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Hatteras Funds, LP (d/b/a Hatteras Investment Partners)  
Form ADV Part 2A – Disclosure Brochure

March 30, 2021

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**This Form ADV Part 2A Disclosure Brochure (“Brochure”) provides information about the qualifications and business practices of Hatteras Funds, LP d/b/a Hatteras Investment Partners. If you have any questions about the contents of this brochure, please contact us at 919.846.2324. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Any reference to or use of the terms “registered investment adviser” or “registered” does not imply that Hatteras Investment Partners or any person associated with it has achieved a certain level of skill or training.**

**Additional information about Hatteras Investment Partners is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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**HATTERAS**  
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## Item 2: Material Changes

Hatteras Investment Partners (“Hatteras”, the “Firm” or the “Adviser”) has experienced the following material changes since the filing of the prior annual amendment in March 2020 and the amended filing in November 2020:

- The Hatteras Late Stage VC Fund I, LP has been dissolved and a final distribution has been made to investors.
- The Firm has launched the Hatteras Evergreen Private Equity TEI Fund which is now part of the Adviser’s investment offerings;
- The Paycheck Protection Program (“PPP”) loan offered through the U.S. Small Business Administration and accepted by Hatteras was subject to loan forgiveness and is no longer an outstanding obligation of the Firm; and
- The Adviser has updated its regulatory assets under management.

The Firm will provide you with a new Brochure as necessary based on material changes, at any time, without charge.

Currently, our Brochure may be requested by contacting 919.846.2324 or 866.388.6292. Our Brochure is also available on the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) free of charge.

Additional information about Hatteras is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Hatteras who are registered, or are required to be registered, as investment adviser representatives of Hatteras.

### Item 3: Table of Contents

Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	6
Item 6: Performance-Based Fees and Side-By-Side Management.....	8
Item 7: Types of Clients .....	10
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9: Disciplinary Information .....	17
Item 10: Other Financial Industry Activities and Affiliations .....	17
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .	17
Item 12: Brokerage Practices .....	19
Item 13: Review of Accounts.....	20
Item 14: Client Referrals and Other Compensation .....	21
Item 15: Custody .....	22
Item 16: Investment Discretion .....	22
Item 17: Voting Client Securities .....	22
Item 18: Financial Information .....	24
Summary of Business Continuity Plans.....	24

#### **Item 4: Advisory Business**

Hatteras Funds, LP d/b/a Hatteras Investment Partners (“Hatteras” or “We”) is a 100% employee-owned alternative investment boutique and investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”) since March 2014. Hatteras serves as the Investment Manager to pooled investment vehicles (or “Hatteras Limited Partnerships”) that are exempt from registration under the Investment Company Act of 1940 (“1940 Act”) and also serves as Investment Manager to closed-end funds registered under the 1940 Act and Securities Act of 1933 (or “Hatteras Registered Funds”). Hatteras also serves as General Partner to the Hatteras Limited Partnerships. Hatteras furnishes investment advice to the Hatteras Registered Funds and Hatteras Limited Partnerships (together, “Funds”) that it manages and does not provide advisory services directly to individuals or other entities.

Hatteras has one clear mission: to strengthen the relationship between the Advisor and Investor through performance-focused private investment solutions.

Depending upon the registration status or exemption and investor qualifications, the Funds may either be publicly offered or private limited offerings. The Funds are managed in accordance with the investment objectives, strategies and guidelines as outlined in the current registration statement or offering document and are not tailored to any particular investor in the Funds. Hatteras does not provide individualized investment advice to investors; therefore, investors should consider whether a particular fund meets their investment objectives, risk tolerance and financial situation. Investors may also consider seeking the advice and guidance of a qualified financial professional.

Hatteras’ investment management services include setting the mandate of the Funds, determining the investment objectives of the Funds, manager search and selection, asset allocation decisions across fund investment strategies and monitoring existing and prospective investments in light of each fund’s objectives and risk parameters.

Hatteras has entered into Investment Management Agreements with each fund, as applicable and/or required. The Investment Management Agreements describe the terms of the agreements, but in general, each agreement may be terminated at any time in writing by Hatteras or by the applicable fund upon 60 days prior written notice to Hatteras or the applicable fund, respectively.

As of December 31, 2020, Hatteras’ discretionary assets under management were approximately \$381 million.

The Funds managed by Hatteras are as follows:

The **Hatteras Master Fund, L.P.** (the “Master Fund”), an investment company registered under the 1940 Act. The Master Fund is the master fund in a master/feeder structure comprised of the Master Fund and the Hatteras Core Alternatives Funds (“Feeder Funds”). The Master Fund invests in other investment funds (the “Portfolio Funds”) and managed accounts.

**The Hatteras Core Alternatives Fund, L.P.; the Hatteras Core Alternatives TEI Fund, L.P.; the Hatteras Core Alternatives Institutional Fund, L.P.; and the**

**Hatteras Core Alternatives TEI Institutional Fund, L.P.** (collectively referred to as the “Core Alternatives Funds” or the “Feeder Funds”) are Delaware limited partnerships that are registered under the 1940 Act, as non-diversified, closed-end management investment companies whose units are registered under the Securities Act of 1933.

The Core Alternatives Funds will invest substantially all of their assets in the Master Fund. The Master Fund uses a number of independent Adviser Funds selected by Hatteras, the investment manager of the Master Fund, that are typically available on a collective basis to larger institutions. Hatteras and Portfolio Advisors, a Connecticut-based investment adviser registered with the SEC and sub-advisor to the Master Fund since 2017, primarily pursue the Core Alternatives Funds’ investment objective by investing the Master Fund’s assets in hedge fund strategies and private investments.

