



## Alpha Hedged Strategies Fund (ALPHX) Manager Descriptions | February 2010

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### **Alpha Equity Management, LLC**

Hartford, CT, Market Neutral Equity-International, firm founded in 2000

Alpha Equity Management invests in international equities (both ADRs and ordinary shares) using a proprietary multi-factor model that seeks to capture market inefficiencies through a structured and disciplined process. The investment process identifies factors that quantify stock characteristics and capture market inefficiencies that are primarily due to behavioral biases and structural anomalies. The portfolio is constructed by taking long positions in undervalued companies, based on the chosen factors, and shorting overvalued stocks. Returns are dependent on the ability of the models to identify mispriced securities, as opposed to taking broad market or systematic risk. Risk management is a critical component of the strategy, which is designed to limit any stock specific risk and neutralize any net exposures to a particular country, region, or currency.

*Vince Fioramonti is the lead Portfolio Manager in international equities. He is part of an investment team that has worked together since 1994 (Aeltus Investment Management) and manages a series of alternative strategy funds at Alpha Equity Management*

**ALPHX Strategy: Market Neutral Equity**

### **AlphaStream Capital Management, LLC**

Alameda, CA, Market Neutral Equity-U.S. Small Cap, firm founded in 2002

AlphaStream's U.S. Small Cap Neutral Equity invests in small capitalization U.S. equities as defined by a proprietary database approximately equal to the Russell 2000. The quantitative approach is characterized by bottom-up multi-factor stock selection models, a disciplined buy and sell decision process, and the balancing of excess returns and risk in a broadly diversified portfolio. The portfolio is constructed by taking long positions in the top quintile of stocks rated across the factors and shorting the bottom quintile or lowest rated stocks in the model. Returns are dependent on the ability of the models to identify mispriced securities as opposed to taking broad market or systematic risk. Systematic risk is minimized by controlling net industry/sector exposures limiting net market capitalization exposure.

*Stephen Marsh and Robert Tymoczko co-founded AlphaStream. Prior to co-founding the company, Mr. Marsh was lead portfolio manager at Zurich Scudder Investments for tax-managed institutional accounts and co-head of U.S. quantitative equities. Mr. Tymoczko was previously lead portfolio manager and co-head of U.S. quantitative equities at Zurich Scudder Investments overseeing portfolios ranging from style neutral to small cap mutual funds and separate accounts.*

**ALPHX Strategy: Market Neutral Equity**

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## **Aristos Capital Management, LLC**

New York, NY, Long/Short Equity, firm founded in 2006

Aristos' all cap long/short multi-sector equity strategy is based upon a fundamental research process that focuses on small and mid-cap stocks. The Investment Manager focuses on out-of-favor stocks that trade at depressed multiples of earnings and cash flow relative to historical and prospective growth profiles. The same approach leads to outsized returns when applied to overvalued and over-hyped stocks as part of the stock selection process on the short side. Active stock-specific and systematic risk hedging is employed to adapt to changing market and economic conditions.

*Lenny B. Shimunov, CFA and Nelson P. Woodard, Ph.D., both Principals of the firm, act as Portfolio Managers. They previously worked together for many years at Dreman Value Management, where they were responsible for more than \$18 billion of assets.*

**ALPHX Strategy: Long/Short Equity**

## **Concise Capital Management, L.P.**

Coral Gables, FL, Alternative Yield, firm founded in 2004

Concise Capital's alternative yield strategy seeks consistent uncorrelated returns through investments in short-maturity high yield securities. The portfolio managers conduct intensive credit research in smaller, under-followed companies, primarily within domestic markets, and add value by targeting corporate issues that have a higher probability of refinancing. The portfolio is hedged using derivatives to mitigate market exposure and reduce portfolio volatility.

