is required to be made, and such Partner's Units shall be increased thereby as appropriately determined by the Fund.

*Reserves.* Appropriate reserves may be created, accrued, and charged against net assets and proportionately against the capital accounts of the Partners for contingent liabilities as of the date the contingent liabilities become known to a Fund or the Board. Reserves will be in such amounts (subject to increase or reduction) that that Fund or the Board may deem necessary or appropriate. The amount of any reserve, or any increase or decrease therein, will be proportionately charged or credited, as appropriate, to the capital accounts of those investors who are Partners at the time when such reserve is created, increased or decreased, as the case may be; provided, however, that if any such reserve, or any increase or decrease therein, exceeds the lesser of \$500,000 or 1% of the aggregate value of the capital accounts of all such Partners, the amount of such reserve, increase, or decrease shall instead be charged or credited to those investors who, as determined by the Board, were Partners at the time of the act or omission giving rise to the contingent liability for which the reserve was established, increased or decreased in proportion to their capital accounts at that time.

## CALCULATION OF NET ASSET VALUE

### GENERAL

The Funds, the Offshore Fund and the Master Fund calculate their respective NAV as of the close of business on the last business day of each Accounting Period (as defined below), as of each month-end, and at such other times as the Boards may determine, including in connection with repurchases of Units, in accordance with the procedures described below or as may be determined from time to time in accordance with policies established by the Boards. The NAV of the Core Alternatives Fund and the Master Fund will equal the value of the total assets of the Core Alternatives Fund and the Master Fund, respectively, less all of each entity's respective liabilities, including accrued fees and expenses. The NAV of the TEI Fund, Offshore Fund and the Master Fund will equal the value of the total assets of the TEI Fund, the Offshore Fund and the Master Fund, respectively, less all of each entity's respective liabilities, including accrued fees and expenses. The NAV of the Master Fund equals the value of the total assets of the Master Fund, less all of its liabilities, including accrued fees and expenses. In computing its NAV, the TEI Fund will value its interest in the Offshore Fund at the value of the Offshore Fund's interest in the Master Fund, and the Offshore Fund will value its interest in the Master Fund at the NAV provided by the Master Fund to the Offshore Fund. It is expected that the assets of the Funds will consist of their investment in the Master Fund. The NAV of the Master Fund depends on the value of the Adviser Funds, Adviser Accounts or other investments in which it invests.

The Investment Managers oversee the valuation of the Master Fund's investments, including its interests in the Adviser Funds, in accordance with written policies and procedures (the "Valuation Procedures") that the Boards and the Board of Directors of the Master Fund ("Master Fund Board") have approved for purposes of determining the fair value of securities held by the Master Fund, including the fair value of the Master Fund's investments in Adviser Funds. In accordance with the Valuation Procedures, fair value as of each month-end or as of the end of each Accounting Period, as applicable, ordinarily will be the value determined as of such date by each Adviser Fund in accordance with the Adviser Fund's valuation policies and reported at the time of the Master Fund's valuation. As a general matter, the fair value of the Master Fund's interest in an Adviser Fund will represent the amount that the Master Fund could reasonably expect to receive from the Adviser Fund if the Master Fund's interest was redeemed at the time of valuation (without regard to any early redemption fees or withdrawal fees that may be imposed by the Adviser Fund), based on information reasonably available at the time the valuation is made and that the Master Fund believes to be reliable. In the event that the Adviser Fund does not report a month-end value to the Master Fund on a timely basis, the Master Fund will determine the fair value of such Adviser Fund based on the most recent final or estimated value reported by the Adviser Fund, as well as any other relevant information available at the time the Master Fund values its portfolio. Using the nomenclature of the hedge fund industry, any values reported as "estimated" or "final" values are expected to reasonably reflect market values of securities when available or fair value as of the Master Fund's valuation date. A substantial amount of time may elapse between the occurrence of an event necessitating the pricing of Fund assets and the receipt of valuation information from the Adviser of an Adviser Fund.

Prior to the Master Fund investing in any Adviser Fund, the Investment Managers will conduct a due diligence review of the valuation methodologies utilized by the Adviser Fund, which as a general matter will utilize market values when available, and otherwise will utilize principles of fair value that the Investment Managers reasonably believe to be consistent, in all material respects, with those used by the Master Fund in valuing its own investments. Although the procedures approved by the Boards and the Master Fund Board provide that the Investment Managers will review the valuations provided by the Advisers to the Adviser Funds, none of the Master Fund Board, the Boards or the Investment Managers will be able to confirm independently the accuracy of valuations provided by such Advisers (which may be unaudited).

The Master Fund's Valuation Procedures require the Investment Managers to take reasonable steps in light of all relevant circumstances to value the Master Fund's portfolio. The Investment Managers will consider such information, and may conclude in certain circumstances that the information provided by an Adviser does not represent the fair value of the Master Fund's interests in the Adviser Fund. Although redemptions of interests in Adviser Funds are subject to advance notice requirements, Adviser Funds will typically make available NAV information to holders which will represent the price at which, even in the absence of redemption activity, the Adviser Fund would have effected a redemption if any such requests had been timely made or if, in accordance with the terms of the Adviser Fund's governing documents, it would be necessary to effect a mandatory redemption. Following procedures adopted by the Boards and the Master Fund Board, the Investment Managers will consider whether it is appropriate, in light of all relevant circumstances, to value such interests at the NAV as reported by the Adviser at the time of valuation, or whether to adjust such value to reflect a premium or discount to NAV. In accordance with U.S. generally accepted accounting principles and industry practice, the Master Fund may not always apply a discount in cases where there is no contemporaneous redemption activity in a particular Adviser Fund. In other cases, as when an Adviser Fund imposes extraordinary restrictions on redemptions, when other extraordinary circumstances exist, or when there have been no recent transactions in Adviser Fund interests, the Master Fund may determine that it is appropriate to apply a discount to the NAV of the Adviser Fund. Any such decision will be made in good faith, and subject to the review and supervision of the Master Fund Board.