Hatteras and Portfolio Advisors each manage a portion of the Master Fund’s portfolio. Hatteras manages the hedge fund strategy and Portfolio Advisors manages the private investment strategy of the Master Fund.

**Hatteras Evergreen Private Equity Fund, LLC** (the “Funds”) is a Delaware Limited Liability Company that is not registered under the 1940 Act by reason of the provisions of section 3(c)(7). The investment objective of the Fund is long-term capital appreciation through an evergreen portfolio of private equity and related investments ultimately diversified by vintage year, manager, strategy and subclass with a focus on lower middle-market North American buyouts. An evergreen fund generally is a continuously offered investment vehicle in which distributions generated by underlying portfolio company exits may be reinvested for the purpose of maintaining a more consistent portfolio allocation to private equity. Over time the Fund’s investments are expected to include: (i) primary and secondary investments in private equity funds; (ii) direct and co-investments in the equity and/or debt of operating companies. The Fund is sub-advised by RCP Advisors, LLC (“RCP”) an Illinois-based investment adviser registered with the SEC since November 2005.

**Hatteras Evergreen Private Equity TEI Fund** (the “EPEF TEI”) is a Delaware Limited Liability Company that is not registered under the 1940 Act by reason of the provisions of section 3(c)(7). The Manager will invest all of the assets of Hatteras EPEF TEI in Hatteras Evergreen Private Equity Offshore Fund Ltd (the “Offshore Fund”). The Offshore Fund’s investment objective and strategy are identical to the Hatteras Evergreen Private Equity Fund. The Offshore Fund invests all of its assets in Hatteras Evergreen Private Equity Fund.

**Hatteras Global Private Equity Partners Institutional, LLC** (the “GPEP Institutional Fund”) is a Delaware Limited Liability Company that, since January 20, 2016, is exempt from registration under the 1940 Act in reliance on Section 3(c)(1) of the 1940 Act. The GPEP Institutional Fund is closed to new investors.

**Hatteras GPEP Fund, L.P.** (the “GPEP Fund”) is a Delaware series Limited Partnership that since in late 2008, is exempt from registration under the 1940 Act in reliance on Section 3(c)(1) of the 1940 Act. The GPEP Fund, is closed to new investors.

**Hatteras GPEP Fund II, LLC** (the “GPEP Fund II” is a Delaware Limited Liability Company that is exempt from registration under the 1940 Act, in reliance on Section 3(c)(1) of the 1940 Act as of May 25, 2015. The GPEP Fund II is closed to new investors.

**Hatteras VC Co-Investment Fund II, LLC** (the "VCCI Fund II") is a Delaware Limited Liability Company registered under the 1940 Act, as a non-diversified, closed-end management investment company. The VCCI Fund II is closed to new investors.

## **Item 5: Fees and Compensation**

A description of how Hatteras is compensated for its advisory services is summarized below. Fees and other expenses not disclosed here may be incurred by the Funds, such as but not limited to, fund administration fees, fund accounting fees, custodian fees, audit fees and transfer agency fees and expenses, as applicable and further detailed in each fund’s prospectus or offering document. The fee structures are reviewed annually, with the fee structures for the Hatteras Core Alternatives Fund and the VC Co-Investment fund reviewed with the Board of Directors during the Annual 15(c) Board of Directors Meeting.

### **Hatteras Core Alternative Funds**

The Master Fund will pay the Investment Adviser a management fee at an annual rate of 1.00%, payable monthly in arrears, based upon the Master Fund’s net assets as of each month-end. Although the Feeder Funds will not pay any direct investment management or advisory fees, the Feeder Funds will bear, as a result of their investment in the Master Fund, their allocable portion of the management fees charged to the Master Fund. Pursuant to a Sub-Advisory Agreement between Hatteras and Portfolio Advisors, Hatteras will pay Portfolio Advisors a portion of the management fee it receives from the Master Fund.

As compensation for the services rendered by the Agent, each Feeder Fund intends to pay compensation to the Investment Manager for fund services in accordance with a fund servicing agreement between each Feeder Fund and Hatteras (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 Feeder Fund before giving effect to any repurchase of Units in a Feeder Fund effective as of that date and will decrease the net profits or increase the net losses of the Feeder Fund that are credited to the 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.

In addition to the management fee, as detailed in Item 6, Hatteras and Portfolio Advisors will be entitled to receive a Performance Allocation.

### **Hatteras Evergreen Private Equity Fund**

The Hatteras Evergreen Private Equity Fund will pay a management fee to the Investment Manager equal to 1.00% for Class F Units and 1.25% for Class Z Units on an annualized basis of the net assets of the Fund as of each month-end. The management fee will be paid to the

Investment Manager out of the Hatteras Evergreen Private Equity Fund's assets and will therefore decrease the net profits or increase the net losses of the Fund. The Adviser will pay RCP Advisors ("RCP") a portion of the management fee it receives from the Fund pursuant to the Sub-Advisory Agreement between Hatteras and RCP.

The Fund will also pay the Adviser for its fund administrative services a monthly Fund Services Administrative Fee equal to 0.25% on an annualized basis of the net assets of the Hatteras Evergreen Private Equity Fund. The Fund Services Administrative Fee will be paid to the Adviser out of the Hatteras Evergreen Private Equity Fund's assets and will decrease the net profits or increase the net losses of the Hatteras Evergreen Private Equity Fund

A Hatteras affiliate, Hatteras Capital Distributors, LLC ("HCD"), a SEC-registered broker and FINRA Member, serves as a placement agent ("Placement Agent") on behalf of the Funds pursuant to a placement agreement ("Placement Agreement") between Hatteras and HCD. HCD is located at 8510 Colonnade Center Drive, Suite 150, Raleigh, North Carolina, shares the same personnel as Hatteras, and acts as placement agent to the Hatteras Evergreen Private Equity Fund on a best-efforts basis, subject to various conditions, pursuant to the Placement Agreement. As the Placement Agent, HCD is also responsible for selecting brokers and dealers in connection with the offering of Units and for negotiating the terms of any such arrangements. Neither the Placement Agent nor any other party is obligated to buy from the Fund any Units. There is a \$250,000 minimum investment amount for the Hatteras Evergreen Private Equity Fund but no minimum number of Units required to be purchased in the offering.