*Co-Founders Glenn Koach, President and Portfolio Manager, and Tom Krasner, Principal and Portfolio Manager, have more than 45 years of combined experience and extensive backgrounds in distressed debt and high yield bonds.*

**ALPHX Strategy: Relative Value**

## **FrontFour Capital Group, LLC**

Stamford, CT, Event Driven, firm founded in 2006

FrontFour's long/short event driven strategy invests across the capital structure, including event equity and distressed corporate debt. The sub-advisor pairs research-intensive fundamental analysis with the identification of specific catalysts in order to find undervalued securities that have a path towards value realization. Some individual investments may include targeted, prudent activism and situation-specific hedging.

*Co-Founders David Lorber and Zachary George are Managing Members and Co-Portfolio Managers. Prior to founding FrontFour, Messrs. Lorber and George were Senior Investment Analysts at Pirate Capital, where they were responsible for idea generation and coverage of approximately \$500 million of equity and debt portfolio positions.*

**ALPHX Strategy: Event Driven**

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## **Gabelli Asset Management Company**

Rye, NY, Merger Arbitrage, firm founded in 1977

Gabelli's merger arbitrage strategy is designed to primarily invest in announced global merger and acquisition. The sub-advisor utilizes the firm's research-driven, bottom-up, fundamental value-based approach and draws from the experience of the entire Gabelli organization. The portfolio invests across a broad spectrum of industries and sectors, and has global exposure across all market capitalizations.

*Mario Gabelli, Portfolio Manager, Chairman, Chief Executive Officer, and Chief Investment Officer, is one of the pre-eminent figures in the investment management industry. Mr. Gabelli founded the firm in 1977 as a broker dealer and has since grown it into a publicly traded, multi-billion dollar diversified financial services corporation.*

**ALPHX Strategy: Event Driven**

## **Goldberg Advisers, LLC**

San Francisco, CA, Long/Short Equity-Natural Resources, firm founded in 2005

Goldberg invests globally in natural resource companies that are benefiting from supply constraints and where globally vital commodities will positively correlate with inflation. A team of four investment professionals, each with a specific responsibility of the fund's management, seeks to identify undervalued securities that have become detached from the value of the underlying commodity exposure. Further, listed equity options are attached onto positions to minimize position entry point risks, enhance returns, and/or reduce return volatility, as well as to protect against material changes in a sector's economies.

*Prior to founding Goldberg Advisers, John Goldberg was a Portfolio Manager at Hahn Capital Management. Previously, he was an equity research analyst for Wells Capital Management.*

**ALPHX Strategy: Long/Short Equity**

## **Kellner DiLeo & Company**

New York, NY, Distressed and High Income, firm founded in 1981

Kellner DiLeo invests in securities of small to middle market issuers with a generally lower profile in the distressed market. Distressed and high income investing involves the purchase of securities in companies experiencing financial and/or operational difficulties. Investments may include bank debt, bonds, convertible securities, equities, and trade claims. Katalin Kutasi and Kellner Di Leo's nine investment professionals invest across multiple segments of the distressed universe, investing both long and short.

*Katalin (Kate) E. Kutasi, Portfolio Manager and Director of Distressed & High Income Investing, joined Kellner DiLeo & Company in 2005. Kate has more than 26 years of restructuring, distressed, and industry experience. Prior to joining Kellner DiLeo, Kate was Senior Vice President and Director of High Yield, Distressed, and Private Securities Research at Alliance Capital Management, L.P.*

**ALPHX Strategy: Event Driven**

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## **Nicholas Investment Partners, L.P.**

Rancho Santa Fe, CA, Convertible Bond Arbitrage, firm founded in 2006

Nicholas Investment Partners employs a bottom-up process blending both quantitative and fundamental research to identify convertible securities with favorable risk/reward profiles. The strategy involves the simultaneous purchase of convertible securities and the short sale of the same issuer's common stock. The firm, which has strong equity capabilities, utilizes a combination of fundamental equity research and strong credit analysis to build the portfolio.