The valuations reported by the Advisers, upon which the Master Fund calculates its month-end NAV and the NAV of each Master Fund interest, including each Fund's Master Fund interest, may be subject to later adjustment or revision, based on information reasonably available at that time. For example, any "estimated" values from Adviser Funds may be revised and fiscal year-end NAV calculations of the Adviser Funds may be audited by their independent auditors and may be revised as a result of such audits. Other adjustments may occur from time to time. Because such adjustments or revisions, whether increasing or decreasing the NAV of the Master Fund, and therefore the Funds, at the time they occur, relate to information available only at the time of the adjustment or revision, the adjustment or revision may not affect the amount of the repurchase proceeds of the Funds received by Partners who had their Units in the Funds repurchased at a NAV calculated prior to such adjustments and received their

repurchase proceeds, subject to the ability of the Funds to adjust or recoup the repurchase proceeds received by Partners under certain circumstances. As a result, to the extent that such subsequently adjusted valuations from the Advisers or revisions to the NAV of an Adviser Fund adversely affect the Master Fund's NAV, and therefore the Funds' NAV, the outstanding Units may be adversely affected by prior repurchases to the benefit of Partners who had their Units repurchased at a NAV higher than the adjusted amount. Conversely, any increases in the NAV resulting from such subsequently adjusted valuations may be entirely for the benefit of the outstanding Units and to the detriment of Partners who previously had their Units repurchased at a NAV lower than the adjusted amount. The same principles apply to the purchase of Units. New Partners may be affected in a similar way.

The Master Fund Board is responsible for ensuring that the Valuation Procedures utilized by the Investment Managers are fair to the Master Fund and consistent with applicable regulatory guidelines.

To the extent the Investment Managers invest the assets of the Master Fund in securities or other instruments that are not investments in Adviser Funds, the Master Fund will generally value such assets as described below. Securities traded (1) on one or more of the U.S. national securities exchanges or the OTC Bulletin Board will be valued at their last sales price, and (2) on the National Association of Securities Dealers Automated Quotations ("NASDAQ") will be valued at the NASDAQ Official Closing Price ("NOCP"), 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. Securities traded on NASDAQ for which the NOCP is not available will be valued at the mean between the closing bid and asked prices in this market. Securities traded on a foreign securities exchange generally will be valued at their closing prices on the exchange where such securities are primarily traded and translated into U.S. dollars at the current exchange rate. If an event occurs between the close of the foreign exchange and the computation of the Master Fund's NAV that would materially affect the value of the security, the value of such a security will be adjusted to its fair value. Except as specified above, the value of a security, derivative, or synthetic security that is not actively traded on an exchange shall be determined by an unaffiliated pricing service that may use actual trade data or procedures using market indices, matrices, yield curves, specific trading characteristics of certain groups of securities, pricing models, or combinations of these. The Investment Managers will monitor the value assigned to each security by the pricing service to determine if it believes the value assigned to a security is correct. If the Investment Managers believe that the value received from the pricing service is incorrect, then the value of the security will be its fair value as determined in accordance with the Valuation Procedures.

Debt securities will be valued in accordance with the Valuation Procedures, which generally provide for using a third-party pricing system, agent, or dealer selected by the Investment Managers, which may include the use of valuations furnished by a pricing service that employs a matrix to determine valuations for normal institutional size trading units. The Boards will monitor periodically the reasonableness of valuations provided by any such pricing service. Debt securities with remaining maturities of 60 days or less, absent unusual circumstances, will be valued at amortized cost, so long as such valuations are determined by the Boards to represent fair value.

Assets and liabilities initially expressed in foreign currencies will be converted into U.S. dollars using foreign exchange rates provided by a pricing service. Trading in foreign securities generally is completed, and the values of such securities are determined, prior to the close of securities markets in the United States. Foreign exchange rates are also determined prior to such close. On occasion, the values of securities and exchange rates may be affected by events occurring between the time as of which determination of such values or exchange rates are made and the time as of which the NAV of the Master Fund is determined. When such events materially affect the values of securities held by the Master Fund or its liabilities, such securities and liabilities may be valued at fair value as determined in good faith in accordance with procedures approved by the Boards.

In general, fair value represents a good faith approximation of the current value of an asset and will be used when there is no public market or possibly no market at all for the asset. The fair values of one or more assets may not be the prices at which those assets are ultimately sold.

The valuation of the Master Fund's investments in Adviser Funds is ordinarily determined based upon valuations calculated by the Administrator, based on information provided by the Advisers or their respective fund administrator. Although the Valuation Procedures approved by the Boards and the Master Fund provide that the Investment Managers will review the valuations provided by the Administrator (via the Advisers or their

administrators), neither the Investment Managers nor the Administrator will be able to confirm independently the accuracy of any unaudited valuations provided by the Advisers or their administrators.

Prospective investors should be aware that situations involving uncertainties as to the valuation of portfolio positions could have an adverse effect on a Fund's net assets if the judgments of the Boards and/or the Investment Managers (in reliance on the Adviser Funds and/or their administrators) regarding appropriate valuations should prove incorrect. The Master Fund may desire to dispose of an interest in an Adviser Fund, but be unable to dispose of such interest, and could therefore be obligated to continue to hold the interests for an extended period of time. In such a case, the Administrator, upon consultation with the Investment Managers, may continue to value the interests in accordance with the Valuation Procedures, without the benefit of the Adviser's or its administrator's valuations, and may, if so instructed by the Investment Managers, in its sole discretion, discount the value of the interests, if applicable, in accordance with the Valuation Procedures.

Each accounting period begins on the business day after the last business day of the preceding accounting period, and each accounting period (each, an "Accounting Period") ends on the first to occur of (1) the last business day of each fiscal year of the Fund; (2) the last business day of each taxable year of the Fund; (3) the business day preceding the effective date on which a contribution of capital is made to the Fund; (4) the Valuation Date with respect to any repurchase of a Unit or portion of a Unit by the Fund or the complete withdrawal by a Partner; (5) the business day preceding the business day on which a substituted Partner is admitted to the Fund; or (6) the effective date on which any amount is credited to or debited from the capital account of any Partner other than an amount to be credited to or debited from the capital accounts of all Partners in accordance with their respective Units. Partners will be sent the estimated monthly NAV free of charge upon request.