In addition to the management fee, as detailed in Item 6, Hatteras is entitled to receive an Incentive Allocation subject to the terms described in the offering memorandum.

#### **GPEP Institutional Fund**

GPEP Institutional Fund will pay the Investment Manager a management fee that shall equal 1.25% based on an annualized basis of the net assets of the Fund as of each quarter-end.

A Service fee of 0.50% is charged by the Fund Servicing Agent, Hatteras, on all assets in GPEP Institutional Fund. During the offering period, investments in GPEP Institutional Fund were subject to a placement fee payable to the primary placement agent, Hatteras Capital Distributors, LLC, an affiliate of Hatteras. The Placement Agent entered into an expense reduction agreement pursuant to which it rebated to the Fund, in order to offset operating expenses, any amount it received as a placement fee.

In addition to the management fee, as detailed in Item 6, Hatteras is entitled to receive an Incentive Allocation subject to the terms described in the offering memorandum.

#### **Hatteras GPEP Fund**

GPEP Fund will pay the Investment Manager a management fee that shall equal (i) until the last day of the Investment Period, 1.00% per year of aggregate commitments at the time such payment is payable; and (ii) in respect to the remainder of the term of the Fund and during any suspension period, 1.00% per year of the cost basis of the Fund's remaining fund investments less any unrealized losses related to such fund investments.

In addition to the management fee, as detailed in Item 6, Hatteras is entitled to receive a carried interest allocation.

### **Hatteras GPEP Fund II**

GPEP Fund II will pay the Investment Manager a management fee that shall equal 1.25% on an annualized basis of the net assets of the Fund as of each quarter-end.

A Service fee of 0.50% is charged by the Fund Servicing Agent, Hatteras, on all assets in GPEP Fund II. During the offering period, investments in GPEP Fund II were subject to a placement fee payable to the primary placement agent, Hatteras Capital Distributors, LLC, an affiliate of Hatteras. The Placement Agent entered into an expense reduction agreement pursuant to which it rebated to the Fund, in order to offset operating expenses, any amount it received as a placement fee.

In addition to the management fee, as detailed in Item 6, Hatteras is entitled to receive a carried interest allocation subject to the terms described in the offering memorandum.

### **VCCI Fund II**

VCCI Fund II will pay Hatteras a quarterly investment management fee equal to 2.00% on an annualized basis of the net assets of VCCI Fund II as of each quarter-end. Effective March 19, 2010 the Adviser committed to permanently waive a portion of its contractual fee rate under the Investment Management Agreement. Under this fee waiver, the management fee will be 2.00% on an annualized basis of the lesser of (a) the cost basis of VCCI Fund II's portfolio companies plus cash and cash equivalents, including short-term investments, or (b) VCCI Fund II's net asset value. Effective August 2017, the Adviser committed to permanently waive its contractual fee rate under the Investment Management Agreement. Under this fee waiver, the management fee will be 0.00%.

During the offering period, investments in VCCI Fund II were subject to a placement fee payable to the primary placement agent, Hatteras Capital Distributors, LLC, an affiliate of Hatteras.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

Hatteras has entered into the performance related fee arrangements described below, which are more fully elaborated on in the applicable offering memorandum for the Funds.

### **Hatteras Core Alternative Funds**

Hatteras serves as the General Partner of the Master Fund. As such, 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 the General Partner from the Master Fund. Pursuant to the Sub-Advisory Agreement between Hatteras and Portfolio Advisors, Hatteras will pay Portfolio Advisors a portion of the Performance Allocation it receives from the Master Fund.

#### **Hatteras Evergreen Private Equity Fund, LLC**

The Advisor will be entitled to receive an incentive fee equal to 10% of the excess, if any, of (i) the net profits of the Fund for the calendar quarter over (ii) the then balance, if any, of the New Loss Recovery Account (as defined below). The Fund will maintain a memorandum account (the "New Loss Recovery Account") which will have an initial balance equal to zero. The Loss Recovery Account will be (i) increased by the amount of the net losses of the Fund for the quarter, or (ii) decreased (but not below zero) by the amount of the net profits of the Fund for the quarter. Net profits of the Fund shall include all items of income, gain, and loss attributable to Fund, less all expenses of the Fund, all recorded on an accrual basis. Pursuant to the Sub-Advisory Agreement between Hatteras and RCP, Hatteras will pay RCP a portion of the incentive fee it receives from the Fund.

#### **GPEP Institutional Fund**

GPEP Institutional Fund will pay an incentive allocation at the end of each calendar year (and at certain other times, including upon the effective date of any repurchase), to Hatteras in an amount equal to 10% of the excess, if any, of the net profits of GPEP Institutional Fund above the then balance of GPEP Institutional Fund's loss recovery account; provided that GPEP Institutional Fund has earned at least a 6% annualized return (prior to the deduction of the Incentive Allocation) for the period. Any incentive allocation will be deducted pro-rata from each Member's Units.

