



HATTERAS
Funds

ALPHA HEDGED STRATEGIES FUND (ALPHX)

Multiple Hedge Fund Strategies

Multiple Hedge Fund Managers

Mutual Fund Structure

COMPETITIVE ADVANTAGES

The Alpha Hedged Strategies Fund combines exposure to a variety of dedicated hedge strategies and dedicated hedge fund managers with the advantages of a mutual fund structure:

- Daily liquidity
- No investor qualification
- Low minimum investment
- Complete position-level transparency

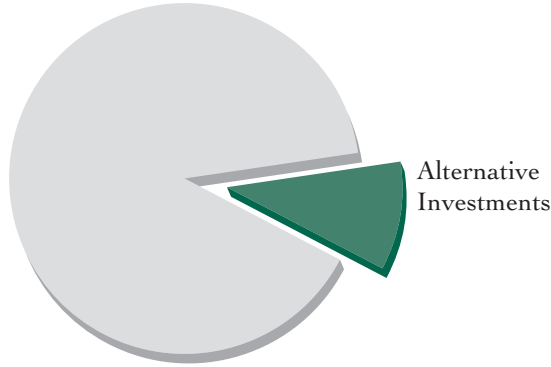
The Fund is not a:

- 130/30 fund
- Replication fund
- Long-only strategy fund with a hedge overlay



THE ASSET ALLOCATOR'S SOLUTION

ASSET ALLOCATION



Q How do you implement your allocation to alternative investments?

A By investing in a product that offers multiple hedge fund strategies and multiple hedge fund managers in a mutual fund structure.

	Fund of Hedge Funds (FOHF) [†]	Alpha Hedged Strategies Fund
Multiple hedge fund managers	Yes	Yes
Multiple hedge fund strategies	Yes	Yes
Incentive fees at manager level	Yes	No
Full transparency	No	Yes
Control of assets	No	Yes
Daily liquidity	No	Yes
Lock-ups	Yes	No
Benchmark: HFRI FoF	Yes	Yes

EXPOSURE TO FUNDS OF HEDGE FUNDS CAN BE HARD TO ACHIEVE

- **Investor Qualification:** Most require a minimum net worth of \$1,000,000
- **High Investment Minimum:** Most require a minimum investment of \$100,000 or more
- **Fund Openings:** Allocations often limited to monthly investments only
- **Redemptions:** Initial lock-up of nearly a year; after that, liquidity is monthly, quarterly or longer
- **Transparency:** Few offer complete transparency
- **K-1 Tax Reporting:** Requires an extension on tax return filing

THE ALPHX SOLUTION: HEDGE FUND STRATEGIES IN A MUTUAL FUND

- **Investor Qualification:** No minimum net worth requirement
- **Minimum Investment:** Minimum investment of \$10,000*
- **Fund Openings:** Daily investments
- **Redemptions:** Daily liquidity
- **Transparency:** Complete position-level transparency
- **1099 Tax Reporting:** Investors can file returns on time

* Various brokers may set their own minimums for both the initial and subsequent purchases.

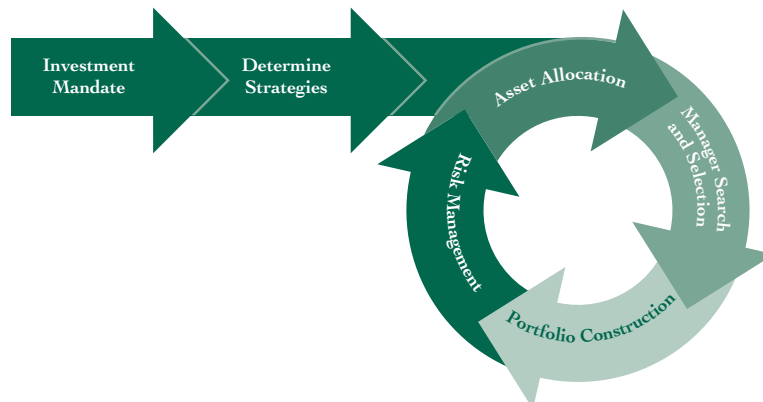
INVESTMENT PROCESS

Foundation:

- Define Investment Mandate
- Determine Strategies

Ongoing:

- Asset Allocation
- Manager Search and Selection
- Portfolio Construction
- Risk Management



INVESTMENT MANDATE

Provide access to multiple hedge fund managers and strategies in an open-end mutual fund structure

Investment objective:

- The Alpha Hedged Strategies Fund seeks to achieve consistent returns with low correlation to traditional financial market indices. The Fund uses the S&P 500 Index and the Hedge Fund Research, Inc. (“HFRI”) Fund of Funds Composite Index as its benchmarks.