#### **SUSPENSION OF CALCULATION OF NET ASSET VALUE**

The Master Fund Board, after consultation with the Investment Managers, may declare a suspension of the determination of NAV, subscriptions and redemption of interests in the Master Fund and payment on redemptions:

- (a) during any period when any of the principal stock exchanges or markets on which a substantial portion of the Master Fund's assets are quoted is closed other than for ordinary holidays, or during which dealings are substantially restricted or suspended;
- (b) during the existence of any state of political, economic, military or monetary affairs that constitutes an emergency, as determined by the SEC, and that renders the disposal of assets by the Master Fund reasonably impracticable;
- (c) during any breakdown in the means of communication normally employed in determining the price of any of the Master Fund's assets or the current price on any market or stock exchange on which prices for such assets are quoted;
- (d) during any period when remittance or transfer of monies that will or may be involved in the realization or payment of any of the Master Fund's assets is not reasonably practicable; or
- (e) during any period in which circumstances exist such that the Master Fund Board reasonably deems it appropriate to suspend the calculation of NAV including, but not limited to, a request for a redemption that would seriously impair the Master Fund's ability to operate or jeopardize its tax status.

Any suspension shall take effect at such time as the Master Fund Board shall declare but not later than the close of business on the business day next following the declaration, and thereafter there shall be no determination of the NAV of the assets of the Master Fund until the Master Fund Board shall declare the suspension at an end, except that such suspension shall terminate in any event on the first business day on which: (a) the condition giving rise to the suspension shall have ceased to exist; and (b) no other condition under which suspension is authorized shall exist. Each declaration by the Master Fund Board shall be consistent with such official rules and regulations (if any) relating to the subject matter thereof as shall have been promulgated by any authority having jurisdiction over the Master Fund and as shall be in effect at the time. To the extent not inconsistent with such official rules and regulations, the determination of the Master Fund Board shall be conclusive. Whenever the Master Fund Board

declares a suspension of the determination of the NAV, then as soon as may be practicable after any such declaration, the Master Fund Board will give notice to limited partners of the Master Fund, including each Fund, stating that such declaration has been made. At the end of any period of suspension as aforementioned, the Master Fund Board will give notice to all limited partners of the Master Fund, including each Fund, stating that the period of suspension has ended.

## **TAXES**

The following summary describes certain tax aspects of an investment in the Funds.

**THIS SUMMARY IS NECESSARILY GENERAL AND EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT WITH THE INVESTOR'S OWN TAX ADVISER WITH RESPECT TO THE FEDERAL, FOREIGN, STATE AND LOCAL TAX CONSEQUENCES OF PURCHASING AND HOLDING UNITS.**

## **CLASSIFICATION OF THE FUNDS**

### **THE FUNDS**

*Partnership Status.* The Core Alternatives Fund, the TEI Fund and the Master Fund have previously received opinions from their former counsel that under the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations under it, as in effect on the date of the opinion, as well as under the relevant authority interpreting the Code and the regulations, and based upon certain assumptions, each of the Funds will be classified as a partnership for U.S. federal income tax purposes and not a corporation.

Under Section 7704 of the Code, a publicly traded partnership may be treated as a corporation for federal income tax purposes, even though it would otherwise be classified as a partnership. A "publicly traded partnership" is any partnership the interests in which are traded on an established securities market or which are readily tradable on a secondary market (or the substantial equivalent thereof). Units in the Core Alternatives Fund, the TEI Fund and the Master Fund will not be traded on an established securities market. Tax counsel has provided the Funds with opinions to the effect that the interests in those Funds will not be readily tradable on a secondary market (or the substantial equivalent of such a market) and, therefore, that each such Fund will not be treated as a "publicly traded partnership" taxable as a corporation. We believe that the relevant facts on which those opinions were based have not changed, so that the opinions continue to be applicable.

These opinions of counsel are not binding on the Internal Revenue Service (the "Service") or the courts. If it were determined that a Fund should be taxable as a corporation for U.S. federal income tax purposes (as a result of, for example, a successful challenge to the opinions by the Service, changes in the Code or the Regulations or judicial interpretations of them, a material adverse change in facts, or otherwise), the taxable income of the Fund would be subject to corporate income tax. One consequence would be a significant reduction in the after-tax return to the Partners. The balance of the discussion below is based on the assumption that the Core Alternatives Fund, the TEI Fund and the Master Fund will be treated as partnerships for U.S. federal income tax purposes.

As a partnership, a Fund will not be subject to federal income tax. Each such Fund will each file annual partnership information returns with the Service, reporting the results of operations. Each Partner will be required to report separately on his income tax return his allocable share of the Core Alternatives Fund's or TEI Fund's, as the case may be, net long-term capital gain or loss, net short-term capital gain or loss and ordinary income or loss, which, in the case of the Core Alternatives Fund, will, in turn, include that Fund's allocable shares of those tax items of the Master Fund. Each Partner will be taxable on his allocable share of a Fund's taxable income and gain regardless whether he has received or will receive a distribution from the Fund.

*Delayed Schedule K-1s.* It is unlikely that the Funds will be able to provide final Schedules K-1 to Partners for any given year until significantly after April 15 of the following year. The General Partner will endeavor to provide Partners with estimates of the taxable income or loss allocated to their investment in the Funds on or before such date, but final Schedule K-1s will not be available until later than April 15. Partners will be required to obtain extensions of the filing date for their income tax returns at the federal, state and local levels.

## CORE ALTERNATIVES FUND

*Allocation of Profits and Losses.* Under the Partnership Agreement, the Fund's net capital appreciation or net capital depreciation for each accounting period is allocated among the Partners and to their capital accounts without regard to the amount of income or loss actually recognized by the Fund for federal income tax purposes. The Partnership Agreement provides that items of income, deduction, gain, loss or credit actually recognized by the Fund for each fiscal year generally are to be allocated for income tax purposes among the Partners pursuant to the principles of Regulations issued under Sections 704(b) and 704(c) of the Code, based upon amounts of the Fund's net capital appreciation or net capital depreciation allocated to each Partner's capital account for the current and prior fiscal years.

Under the Partnership Agreement, the General Partner has the discretion to allocate specially an amount of the Fund's capital gain (including short-term capital gain) for federal income tax purposes to a withdrawing Partner to the extent that the Partner's capital account exceeds his federal income tax basis in his partnership Units (net of his allocable share of partnership liabilities). There can be no assurance that, if the General Partner makes such a special allocation, the Service will accept such allocation. If such allocation were to be successfully challenged by the Service, the Fund's gains allocable to the remaining Partners would be increased.