#### **GPEP Fund**

Cash and securities received by the GPEP Fund from a portfolio fund ("Distribution Proceeds") will be distributed to each Limited Partner in proportion to its pro rata capital contribution made in respect to such portfolio fund, in the following order of priority:

- (a) First, 100% to such Limited Partner until the cumulative distributions to such Limited Partner equal the aggregate of such Limited Partner's Capital Contributions to the Fund made in respect to the portfolio fund from which proceeds are received (such Fund Investment, the "Distribution Source") plus such Limited Partner's Capital Contributions to the GPEP Fund used to fund the GPEP Fund's expenses including the Management Fee in respect to the Distribution Source, as of that time;
- (b) Second, to such Limited Partner until such Limited Partner's internal rate of return (calculated in accordance with the Partnership Agreement) on the Capital Contributions made in respect to such Distribution Source equals 7% (the "Preferred Return");
- (c) Third, to the General Partner (Hatteras Funds, LP) until 10% of the sum of all distributions made pursuant to clause (b) above and this (c); and

(d) Thereafter, 90% to such Limited Partner and 10% to the General Partner (pursuant to clause (c) above and this (d), the "Carried Interest").

### **GPEP Fund II**

After a Member has received distributions and/or repurchase proceeds equal to 125% of its Capital Contributions, GPEP Fund II will make distributions and repurchase proceeds on a 90% / 10% split among the Member and the Adviser respectively.

### **VCCI II and LSVC Funds**

The Venture Capital Funds do not charge performance-based fees.

It is important to note that such performance fees may create an incentive for Hatteras to make riskier, more speculative investments than would be the case under a solely asset-based fee arrangement. Any performance-based fee arrangements will be consistent with the requirements of applicable laws and regulations, including the Advisers Act and if applicable, the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

As is typical for many investment managers including Hatteras, a potential conflict of interest may arise related to the side-by-side management of one or more Funds with a performance-based fee along with one or more Funds with non-performance-based fees. The management of both types of Funds at the same time may create an incentive to favor the Fund that produces a higher fee. Hatteras has adopted trading and allocation policies designed to ensure that its side-by-side management of Funds with different types of fees is at all times consistent with its fiduciary responsibilities, and that no Fund is favored over another. These policies include requirements that all Funds in the same strategy generally be managed the same way, the Funds must have the same portfolio holdings and must be traded at the same time, regardless of the type of fee arrangement. The Funds are regularly reviewed by Hatteras to ensure that these policies are closely followed, that buy and sell opportunities are allocated fairly among Funds regardless of fees charged, and that all Funds are treated equitably.

## **Item 7: Types of Clients**

Hatteras provides investment management services to the Funds described in Item 4 including registered investment companies and private funds that may invest in hedge funds, other private limited partnerships, direct company investments, equities, fixed income, derivatives and other types of investments as outlined in each Fund's respective prospectus, registration statement or offering memorandum. Please see the response to Item 4 for a description of the Funds. The minimum initial investment varies by Fund, and each Fund in its sole discretion may accept investments below the stated minimums.

Hatteras does not currently provide advisory services to individual clients and has no current plans to provide such services.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

As with all investments, investing involves risk and loss of principal is possible. Please see each Funds' prospectus, registration statement, or offering memorandum for a detailed discussion of the specific risks disclosed here and other important risks and considerations. Side pockets are monitored in a similar manner to the private funds. However, when litigation or other factors cause material delays in the side pocket's issuance of annual audited financial statements or quarterly investor statements, the issue is presented and discussed with the Fund's Valuation Committee. Furthermore, please consult an investment professional for advice regarding your particular circumstances. An investment in the Funds may not be suitable for all investors.

### **Hatteras Core Alternatives Funds**

Hatteras Investment Partners believes in a multi-manager approach to investing. Our investment philosophy is centered on the idea that by investing with multiple diversified managers the portfolio's idiosyncratic risks are significantly reduced which, over time, could lead to outperformance and reduced volatility.

In making investment decisions on behalf of the Core Master Fund, Hatteras, along with Portfolio Advisors the Sub-Advisor, utilizes third party research and software, on-site visits, interviews, and fundamental analysis. The Hatteras Core Alternatives Funds were created to complement traditional portfolios by offering an allocation to a complete solution of alternative investments through a diversified, professionally managed, multi-strategy investment vehicle. To achieve the Fund's investment objective, the Hatteras Core Alternatives Funds invests in private and hedged investments with strategic asset allocation ranges for each strategy.

The investment teams of Hatteras and Portfolio Advisors investment teams will meet formally on a periodic basis in an effort to position the Master Fund to have the best possible opportunity to accomplish its stated long-term investment goals. Using the strategic asset allocation targets ranges as a guide, the goal of the asset allocation effort is to allocate as much capital to private investments while balancing the liquidity needs of the portfolio. The remaining capital is invested in a diversified mix of hedged strategies, which provides liquidity and serves as a diversifier. The primary considerations that are taken into account when determining the amount of capital allocated to private investments include but are not limited to dollar weighted average age/vintage, sub strategy composition, market environment and portfolio liquidity needs.

Hatteras and Portfolio Advisors' manager selection stems from the Fund's overall investment process, which focuses on creating a diversified portfolio across private and hedged investment strategies. Collectively, Hatteras and Portfolio Advisors work together to create a portfolio of managers who are highly skilled within their respective strategies. Our long track record of investing in alternative assets and large professional network allow us to effectively source and screen for high quality managers. Managers under consideration are subject to a rigorous and dynamic due diligence review, with defined steps and documented metrics required for approval.