*Nicholas Investment Partners was co-founded by Catherine Nicholas, former Global Chief Investment Officer of Nicholas-Applegate (NACM), and Art Nicholas, co-founder of NACM. John Wylie, Partner and Portfolio Manager, previously co-founded CapitalWorks Investment Partners, where he was the lead portfolio manager for Convertible Arbitrage and Micro Cap strategies.*

**ALPHX Strategy: Relative Value**

## **Osage Energy Management, LLC**

The Woodlands, TX, Long/Short Equity-Master Limited Partnerships (MLPs), firm founded in 2005

Osage's invests in publicly traded MLPs. The fundamentally driven strategy is based on the analysis of energy infrastructure and logistics companies. Osage's professional team, with years of direct experience as executives of operating companies in the energy industry, utilizes their personal networks and industry knowledge to assess company management, assets owned, markets and competition, and internal decision-making processes. This intrinsic understanding of the nature and sensitivity of business drivers (versus financial drivers) allows for better understanding of the nuances and subtleties of the specific investments that often leads to early identification of opportunities and/or weaknesses in the business. Interest rate exposure and energy market volatility is tactically hedged to protect the portfolio.

*Osage was co-founded by Richard Duszynski and Eric Werner. Mr. Duszynski, Portfolio Manager of the funds, previously spent twenty-two years in the energy business, holding a variety of senior level positions. Mr. Werner was President of a private equity firm that invested in a broad spectrum of industries, including energy, technology, and telecommunications.*

**ALPHX Strategy: Long/Short Equity**

## **Simran Capital Management**

Chicago, IL, Event Driven, firm founded in 2005

Simran's Event Driven strategy uses investment banking financial models to derive a fundamental bottom-up valuation of securities across a company's capital structure. The eight investment professionals seek to construct a portfolio of attractive credits trading below the intrinsic value of a company. Simran's primary investment universe includes debt obligations of stressed companies from which the sub-advisor selects the most attractive 20-30 positions, based on the perceived risk/return opportunity.

*Founder Mesh Tandon serves as Portfolio Manager and Managing Partner. Previously, Mr. Tandon advised hedge funds, high yield managers, and distressed players on valuation, restructurings, portfolio construction, and market dynamics and technicals.*

**ALPHX Strategy: Event Driven**

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### **Smith Breeden Associates, Inc.**

Durham, NC, Fixed Income Arbitrage, firm founded in 1982

Smith Breeden's fixed income arbitrage strategy invests primarily in fixed income securities with an emphasis on securitized credit (e.g., asset-backed securities and commercial mortgage-backed securities) and corporate credit. Investments also may include emerging market debt, currency overlays, and other special situations. A fixed income specialist with more than 80 employees, Smith Breeden takes both long and short positions with either cash or derivative securities. The strategy often looks to exploit the inefficiencies between related fixed income securities.

*Senior Portfolio Manager Jonathan Duensing, CFA heads the Corporate Credit Investment Team and is responsible for the firm's credit-related absolute return portfolios. Prior to joining Smith Breeden in 1996, Mr. Duensing was the Credit Officer for a member bank of Old National Bancorp.*

**ALPHX Strategy: Relative Value**

### **Sunnymeath Asset Management, Inc.**

Red Bank, NJ, Long/Short Equity-Value, firm founded in 1996

Sunnymeath's long/short value, all-cap strategy utilizes bottom-up fundamental analysis with an emphasis on cash flow. The strategy focuses on the materials, industrials, consumer discretionary, and health care sectors. By concentrating on a relatively small number of companies at any one time, the portfolio manager will trade opportunistically around value-oriented investments. The manager and his team of five seek to identify and capitalize on the opportunities that cycles present at the market, industry, company, and investor sentiment levels.