*Tax Elections; Returns; Tax Audits.* The General Partner will decide how to report the partnership items on both the Core Alternatives Fund's and the Master Fund's tax returns, and all Partners are required under the Code to treat the items consistently on their own federal income tax returns, unless they file a statement with the Service disclosing the inconsistency. Given the uncertainty and complexity of the tax laws, it is possible that the Service may not agree with the manner in which the Core Alternatives Fund's and Master Fund's items have been reported. In the event the income tax returns of either of those Funds are audited by the Service, the tax treatment of their income and deductions generally is determined at the limited partnership level in a single proceeding rather than by individual audits of the Partners. The General Partner, designated as the "tax matters partner" for taxable years beginning on or before December 31, 2017, and for taxable years beginning after December 31, 2017, will be the "partnership representative" (as such term is defined in Section 6223, as then applicable), has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. In addition, the tax matters partner, or partnership representative, as applicable, has the power to extend the statute of limitations relating to the Partners' tax liabilities with respect to Fund tax items, and, unless a Partner objects, the authority to bind each Partner to settlement agreements with respect to tax items of the Master Fund.

The Code provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of partnership interests (including by reason of death) provided that a partnership election has been made pursuant to Section 754. Under the Partnership Agreement, at the request of a Partner, the General Partner, in its sole discretion, may cause the Fund to make such an election. Any such election, once made, cannot be revoked without the Service's consent. As a result of the complexity and added expense of the tax accounting required to implement such an election, the General Partner currently does not intend to make such election. Under some circumstances, however, a downward basis adjustment may be mandatory.

### ***Tax Consequences of Fund Distributions***

*Distributions of Cash.* Except as provided above, a Partner receiving a cash liquidating distribution from the Fund, in connection with a complete withdrawal from the Fund, generally will recognize capital gain or loss to the extent of the difference between the proceeds received by the Partner and the Partner's adjusted tax basis in his Units. The capital gain or loss will be short-term, long-term, or some combination of both, depending upon the timing of the Partner's contributions to the Fund. However, a withdrawing Partner will recognize ordinary income to the extent of the Partner's allocable share of the Fund's "unrealized receivables" (as determined pursuant to the Regulations). For these purposes, accrued but untaxed market discount, if any, on securities held by the Fund will be treated as an unrealized receivable, with respect to which a withdrawing Partner will recognize ordinary income.

A Partner receiving a cash nonliquidating distribution will generally recognize income and/or gain only (1) to the extent of the unrealized receivables allocable to the portion of the Partner's Units that is being redeemed, which amount will be ordinary income, and (2) to the extent that the amount of the distribution exceeds the sum of (a) the

Partner's adjusted tax basis in all of the Partner's Units and (b) the amount of such unrealized receivables, which amount will be capital gain.

As discussed above, the Partnership Agreement provides that the General Partner may specially allocate items of the Fund's capital gain (including short-term capital gain) to a withdrawing Partner to the extent the withdrawing Partner's capital account would otherwise exceed his adjusted tax basis in his Units (net of his allocable share of partnership liabilities). Such a special allocation may result in the withdrawing Partner recognizing capital gain, which may include short-term gain, in the Partner's last taxable year in the Fund, with an equal and offsetting reduction in the amount of long-term capital gain recognized by the Partner on the liquidating distribution upon withdrawal.

*Distributions of Property.* Subject to the discussion below, a partner's receipt of a distribution of property from a partnership is generally not taxable. However, under Section 731 of the Code, a distribution consisting of marketable securities generally is treated as a distribution of cash (rather than property) unless the distributing partnership is an "investment partnership" within the meaning of Section 731(c)(3)(C)(i) and the recipient is an "eligible partner" within the meaning of Section 731(c)(3)(C)(iii). The Fund will determine at the appropriate time whether they qualify as an "investment partnership." Assuming they so qualify, if a Partner is an "eligible partner," which term should include a Partner whose contributions to the Fund consisted solely of cash and/or securities, the recharacterization rule described above would not apply.

In determining whether, if at all, the Fund should distribute stocks or securities to a particular Partner, the General Partner intends to attempt to take into account the tax consequences to the Fund and the remaining Partners, as well as the desirability of making the distribution in light of the Fund's investment program.

### ***Foreign Taxes***

It is possible that certain dividends, interest and other income received by the Master Fund from sources within foreign countries will be subject to withholding taxes imposed by those countries. In addition, the Master Fund may also be subject to capital gains taxes in some of the foreign countries where it purchases and sells securities. Tax treaties between certain countries and the United States may reduce those taxes. It is impossible to predict in advance the rate of foreign tax the Master Fund will pay, because the amount of the Master Fund's assets to be invested in various countries is not known.

Each Partner in the Core Alternatives Fund will be informed of the Partner's proportionate share of the foreign taxes paid by the Master Fund, which the Partner will be required to include in income for federal income tax purposes. The Partners generally will be entitled to claim either a credit (subject, however, to various limitations on foreign tax credits) or, if they itemize their deductions, a deduction (subject to the limitations generally applicable to deductions) for their share of such foreign taxes in computing their federal income taxes. A Partner that is tax-exempt will not ordinarily benefit from such credit or deduction.

### ***Unrelated Business Taxable Income***

Generally, an exempt organization (including, for example, a charity or a tax-qualified retirement plan) is exempt from federal income tax on its passive investment income, such as dividends, interest and capital gains, whether realized by the organization directly or indirectly through a partnership in which it is a partner.<sup>1</sup> This type of income is exempt even if it is realized from securities trading activity that constitutes a trade or business.

This general exemption from tax does not apply to the UBTI of an exempt organization. Generally, except as noted above with respect to certain categories of exempt trading activity, UBTI includes income or gain derived

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<sup>1</sup> With certain exceptions, tax-exempt organizations that are private foundations are subject to a 2% federal excise tax on their "net investment income." The rate of the excise tax for any taxable year may be reduced to 1% if the private foundation meets certain distribution requirements for the taxable year. A private foundation will be required to make payments of estimated tax with respect to this excise tax.

(either directly or through a partnership) from a trade or business, the conduct of which is substantially unrelated to the exercise or performance of the organization's exempt purpose or function. With respect to investments in partnerships (and other entities classified as partnerships for federal income tax purposes) engaged in a trade or business other than securities trading, the Master Fund's income (or loss) from these investments may constitute UBTI.