Within each strategy, we emphasize the importance of maintaining a fully diversified portfolio by strategy, sector, geography and manager. The portfolio is constructed using a balanced

approach, with investments in both private and hedged investments. The Investment Committee carefully considers liquidity needs with commitment levels to new private investments. The investment management team utilizes risk management tools to optimize portfolio construction across the strategies and sub-strategies. These tools include detailed cash flow models to guide decision-making and forecast future capital activity within the private investment strategy. Our private investment program incorporates a multi-vintage-year approach. The portfolio is designed to provide investors with an evergreen portfolio diversified by vintage, manager, stage, strategy and geography.

Risk management is imbedded throughout the Fund's diversified approach across our investment strategies. A core belief is that risk can be mitigated by investing across a truly diverse portfolio of public and private investments, with defined allocation limits and through position sizing.

First, the focus of risk management is on areas like liquidity, volatility and on meeting the Fund's investment objectives without taking unwanted risks. Second, the separate strategies each have unique characteristics that are analyzed by experienced investment staff. The investment team then defines and locates risk and decides whether the potential return is appropriate and allocates accordingly. Third, portfolio funds eligible for inclusion in the Fund are analyzed from a quantitative and non-investment perspective. Quantitative risk measurement during manager selection is driven by correlations, returns, and exposures. Our risk management processes are applied to understand not just the fund strategy, but how the fund's characteristics impact the portfolio. The last step of risk management is the operational due diligence process led by Advisor's and Sub-Advisor's sub-committees.

Risk management continues beyond the manager selection process into asset allocation and portfolio construction. At the asset allocation level, liquidity analysis is run to incorporate a liquidity risk budget. Portfolio allocation tools are utilized to inform how changes in allocation may impact the portfolio. Here, the investment team is looking to define and highlight where risks are and then decide whether the potential return is appropriate and how to allocate accordingly.

An investment in the Hatteras Core Alternatives Funds involves substantial risks, including the risk that the entire amount invested may be lost. The Feeder Funds, through their investment in the Master Fund, allocate their assets to Portfolio Funds that invest in and actively traded 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 Feeder 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, non-diversification risk, leverage, turnover, valuation of Portfolio Funds, highly volatile markets, counter-party credit risk, and dilution. Please see each Feeder Fund's respective offering memorandum, prospectus or registration statement for a detailed discussion of the specific risks disclosed here and other important risks and considerations.

## **Hatteras Evergreen Private Equity Funds**

Hatteras Funds, LP (“Hatteras” or the “Adviser”) and RCP Advisors, LLC (“RCP” or the “Sub-Adviser”) and (together as appropriate when the context so requires, the “Advisers”) intend to manage the Fund’s commitment strategy with a view towards achieving attractive risk-adjusted returns and managing liquidity. Commitments to Portfolio Funds are generally not immediately invested. Instead, committed amounts are drawn down and invested over time, as underlying investments are identified by the relevant manager – a process that may take a period of several years. During this period, investments made early in the portfolio fund’s life are often realized (generating distributions to the Fund) even before the committed capital has been fully drawn. As a result, without an appropriate commitment strategy a significant investment position could be difficult to achieve.

Accordingly, the commitment strategy will aim to keep the Fund invested where possible by making commitments based on anticipated future distributions from investments. The commitment strategy will also take other anticipated cash flows into account, such as those relating to new subscriptions, the redemption of Units by investors and any distributions made to investors. To forecast portfolio cash flows, the Sub-adviser will utilize a proprietary quantitative model that incorporates historical private equity data, actual portfolio observations and qualitative forecasts by the Sub-Adviser’s investment professionals.

The Adviser intends to use a range of techniques to reduce the risk associated with the commitment strategy. These techniques may include, without limitation: Actively managing cash and liquid assets; and establishing a credit line on behalf of the Fund to provide liquidity for drawdowns by underlying Portfolio Funds and to satisfy tender requests.

The Fund is expected to hold liquid assets to the extent required for purposes of liquidity management. To enhance the Fund’s liquidity, particularly in times of possible net outflows through the redemption of Units by investors, the Adviser may sell certain of the Fund’s assets. There can be no assurance that the Fund’s objectives with respect to liquidity management will be achieved or that its portfolio design and risk management strategies will be successful. If the Fund fails to properly forecast future distributions, it may face liquidity risks associated with its commitment strategy. If the Fund fails to properly forecast future distributions, the Fund may mitigate such risks by using the techniques described above, including actively managing cash and liquid assets and/or establishing a line of credit. During the time that the Fund’s assets are not invested in Portfolio Funds or when the Fund otherwise uses the above techniques to reduce its liquidity risk, that portion of the Fund’s assets may not be used to pursue the Fund’s investment objective. Prospective investors should refer to the Section entitled “General Risks,” for a discussion of the risks associated with the investment strategy and structure of the Fund.

## **The GPEP Funds**

The GPEP Funds’ (Hatteras GPEP Fund, L.P., Hatteras Global Private Equity Partners Institutional, LLC and Hatteras GPEP Fund II, LLC) investment objective is to seek attractive long-term capital appreciation by investing in a globally diversified portfolio of private equity investments. The GPEP Funds’ investments are expected to include: (i) primary and secondary investments in private equity funds managed by third-party managers; (ii) direct investments in

the equity and/or debt of operating companies, frequently alongside professional lead investors; and (iii) listed private equity investments, such as business development companies.

The principal elements of the GPEP Funds' investment strategy includes (i) strategically allocating the assets of the Fund across the global private equity market; (ii) identifying investments that appear most attractive in sectors of the private equity market place that are believed to offer superior relative value; (iii) performing detailed due diligence of targeted investment opportunities using an established proprietary process that assesses both qualitative and quantitative aspects; and (iv) seeking to manage risk through ongoing monitoring of the portfolio.