*Portfolio Manager James O'Melia founded Sunnymeath Asset Management after leaving his position as Vice Chief Investment Officer at Fox Asset Management, which managed \$3 billion in institutional equity, balanced, and fixed income accounts. Previously, Mr. O'Melia was Chief Operating Officer at McGlinn Capital Management, where he managed the firm's equity and high yield investments and directed research.*

**ALPHX Strategy: Long/Short Equity**

### **Twin Capital Management, Inc.**

McMurray, PA, Market Neutral Equity-U.S. Mid Cap Price Momentum, firm founded in 1990

Twin Momentum is an actively traded market neutral equity strategy focusing on measures of price momentum as the primary return drivers among a universe of U.S. mid-cap growth stocks. This proprietary dollar-neutral strategy applies an intermediate-term price momentum factor to each of the stocks in this segment of the universe, and the model then ranks them from highest to lowest based on multiple time horizons, adjusting for short-term price reversal. The portfolio is constructed by buying long and selling short the tails of this distribution.

*Founder Geoffrey Gerber, Ph.D. serves as President and Chief Investment Officer. Previously, Mr. Gerber gained institutional investment management experience at Mellon Equity Associates and Prudential Asset Management Company. The firm has built a strong team of ten members, including eight with advanced degrees and professional certifications.*

**ALPHX Strategy: Market Neutral Equity**

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## Zacks Investment Management, Inc.

Chicago, IL, Market Neutral Equity-Earnings Revision, firm founded in 1978

Zacks Market Neutral Strategy balances risk and return using a combination of qualitative and quantitative analyses. After long and short positions are qualitatively selected using fundamental investment analysis, the manager uses a proprietary quantitative model that employs earnings estimate revisions as a leading indicator of fundamental change to construct the portfolio. Companies with rising earnings estimates combined with improving fundamentals are bought, and companies with decreasing earnings estimates combined with deteriorating fundamentals are sold short.

*Ben Zacks, President of Zacks Investment Management and co-founder of the independent research company Zacks Investment Research, manages the strategy. He manages the strategy with a team of six, including analysts, advisors, and a trader.*

### ALPHX Strategy: Market Neutral Equity

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#### IMPORTANT DISCLOSURES AND KEY RISK FACTORS

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1.877.569.2382 or visiting [www.hatterasmutualfunds.com](http://www.hatterasmutualfunds.com). Read it carefully before investing.*

Certain hedging techniques and leverage employed in the management of the Fund may accelerate the velocity of possible losses. Short selling involves the risk of potentially unlimited increase in the market value of the security sold short, which could result in potentially unlimited loss for the Fund. Derivatives involve investment exposure that may exceed the original cost and a small investment in derivatives could have a large potential impact on the performance of the Fund. Options held in the Fund may be illiquid and the fund manager may have difficulty closing out a position. The Fund may also invest in:

- smaller capitalized companies - subject to more abrupt or erratic market movements than larger, more established companies;
- foreign securities, which involve currency risk, different accounting standards and are subject to political instability;
- securities limited to resale to qualified institutional investors, which can affect their degree of liquidity;
- shares of other investment companies that invest in securities and styles similar to the Fund, resulting in a generally higher investment cost than from investing directly in the underlying shares of these funds.

The Fund intends to utilize these individual securities and hedging techniques in matched combinations that are designed to neutralize or offset the individual risks of employing these techniques separately. Some of these matched strategies include merger arbitrage, long/short equity, convertible bond arbitrage and fixed-income arbitrage. There is no assurance that these strategies will protect against losses. The Fund is non-diversified and therefore may invest in the securities of fewer issuers than diversified funds at any one time; as a result, the gains and losses of a single security may have a greater impact on the Fund's share price.

**Because the Fund is a fund-of-funds, your cost of investing in the Fund will generally be higher than the cost of investing directly in the shares of the mutual funds in which it invests. By investing in the Fund, you will indirectly bear your share of any fees and expenses charged by the underlying funds, in addition to indirectly bearing the principal risks of the funds. Please refer to the prospectus for more information about the Fund, including risks, fees and expenses.**

While the Fund is a no-load fund, management fees and other expenses still apply. Mutual fund investing involves risk; loss of principal is possible. Please consult an investment professional for advice regarding your particular circumstances. An investment in the Fund may not be suitable for all investors.

*The Fund is distributed by Hatteras Capital Distributors, LLC, an affiliate of Hatteras Alternative Mutual Funds by virtue of common control or ownership.*



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