UBTI also includes "unrelated debt-financed income," which generally consists of (1) income derived by an exempt organization (directly or through a partnership) from income-producing property with respect to which there is "acquisition indebtedness" at any time during the taxable year, and (2) gains derived by an exempt organization (directly or through a partnership) from the disposition of property with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of such disposition. "Acquisition indebtedness" may include both debt incurred by the exempt organization to finance its investment in the Fund and debt incurred by the Master Fund.

The Master Fund may incur "acquisition indebtedness" with respect to certain of its transactions, such as the purchase of securities on margin. Based upon a published ruling issued by the Service that generally holds that income and gain with respect to short sales of publicly traded stock does not constitute income from debt financed property for purposes of computing UBTI, the Master Fund will treat its short sales of securities as not involving "acquisition indebtedness" and therefore not resulting in UBTI.<sup>2</sup> To the extent the Master Fund recognizes income (i.e., dividends and interest) from securities with respect to which there is "acquisition indebtedness" during a taxable year, the percentage of such income that will be treated as UBTI generally will be based on the percentage that the "average acquisition indebtedness" incurred with respect to such securities is of the "average amount of the adjusted basis" of such securities during the taxable year. Indebtedness incurred by an exempt organization to acquire or to carry its investment in the Fund will also be treated as "acquisition indebtedness" for these purposes.

To the extent the Master Fund recognizes gain from securities with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of their disposition, the percentage of such gain that will be treated as UBTI will be based on the percentage that the highest amount of such "acquisition indebtedness" is of the "average amount of the adjusted basis" of such securities during such period. In determining the unrelated debt-financed income of the Master Fund, an allocable portion of deductions directly connected with the Master Fund's debt-financed property is taken into account. Thus, for instance, a percentage of losses, if any, from debt-financed securities (based on the debt/basis percentage calculation described above) may offset gains treated as UBTI.

Because the calculation of the Master Fund's "unrelated debt-financed income" is complex and will depend in large part on the amount of leverage, if any, used by the Master Fund from time to time,<sup>3</sup> it is impossible to predict what percentage of the Core Alternatives Fund's income and gains will be treated as UBTI for a Partner that is an exempt organization. An exempt organization's share of the income or gains of the Core Alternatives Fund that is treated as UBTI cannot be offset by losses of the exempt organization either from the Fund or otherwise, unless those losses are treated as attributable to an unrelated trade or business (e.g., losses from securities for which there is acquisition indebtedness).

To the extent that the Master Fund generates UBTI, the applicable federal tax rate for an exempt organization that is a Partner in the Core Alternatives Fund generally will be either the corporate or the trust tax rate, depending upon the nature of the particular exempt organization.<sup>4</sup> However, a charitable remainder trust that has UBTI is subject to a 100% excise tax on the amount of that UBTI under Section 664(c)(2) of the Code. An exempt organization may be required to support, to the satisfaction of the Service, the method used to calculate its UBTI. The Core Alternatives Fund will be required to report to a Partner that is an exempt organization information as to the portion, if any, of its allocated income and gains from the Master Fund for each year which will be treated as UBTI. The calculation of

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<sup>2</sup> Moreover, income realized from option writing and futures contract transactions generally should not constitute UBTI.

<sup>3</sup> The calculation of a particular exempt organization's UBTI will also be affected if it incurs indebtedness to finance its investment in the Fund.

<sup>4</sup> An exempt organization is generally required to make estimated tax payments with respect to its UBTI.

this amount with respect to transactions entered into by the Master Fund may be highly complex, and there is no assurance that the Fund's calculation of UBTI will be accepted by the Service.

In general, if UBTI is allocated to an exempt organization such as a tax-qualified retirement plan or a private foundation, the portion of the Master Fund's income and gains that is not treated as UBTI will continue to be exempt from tax, as will the organization's income and gains from other investments that are not treated as UBTI. Therefore, the possibility of realizing UBTI from its investment in the Fund generally should not affect the tax-exempt status of such an exempt organization.<sup>5</sup> However, a title-holding company will not be exempt from tax if it has certain types of UBTI. Moreover, the charitable contribution deduction for a trust under Section 642(c) of the Code may be limited for any year in which the trust has UBTI. A prospective investor that is an exempt organization should consult its tax adviser with respect to the tax consequences of receiving UBTI from the Fund. (See "*ERISA Plans and Other Tax-Exempt Entities*" below.)

### ***Certain Issues Pertaining to Specific Exempt Organizations***

***Private Foundations.*** Private foundations and their managers are subject to excise taxes if they invest "any amount in such a manner as to jeopardize the carrying out of any of [the foundation's] exempt purposes." This rule requires a foundation manager, in making an investment, to exercise "ordinary business care and prudence" under the facts and circumstances prevailing at the time of making the investment, in providing for the short-term and long-term needs of the foundation to carry out its exempt purposes. The factors that a foundation manager may take into account in assessing an investment include the expected rate of return (both income and capital appreciation), the risks of rising and falling price levels, and the need for diversification within the foundation's portfolio.

To avoid the imposition of an excise tax, a private foundation may be required to distribute on an annual basis its "distributable amount," which includes, among other things, the private foundation's "minimum investment return," defined as 5% of the excess of the fair market value of its nonfunctionally related assets (assets not used or held for use in carrying out the foundation's exempt purposes), over certain indebtedness incurred by the foundation in connection with such assets. It appears that a foundation's investment in the Fund will probably be classified as a nonfunctionally related asset. A determination that Units in the Fund are nonfunctionally related assets could conceivably cause cash flow problems for a prospective investor that is a private foundation. Such an organization could be required to make distributions in an amount determined by reference to unrealized appreciation in the value of its Units in the Fund. Of course, this factor would create less of a problem to the extent that the value of the investment in the Fund is not significant in relation to the value of other assets held by a foundation.

In some instances, an investment in the Fund by a private foundation may be prohibited by the "excess business holdings" provisions of the Code. For example, if a private foundation (either directly or together with a "disqualified person") acquires, indirectly, more than 20% of the capital interest or profits interest in the Master Fund, the private foundation may be considered to have "excess business holdings." If this occurs, such foundation may be required to divest itself of its units in the Fund to avoid the imposition of an excise tax. However, the excise tax will not apply if at least 95% of the gross income from the Master Fund is "passive" within the applicable provisions of the Code and Regulations. Although there can be no assurance, the General Partner believes that the Master Fund will meet this 95% gross income test.