The first phase of the investment process involves strategic asset allocation, which is designed to provide a framework for the GPEP Funds' long-term diversification. The strategic asset allocation addresses various dimensions of the global private equity market, such as: (i) primary, secondary, direct and listed private equity investments; (ii) buyout, venture capital / growth capital, mezzanine debt, distressed debt, and other special situations; and (iii) investments focused in North America, Europe, Asia and Emerging Markets. Asset allocations stem from top-down, macroeconomic analysis that incorporates Hatteras' beliefs about the distinct risk, return and correlation characteristics of different private equity investments.

As a result of the review of strategic asset allocation, Hatteras will attempt to seek sectors of the private equity marketplace that exhibit a reasonable relationship between demand for and supply of investment capital, anticipate trends in the private equity marketplace, and avoid overweighting highly competitive sectors or geographies that might not offer the best risk reward potential.

The second step of the investment process is to proactively identify and source a large number of private equity investments across different investment types, sub-strategies, and geographic regions. Hatteras uses a number of tools to compare investments and evaluate the investments' relative positioning in the marketplace. Standardized screening is a pre due diligence phase of the investment process and allows for comparative analysis across investments. The key comparison parameters include management and incentives, investment strategy or business model, track record analysis, moral hazard, adverse selection, potential conflicts of interest, specific terms related to the investment, and the supply and demand of capital related to the specific strategy. Hatteras will attempt to use this analysis to identify the investments with the most attractive risk and reward characteristics in each segment of the private equity market.

Investments that appear to meet the initial due diligence requirements are documented in a formalized report to the Investment Committee, which will determine whether to perform detailed due diligence on the opportunity. The Investment Committee could instruct Hatteras to discontinue the analysis of the investment or provide specific information and guidelines for Hatteras to seek upon the initiation of the second, more detailed phase of due diligence.

The final step in the investment process is the selection of investments. The investment decision making process is guided by a rigorous due diligence process that involves a detailed analysis of various aspects of each opportunity, including both qualitative and quantitative assessments, as well as initial feedback from the Investment Committee. Various proprietary tools are used to better understand market trends, potential return scenarios and/or the historical or anticipated

sources of value creation for an investment. The due diligence verification process is generally based upon information such as interviews with key personnel, reference checks targeting key personnel, on-site visits, and track record analysis. During this process, Hatteras will seek a deeper understanding of aspects such as the investment strategy of the fund (or business model of the company), the management team involved with the investment, the operational effectiveness of the fund, the competitive advantage of the investment, the fund's historical track record and valuation procedures. In conjunction with the commercial due diligence process, the tax treatment and legal terms of the investment are considered. After resolving all open issues and negotiating terms, a final Investment Proposal is prepared and presented to the Investment Committee, which finally approves or declines the investment.

Post investment, the Investment Committee seeks to monitor the portfolio through ongoing interaction with the managers represented in the GPEP Funds' portfolio. This interaction facilitates ongoing portfolio analysis and resolution of issues such as strategy drift, loss of key team members or proposed changes in constituent documents. It also provides ongoing due diligence feedback, which can be extremely valuable as additional investments with a particular manager are considered.

Investments in the GPEP Funds involve a high degree of risk, including the complete loss of capital. General Risks, Special Risks and Investment-Related Risks of the GPEP Funds include, but are not limited to, Limited Operating History of the Fund, Limited Liquidity, Reporting Requirements, Non-Listed Status of Units, Non-Diversified Status, Legal, Tax and Regulatory Risks, Underlying Portfolio Funds Not Registered, Portfolio Funds Generally Non-Diversified, Valuation of Portfolio Funds, Multiple Levels of Fees and Expenses, Portfolio Fund Managers Invest Independently, Portfolio Fund Operations Not Transparent, Concentration of Investments, Derivative Instruments, Distressed Investments, Valuation of Illiquid Securities and Derivative Positions, Unspecified Investments, Leverage, Risks of Capital Call Failures, and Limited Selectivity of Investments.

### **Hatteras VC Co-Investment Fund II, LLC**

The Hatteras VC Co-Investment Fund II, LLC investment objective seeks superior risk-adjusted returns by investing in venture-backed companies. The Hatteras VC Co-Investment Fund II intends to achieve its investment objective by investing all or substantially all of their assets in venture-backed companies alongside top-tier venture capital firms. During normal market conditions, the Hatteras VC Co-Investment Fund II investment adviser will follow a rules-based portfolio construction process to guide the Fund's investment strategy.

The Hatteras VC Co-Investment Fund II will be a co-investor alongside top-tier venture capital firms. Exposure to venture capital investments further diversifies a portfolio and could potentially produce excess rates of return compared to investments in the public markets. However, historical statistics suggest that it is access to top-tier firms which acts as the critical element for achieving these superior investment returns. The top-tier firms gain access to good ideas and good entrepreneurs before many in the industry. However, even the best venture capitalists sometimes invest in firms that do not achieve a liquidity event. Such venture capitalists do not know with certainty which companies will falter and which will return multiples of invested capital.

Since venture capital involves a great deal of uncertainty, Hatteras developed a rules-based investment process, designed to complement the analysis done by the top-tier firms. This rules-based process attempts to increase the likelihood of investing in companies displaying certain performance characteristics and a strong likelihood of reaching a successful liquidity event. Similarly, the process attempts to decrease the chances of investing in companies that may not return capital. Some of the Investment Criteria seek to ensure investments made by the Hatteras VC Co-Investment Fund II are invested in companies that have an operating history, a product or service that has shown initial acceptance in the marketplace (defined by revenues) and that are moving towards producing positive cash flow within the foreseeable future. During normal market conditions, Hatteras will follow a rules-based portfolio construction process to guide the Hatteras VC Co-Investment Fund II investment strategy.