Performance objective:

- Generate returns that are similar and highly correlated (+0.9) to a diversified fund of funds benchmark*

Portfolio constraints:

- Diversified portfolio of hedge fund strategies managed by hedge fund managers†
- No additional leverage at the portfolio level

Measurement criteria:

- Benchmark: HFRI Fund of Funds Composite Index

*Over a full 3-5 year investment cycle

†Diversification does not assure a profit or protect against loss in a declining market

STRATEGIES

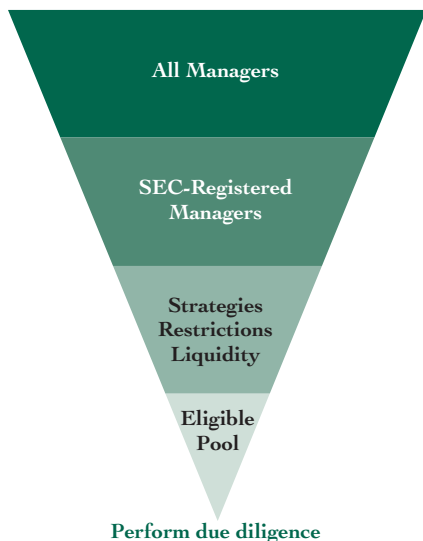
- **Long/Short Equity:** Directional equity-based strategies
- **Market Neutral Equity:** Non-directional equity-based strategies
- **Relative Value:** Relative value and yield-based strategies
- **Event Driven:** Event-based strategies

ASSET ALLOCATION

Strategies	Allocations Range°
Long/Short Equity	25%–45%
Market Neutral Equity	15%–35%
Relative Value	15%–35%
Event Driven	5%–25%

° Ranges provided are as a percent of total investments and are provided as a guideline. Please see the prospectus for legal limitations.

MANAGER SEARCH AND SELECTION



PORTFOLIO CONSTRUCTION

Composition

Sub-advisor position sizing

Initial	2%–3%
Core	4%–5%
Max ^o	8%

Number of sub-advisors (range)

Total	16–30
Per Strategy	4–10

Exposure

Max Total Gross	250%
Max Gross Long	150%
Max Gross Short	100%
Maximum Net	100%

^o Will begin to trim position at 8%

RISK MANAGEMENT

	Portfolio	Sub-advisor
Daily	Liquidity, market exposures, positions, cash balance, and performance	Exception reporting of the sub-advisor's portfolio against its mandate
Monthly	"Portfolios Dashboard Report"	Detailed performance and attribution analysis
Quarterly	Extensive risk reports, review of strategic/tactical objectives, etc.	Peer group analysis, extensive risk reports

IMPORTANT DISCLOSURES AND 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 1.877.569.2582, or visiting www.batterasmutualfunds.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 that are 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; and 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 no-load, 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. These securities have not been approved or disapproved by the Securities and Exchange Commission.

HFRI (Hedge Funds Research, Inc.) Fund of Fund Composite Index Funds included in the Index invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The fund of funds manager has discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. The minimum investment in a fund of funds may be lower than an investment in an individual hedge fund or managed account. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers. **You cannot invest directly in an index.** ALPHX Distributor: Hatteras Capital Distributors, LLC, an affiliate of Hatteras Alternative Mutual Funds by virtue of common control or ownership.

INVESTMENT COMMITTEE

The Investment Committee is responsible for the planning and execution of all investment decisions, including:

- Formulating strategic and tactical allocation targets
- Approving mandates
- Directing capital flows
- Sub-advisor hiring and firing
Majority vote is required for sub-advisor approval; any single Investment Committee member can terminate a sub-advisor

The Investment Committee is comprised of five individuals, each having a specific focus

- Michael P. Hennen, CFA – portfolio and process management
- Robert J. Murphy, CFA, FRM, CAIA – risk management
- Michael E. Portnoy – manager research and due diligence (Relative Value, Event Driven)
- Mark R. Tonucci – manager research and due diligence (Long/Short Equity, Market Neutral Equity)
- Lee W. Schultheis – fund structure and mutual fund regulations

The Board of Trustees must also approve all sub-advisors

	Typical Fund of Hedge Funds (FOHF) [†]	Alpha Hedged Strategies Fund
Underlying Manager		
Management Fee	2.00%	N/A
Operating Expenses*	1.20%	N/A
FOHF		
Management Fee	1.25%	2.50%
Operating Expenses*	1.00%	1.49%
TOTAL FEES BEFORE INCENTIVE FEE	5.45%	Capped at 3.99%
Incentive Fee		
Underlying Manager	20.00%	None
FOHF	10.00%	None

[†]Sources: HFR Market Microstructure Industry Report, Lipper (Thompson Reuters), and Hatteras Funds compiled from public filings on SEC EDGAR System

^{*}These structures incur other expenses related to how their portfolio invests, which can include: brokerage commission, interest on borrowing for leverage purposes, dividends, and interest paid on securities sold short and indirect expenses from investment in other companies, including open-end and closed-end mutual funds, and ETFs.

HATTERAS FUNDS

Hatteras Funds strives to be a world-class provider of unique alternative investment solutions for financial professionals. Hatteras Funds was founded in 2003 to give investors the ability to access institutional-quality alternative investments with confidence.

- *\$1.6 billion in assets under management**
- *More than 40 professionals*
- *Commitment to customer service*

* As of September 30, 2009



HATTERAS
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ALTERNATIVE MUTUAL FUNDS