A substantial percentage of investments of certain "private operating foundations" may be restricted to assets directly devoted to their tax-exempt purposes. Otherwise, generally, rules similar to those discussed above govern their operations.

***Endowment Funds.*** Investment managers of endowment funds should consider whether the acquisition of Units is legally permissible. This is not a matter of federal law, but is determined under state statutes. It should be noted, however, that under the Uniform Management of Institutional Funds Act, which has been adopted, in various forms, by a large number of states, participation in investment partnerships or similar organizations in which funds are

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<sup>5</sup> Certain exempt organizations that realize UBTI in a taxable year will not constitute "qualified organizations" for purposes of Section 514(c)(9)(B)(vi)(I) of the Code, pursuant to which, in limited circumstances, income from certain real estate partnerships in which such organizations invest might be treated as exempt from UBTI. A prospective tax-exempt Limited Partner should consult its tax adviser in this regard.

commingled and investment determinations are made by persons other than the governing board of the endowment fund is allowed.

#### ***State and Local Taxation***

In addition to the federal income tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in the Fund. State and local laws often differ from federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Partner's allocable share of the taxable income or loss of the Fund generally will be required to be included in determining the Partner's reportable income for state and local tax purposes in the jurisdiction in which he is a resident. A partnership in which the Master Fund acquires an interest may conduct business in a jurisdiction that will subject to tax a Partner's share of the partnership's income from that business. Prospective investors should consult their tax advisers with respect to the availability of a credit for such tax in their jurisdiction of residence.

#### ***ERISA Plans and Other Tax-Exempt Entities***

Prospective investors subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or Section 4975 of the Code, including employee benefit plans, individual retirement accounts, Keogh plans, and other tax-exempt entities, may not purchase or hold Units in the Core Alternatives Fund (except to the extent a tax-exempt entity is an investor in a Partner, provided such Partner is not an entity the underlying assets of which constitute the assets of a plan(s) subject to ERISA and/or Section 4975 of the Code).

### **TEI FUND**

#### ***Taxation of the Offshore Fund***

The tax status of the Offshore Fund and its members under the tax laws of the Cayman Islands and the United States is summarized below. The summary is based on the assumption that the Offshore Fund is owned, managed, and operated as contemplated, and on the assumption that shares of the Offshore Fund will be held by the Fund and that Units of the Fund will be held by tax-exempt investors. The summary is based on existing laws as applied on the date of this Prospectus but no representation is made or intended (i) that changes in such laws or their application or interpretation will not be made in the future or (ii) that the IRS will agree with the interpretation described below. Prospective investors should consult their own tax and legal advisers with respect to the tax consequences of the purchase, holding, redemption, sale, or transfer of Interests.

The Offshore Fund will be treated as a corporation for U.S. federal income tax purposes.

Aside from certain 30% withholding taxes (discussed below), the Offshore Fund generally will not be subject to taxation by the United States on income or gain realized by the Master Fund from its stock, securities, commodities or derivatives trading for a taxable year, provided that the Offshore Fund is not engaged or deemed to be engaged in a U.S. trade or business during a taxable year to which any such income, gain, or loss of the Master Fund is treated as effectively connected. An investment in the Master Fund should not, by itself, cause the Offshore Fund to be engaged in a U.S. trade or business for the foregoing purpose, so long as (1) the Master Fund is not considered a dealer in stock, securities or commodities and does not regularly offer to enter into, assume, offset, assign or otherwise terminate positions in derivatives with customers, (2) the U.S. business activities of the Master Fund consist solely of trading in stock, securities, commodities, and derivatives for its own account (and, in the case of commodities, is limited to trading in commodities of a kind customarily dealt in on an organized exchange in transactions of a kind customarily consummated there), and (3) any entity treated as a partnership for U.S. Federal income tax purposes in which the Master Fund invests is not deemed to be engaged in a U.S. trade or business.

With respect to (3) above, the Offshore Fund has no control over whether entities treated as partnerships for U.S. federal income tax purposes in which the Master Fund invests are engaged or deemed to be engaged in a U.S. trade or business. However, the Master Fund intends to use reasonable efforts to reduce or eliminate the extent to which it allocates investment assets to entities treated as partnerships for U.S. Federal income tax purposes that are engaged or deemed to be engaged in a U.S. trade or business.

In the event that the Master Fund were found to be engaged in a U.S. trade or business, the Offshore Fund would be required to file a U.S. Federal income tax return for such year on IRS Form 1120-F and pay federal income tax at full U.S. corporate income tax rates on the portion of its income that is treated as effectively connected with such U.S. trade or business, and an additional 30% branch profits tax would be imposed under Section 884 of the Code on profits deemed repatriated from the United States. In addition, in such event, the Master Fund would be required under Section 1446 of the Code to withhold federal income taxes with respect to the “effectively connected” income or gain allocable to the Offshore Fund (which withholding taxes would be applied toward the Offshore Fund’s federal income tax liabilities).

Assuming that the Master Fund is not engaged in a U.S. trade or business, the Offshore Fund will be subject to withholding of Federal income tax at a 30% rate on its allocable share of the Master Fund’s U.S.-source dividend income and other U.S.-source fixed or determinable annual or periodic gains, profits, or income as defined in Section 881(a) of the Code other than most forms of interest income. The Master Fund will also generally not qualify for any tax treaty benefits with respect to the Offshore Fund’s allocable shares of dividends, interest and gains on securities that are subject to foreign withholding taxes.

Even if the Fund’s allocable share of the Master Fund’s securities trading activity does not constitute a U.S. trade or business, the Fund’s allocable share of gains realized from the sale or disposition of: (i) stock or securities (other than debt instruments with no equity component) of U.S. Real Property Holding Corporations (as defined in Section 897 of the Code) (“USRPHCs”); or (ii) stock or securities (other than debt instruments with no equity component) of Real Estate Investment Trusts (“REITs”), will be generally subject to U.S. federal income tax on a net basis. However, such income will generally not be subject to U.S. federal income tax under certain circumstances, primarily: (i) in the case of an interest in a USRPHC, if such interest is a class of stock that is regularly traded on an established securities market and the Fund generally did not hold (or was not deemed to hold under certain attribution rules) more than five percent (5%) of the value of such regularly traded class of stock at any time during the five (5) year period ending on the date of disposition, or (ii) in the case of an interest in a REIT, if during the five (5) year period ending on the date of disposition (or during the life of the REIT, if shorter) less than fifty percent (50%) in value of the stock of the REIT was held directly or indirectly by foreign persons. However, even if the direct or indirect disposition of REIT shares would be exempt from tax on a net basis, distributions from a REIT (whether or not such REIT is a USRPHC), to the extent attributable to the REIT’s disposition of interests in U.S. real property, are subject to tax on a net basis and a 21% withholding tax when directly or indirectly received by the Fund and may be subject to the branch profits tax. Certain distributions from certain publicly traded REITs to non-U.S. Shareholders owning ten percent (10%) or less of the publicly traded class of shares throughout the one-year period ending on the date of the distributions are subject to a thirty percent (30%) gross withholding tax and are not subject to tax on a net basis.