Hatteras' due diligence focus centers on validating several primary and secondary investment criteria. An investment opportunity meeting the requirements of the Primary Investment Criteria and the Secondary Investment Criteria will have met all Investment Criteria.

The investment process seeks to produce a diversified portfolio of venture-backed private companies with strong management teams, well-developed new products, and the potential to achieve a liquidity event within a reasonable time frame. In connection with an investment, Hatteras will review the offering materials, together with the relevant documents governing the purchase and sale of the specific equity security, and the information in respect to upcoming road shows for the potential portfolio company to Hatteras. Hatteras will conduct a verification examination to ensure the Investment Criteria are met. Once the verification process has been completed, and the Venture Capital Opportunity is deemed to have met all of the above requirements, then the Investment Committee will meet to ensure final verification and approval. The Investment Committee must come to a unanimous agreement for the Venture Capital Opportunity to become part of the Hatteras VC Co-Investment Fund II, LLC portfolio.

An investment in the Hatteras VC Co-Investment Fund II involves a substantial amount of risk, including the risk that the entire amount invested may be lost. The underlying venture capital investments are not required to provide transparency with respect to their financial statements or investments. Investment by the Hatteras VC Co-Investment Fund II in certain companies may involve a high degree of risk in that such companies may be in a relatively early-stage of development with little operating history and with a need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities, and a larger number of qualified managerial and technical personnel. The value of equity securities varies in response to many factors. Factors specific to the company, such as certain decisions by management or loss of a key executive, could result in a decrease in the value of a company's securities. Factors specific to the industry in which the company participates, such as increased competition, can have a similar effect. The value of a company's stock can also be adversely affected by changes in financial markets generally, such as an increase in interest rates or a decrease in consumer confidence, that are unrelated to the company itself or its industry.

*Pandemic Risk.* The recent COVID-19 pandemic has caused and continues to cause disruptions in economies and individual companies and volatility in financial markets throughout the world, including those in investments in which Hatteras manages. The impact of the pandemic



and resulting economic disruptions may negatively impact such investments and the performance of their portfolios due to, among other things, (i) interruption of business operations resulting from travel restrictions, reduced consumer spending, and quarantines of employees, customers and suppliers in areas affected by the outbreak, (ii) closures of manufacturing facilities, warehouses and logistics supply chains, and (iii) uncertainty about the duration of the virus' impact on global financial markets. Governments and central banks throughout the world have responded to the pandemic and resulting economic disruptions with a variety of fiscal and monetary policy changes, including direct capital infusions into companies and other issuers, new monetary policy tools and lower interest rates, but the ultimate impact of these efforts is uncertain. It is not possible to determine the duration or severity of the disruption in financial markets or the long-term economic impact of the COVID-19 pandemic, or other future epidemics or pandemics, which may adversely affect the Clients' performance and investment strategies and significantly reduce available investment opportunities.

### **Item 9: Disciplinary Information**

There is no material, legal or disciplinary event to disclose related to Hatteras' business or its management.

### **Item 10: Other Financial Industry Activities and Affiliations**

Hatteras Funds is a 100% employee-owned alternative investment boutique.

Hatteras Capital Distributors, LLC ("HCD"), a limited use capital acquisition broker and FINRA member broker-dealer, is a wholly owned subsidiary of Hatteras Funds, LP. HCD may act as a distributing agent or placement agent for the Hatteras Funds and earn fees in connection with the servicing of investors in those Funds. It should be noted that certain directors, officers and employees of Hatteras Investment Partners, are also registered representatives of HCD.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Hatteras has adopted a code of ethics that complies with SEC Rule 204A-1 under the Investment Advisers Act, including a personal securities trading policy as well as standards of employee conduct. The Code of Ethics governs personal securities transactions of Access Persons of Hatteras that may pose a conflict of interest with the Funds managed by Hatteras. Under the Code of Ethics, Hatteras personnel deemed to be Access Persons are required to report quarterly all their personal securities transactions and to request pre-clearance for certain types of transactions including limited offerings/private placements (inclusive of all private funds), initial public offerings ("IPOs), and closed-end funds advised by Hatteras. Hatteras will provide a free copy of its Code of Ethics upon request. For a complete copy of the Hatteras Code of Ethics, please call 919.846.2324 or 888.363.2324.

In general, Hatteras directors, officers and employees may from time to time purchase or sell securities that Hatteras recommends to the Funds it manages. These purchases or sales must be effected in accordance with Hatteras' Insider Trading policies and Code of Ethics, which includes a personal trading policy. Personal securities transactions will generally not be allowed if the transaction would be made at the same time as or near the same time as a trade in the same security on behalf of a fund managed by Hatteras. All transactions by Access Persons in Funds where Hatteras serves as adviser, must receive pre-clearance which is performed electronically through an automated platform made available through a third-party service provider monitored by the Firm's Chief Compliance Officer ("CCO") or designee.

All Hatteras Access Persons must submit on an annual basis a complete listing of all personal securities holdings and must certify annually that they have read, understand and have complied with the Hatteras Code of Ethics.

Hatteras' Insider Trading policy prohibits any director, officer or employee from personally trading public securities on non-public information, including confidential fund information. Hatteras' Code of Ethics sets forth conduct standards, which requires all employees to comply with the federal securities laws, protect material non-public information, and report to Hatteras' Chief Compliance Officer any violations. Violations of its Code of Ethics can result in serious sanctions, up to and including dismissal from employment.