The Offshore Fund does not expect to maintain significant cash reserves, but generally intend to invest any cash reserves that may exist in a manner so as not to be subject to 30% withholding.

On November 29, 2013, the Cayman Islands government entered into a model 1 inter-governmental agreement with the United States (the “IGA”) in connection with the implementation of the US Foreign Account Tax Compliance Act (“FATCA”). The IGA is intended to result in the automatic exchange of tax information under FATCA. The two governments also signed a new Tax Information Exchange Agreement which outlines the legal channels through which tax information will automatically be exchanged. The terms of the IGA have been brought into law in the Cayman Islands by the enactment of the Tax Information Exchange (Amendment) Law 2014 and the related regulations. Guidance notes relating to the Cayman Islands legislation have been published. Investors may be required to provide additional identifying information in order to correctly classify the investor for the purposes of FATCA, and in the event an investor does not supply such information on request, such investor may be automatically classified as a ‘U.S. Reportable Account’ and information pertaining to such investor (and its holding in the Offshore Fund) may be passed to the Service. Any information provided which identifies the investor’s direct or indirect ownership of an interest in the Offshore Fund may be reported to the Cayman Islands government and/or the Service. Investors who do not provide required information may also be subject to withholding.

From time to time, legislation has been introduced that would treat certain offshore corporations that are managed or controlled in the United States as U.S. corporations for federal income tax purposes. If this legislation were to pass and is applicable to the Offshore Fund, the Offshore Fund would be subject to U.S. federal income tax.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE SPECIFIC FEDERAL, STATE, LOCAL, U.S. AND NON-U.S. TAX CONSEQUENCES OF THE PURCHASE AND OWNERSHIP OF AN INTEREST IN THE FUND AND/OR THE FILING REQUIREMENTS, IF ANY, ASSOCIATED WITH THE PURCHASE AND OWNERSHIP OF AN INTEREST IN THE FUND.

***Investment by Tax-Qualified Retirement Plans and other Tax-Exempt Investors***

Tax-qualified pension and profit-sharing plans (including Keogh or HR-10 plans), traditional and Roth individual retirement accounts described in Sections 408 and 408A of the Code, respectively (“IRAs”), educational institutions, and other investors exempt from taxation under Section 501 of the Code are generally exempt from Federal income tax except to the extent that they recognize UBTI. UBTI is income from an unrelated trade or business regularly carried on, excluding various types of investment such as dividends, interest, certain rental income, and capital gain, so long as not derived from debt-financed property. If a tax-exempt organization is a partner in a partnership that generates UBTI, the UBTI of the partnership will pass through to the organization. In addition, UBTI includes income derived from debt-financed property, i.e., property as to which there is “acquisition indebtedness”. Acquisition indebtedness is the unpaid amount of any debt incurred directly or indirectly to acquire or improve the property. During the period that any acquisition indebtedness is outstanding, a pro rata share of the income from the property will generally be UBTI based on the ratio of the average outstanding principal balance of the debt to the average tax basis of the property during the applicable tax year. To the extent the Master Fund holds debt-financed property or property primarily for sale to customers or becomes actively involved in trading securities, income attributable to such property or activity could constitute UBTI to a direct investor in the Master Fund. But, no such UBTI from the Master Fund should be attributable to a shareholder of the Offshore Fund or an investor in the TEI Fund, because UBTI generally should not pass through a corporation such as the Offshore Fund to its U.S. direct or indirect tax-exempt investors.

Because all shares of the Offshore Fund will be owned by the TEI Fund, which is a U.S. person for Federal income tax purposes, the Offshore Fund will be considered a controlled foreign corporation (“CFC”) for U.S. Federal income tax purposes. Income of a CFC is taxable as UBTI to a tax-exempt entity only if the income consists of certain kinds of insurance income as defined in Section 512(b)(17) of the Code. The Offshore Fund does not expect to generate UBTI of this type. Accordingly, the TEI Fund believes that income of the TEI Fund allocable to tax-exempt investors should not constitute UBTI.

If an investor incurs debt to finance the acquisition of a Unit, that acquisition indebtedness will separately cause income and gain from the TEI Fund to become UBTI under the rules applicable to debt-financed income. Each investor should consult its own tax adviser to determine whether any particular indebtedness of that investor may give rise to such debt-financed income as a result of an investment in the TEI Fund.

The foregoing discussion is intended to apply primarily to exempt organizations that are tax-qualified plans. The UBTI of certain other exempt organizations may be computed in accordance with special rules. Further, certain types of tax-exempt entities under the Code, such as “charitable remainder trusts” that are required to make taxable distributions based upon income received from all sources, may be disadvantaged under the rules relating to CFCs in a manner similar to taxable investors. Charitable remainder trusts are generally required, under their trust instruments and for purposes of qualifying under the Code for tax exemption, to make current distributions of all or a significant portion of their income. As an investor in a CFC, such a trust would be deemed to receive income each year from the CFC whether or not the CFC currently distributes such income. For these reasons, the Fund is not an appropriate investment for a charitable remainder trust.

U.S. TAX-EXEMPT INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS CONCERNING THE U.S. TAX CONSEQUENCES TO THEM OF ANY INVESTMENT IN A FUND.

***Investment by Benefit Plans and IRAs***

This section sets forth certain consequences under ERISA and Section 4975 of the Code which a fiduciary of an “employee benefit plan” as defined in and subject to ERISA (an “ERISA Plan”) or of a “plan” as defined in and subject to Section 4975 of the Code should consider before investing or deciding to invest the plan’s assets in the

TEI Fund (such ERISA Plans and other “plans” being referred to herein as “Plans,” and such fiduciaries being referred to herein as “Plan Fiduciaries”). The following summary is not intended to be complete, but only to address certain questions under ERISA and the Code which are likely to be raised by the Plan Fiduciary’s own counsel.

In general, the terms “employee benefit plan” as defined in Section 3(3) of ERISA and “plan” as defined in Section 4975 of the Code together refer to any plan or account of various types which provide retirement benefits or welfare benefits to an individual or to an employer’s employees and their beneficiaries. Such plans and accounts include, but are not limited to, pension and profit-sharing plans (including “Section 401(k) plans”), “simplified employee pension plans,” non-ERISA Keogh plans for self-employed individuals (including partners), IRAs, and medical benefit plans.

Each Plan Fiduciary of an ERISA Plan who has investment discretion must give appropriate consideration to the facts and circumstances that are relevant to an investment in the TEI Fund, including the role an investment in the TEI Fund plays in the ERISA Plan’s investment portfolio and the projected return of the ERISA Plan’s total portfolio relative to the ERISA Plan’s funding objectives. Each such Plan Fiduciary of an ERISA Plan, before deciding to invest in the TEI Fund, must be satisfied that investment in the TEI Fund is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the TEI Fund, are diversified so as to minimize the risk of large losses (unless, under the circumstances, it is clearly prudent not to do so), and that an investment in the TEI Fund complies with the documents of the ERISA Plan and related trust. If a Plan Fiduciary of an ERISA Plan breaches his or her fiduciary responsibilities with regard to selecting an investment for an ERISA Plan, the Plan Fiduciary may be held personally liable for losses incurred by the ERISA Plan as a result of such breach.

A Plan Fiduciary of an ERISA Plan, such as a directed trustee, who invests ERISA Plan assets in the TEI Fund at the direction of another Plan Fiduciary or, in the case of a participant-directed ERISA Plan, at the direction of an ERISA Plan participant or beneficiary, generally has only limited fiduciary responsibility under ERISA with respect to the investment. Also, a Plan Fiduciary who has control over the availability of investments in a participant-directed ERISA Plan has fiduciary responsibility to prudently select and monitor such investments. Such Plan Fiduciaries should consult with legal counsel to ensure that investment in the TEI Fund is consistent with their fiduciary responsibilities under ERISA and is being monitored in accordance with ERISA.

Because the TEI Fund will be registered as an investment company under the 1940 Act, the underlying assets of the TEI Fund will not be considered “plan assets” of the Plans investing in the TEI Fund for purposes of ERISA’s fiduciary responsibility and prohibited transaction rules or the prohibited transaction rules of Section 4975 of the Code. Thus, the Investment Managers will not, solely as a result of the Plan’s investment in the TEI Fund, be fiduciaries with respect to the assets of any Plan that becomes a Partner of the TEI Fund.

The Board will require a Plan proposing to invest in the TEI Fund to represent that it, and any Plan Fiduciaries responsible for the Plan’s investments, are aware of and understand the TEI Fund’s investment objective, policies, and strategies, that the decision to invest Plan assets in the TEI Fund was made with appropriate consideration of relevant investment factors with regard to the Plan, and, with respect to an ERISA Plan, that the decision to invest ERISA Plan assets in the TEI Fund is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under ERISA and does not violate the terms of any applicable ERISA Plan document.

Certain prospective Plan investors may currently maintain relationships with the Investment Managers or one or more investment advisers of Adviser Funds in which the Master Fund will invest, or with other entities that are affiliated with the Investment Managers or such investment advisers. Each of such persons may be deemed to be a “party in interest” (as defined in Section 3(14) of ERISA) or a “disqualified person” (as defined in Section 4975(e)(2) of the Code) with respect to, and/or a fiduciary of, any Plan to which it (or an affiliate) provides investment management, investment advisory, or other services. ERISA and Section 4975 of the Code prohibit Plan assets from being used for the benefit of a party in interest or disqualified person and also prohibit a Plan Fiduciary from using its fiduciary authority, control or responsibility to cause the Plan to make an investment from which it or certain third parties in which such Plan Fiduciary has an interest would receive a fee or other consideration. Plan investors should consult with legal counsel to determine if participation in the TEI Fund is a transaction that is prohibited by ERISA or the Code, and will be required to represent that the purchase of Units in the TEI Fund is not

such a prohibited transaction. Plan Fiduciaries also will be required to represent that the decision to invest in the TEI Fund was made by them as fiduciaries that are independent of such affiliated persons, that are duly authorized to make such investment decisions, and that have not relied on any individualized advice or recommendation of such affiliated persons as a primary basis for the decision to invest in the TEI Fund.

The foregoing statements regarding the consequences under ERISA and the Code of an investment in the TEI Fund are based on the provisions of the Code and ERISA as in effect on June 1, 2016, and the then-existing administrative and judicial interpretations thereunder that have become effective. No assurance can be given that administrative, judicial, or legislative changes will not occur that will not make the foregoing statements incorrect or incomplete.

ACCEPTANCE OF SUBSCRIPTIONS ON BEHALF OF PLANS IS IN NO RESPECT A REPRESENTATION BY THE BOARD, THE INVESTMENT MANAGERS, OR ANY OTHER PARTY RELATED TO THE FUND THAT THIS INVESTMENT MEETS THE LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR PLAN OR THAT THIS INVESTMENT IS APPROPRIATE FOR ANY PARTICULAR PLAN. THE PERSON WITH THE INVESTMENT DISCRETION SHOULD CONSULT WITH HIS OR HER ATTORNEY AND FINANCIAL ADVISERS AS TO THE PROPRIETY OF AN INVESTMENT IN THE FUND IN LIGHT OF THE CIRCUMSTANCES OF THE PARTICULAR PLAN.

#### **BOTH FUNDS**

FOR ADDITIONAL INFORMATION ON AN INVESTMENT IN THE FUNDS, SEE “CERTAIN TAX CONSIDERATIONS” IN THE SAI. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE SPECIFIC FEDERAL, STATE, LOCAL, U.S. AND NON-U.S. TAX CONSEQUENCES OF THE PURCHASE AND OWNERSHIP OF UNITS IN A FUND AND/OR THE FILING REQUIREMENTS, IF ANY, ASSOCIATED WITH THE PURCHASE AND OWNERSHIP OF UNITS IN A FUND.

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