In addition, Hatteras has strict policies with respect to the receipt of gifts by, or entertainment of, firm employees. Hatteras employees are prohibited from giving or accepting gifts greater than \$100. All gifts, regardless of their value, must be reported quarterly to the CCO. Reasonable entertainment by Hatteras' employees is permitted as long as the entertainment is not based or conditioned on the sales of Hatteras products or services. Additionally, reasonable entertainment by Hatteras' employees is permitted if it is neither so frequent nor so extensive as to raise any question of appropriateness. The CCO and Hatteras senior management actively monitor compliance with these policies.

Certain Hatteras business relationships may give rise to conflicts of interest or perceived conflicts of interest with the firm. Hatteras employees and principals incur meal and entertainment expenses involving or relating to consultants and fiduciaries that are reimbursed by the Firm and must be reported periodically to the CCO. Hatteras employees and principals may individually make charitable and political contributions to these consultants and fiduciaries or related organizations.

These arrangements may create a conflict of interest in connection with the consultant's or fiduciary's recommendation of Hatteras' products to a client or prospect. It is Hatteras' policy to limit these activities to generally accepted business practices consistent with its fiduciary responsibilities. In no instance, however, are Hatteras employees and principals permitted to seek to improperly influence these consultants and fiduciaries as a result of these expenditures or attempt to interfere with the consultants' and fiduciaries' independent decision making.

Hatteras recognizes the importance of protecting the non-public personal information when providing advisory and other services. Please contact Hatteras or visit its website at <https://hatterasinvestmentpartners.com> for more information on, or for a copy of, its privacy

policies. Hatteras does not sell or provide non-public personal information for marketing purposes to others.

## **Item 12: Brokerage Practices**

Hatteras has a fiduciary obligation to seek to obtain best execution on behalf of each client (fund), and brokers are selected with a view to obtaining best execution of transactions. This obligation applies to all circumstances where Hatteras has discretion to trade on behalf of a client (fund) account.

In accordance with the terms of its investment management agreement with the Funds managed by Hatteras, Hatteras, either directly or via a fund's sub-advisor, places and executes orders for the purchase and sale of securities. In general, investment decisions for each fund are made independently and are made with specific reference to the individual needs and objectives of each fund.

It is the policy of the Funds to obtain the best results in connection with affecting its portfolio transactions taking into account factors similar to those expected to be considered by Hatteras. In most instances, certain Funds will purchase interests in a Portfolio Fund or investment security directly from the Portfolio Fund or investment security, and such purchases by the Funds may be, but are generally not, subject to transaction expenses. Nevertheless, the Funds contemplate that consistent with the policy of obtaining the best net result, any brokerage transactions of the Funds may be conducted through affiliates of Hatteras.

Hatteras must seek to obtain best execution, which the SEC generally describes as a duty to execute securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC also has stated that when seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution. Accordingly, Hatteras will consider the full range and quality of a broker's services, including execution capability, commission rate, financial responsibility, and responsiveness to the Adviser. Hatteras may also periodically and systematically evaluate the performance of broker-dealers executing their transactions. Hatteras will seek to obtain best execution for brokerage transactions for the Funds, as its client.

Additionally, Hatteras may utilize a broker/dealer to act as an agent in a private transaction, at which time Hatteras will determine the broker/dealer to be used and may negotiate the commission to be paid. Hatteras may utilize the investment banking services of a nonaffiliated broker/dealer to introduce investment opportunities to the Funds managed by Hatteras. In this scenario, the investment bank is typically compensated on a contingency basis by the entity that is raising capital. Hatteras has not, but may, negotiate on the compensation earned by the investment bank in this type of transaction. Additionally, Hatteras has in place guidelines for the Hatteras Registered Funds (i.e., 17d-1 procedures) that must be followed to provide assurance that a Fund and its affiliated persons do not engage in prohibited joint transactions in connection with the fund's investment activities, e.g., primary and secondary investments, direct debt/equity investments and investments in listed private equity vehicles.

Hatteras does not directly utilize soft dollars or generate soft dollar credits via trades with brokers. Sub-Advisors to the Funds may utilize soft dollars or generate soft dollar credits. Each sub-advisor is required to adhere to the Hatteras Soft Dollar Arrangement Policies. Any soft dollar arrangements are disclosed to the respective fund's board and appropriate reporting of any such soft-dollar or "mixed-use" credits and expenses are reported on a quarterly basis. In addition, it is currently the policy of Hatteras to prohibit directed brokerage arrangements.

When Hatteras determines that it would be appropriate for one or more Funds managed by Hatteras to participate in an investment transaction in the same investment at the same time, it will attempt to aggregate, place and allocate orders on a basis that Hatteras believes to be fair and equitable and consistent with its responsibilities under applicable law. Decisions in this regard are necessarily subjective and there is no requirement that all Funds participate, or participate to the same extent as other accounts, in all investments or trades. However, no participating entity or account will receive preferential treatment over any other and Hatteras will take steps to ensure that no participating entity or account will be systematically disadvantaged by the aggregation, placement and allocation of orders and investments. Situations may occur, however, where a Fund managed by Hatteras could be disadvantaged because of the investment activities conducted by Hatteras for other Funds. Such situations may be based on, among other things, the following: (1) legal restrictions or other limitations on the combined size of positions that may be taken for the Hatteras Funds, thereby limiting the size of the Hatteras Funds' positions or the availability of the investment opportunity; (2) the difficulty of liquidating an investment for the Hatteras Funds where the market cannot absorb the sale of the combined positions; and (3) the determination that a particular investment is warranted only if hedged with an option or other instrument and there is a limited availability of such options or other instruments. In particular, the Hatteras Funds may be legally restricted from entering into "joint transactions" (as defined in the 1940 Act) with respect to the securities of an issuer without first obtaining exemptive relief from the SEC.

### **Item 13: Review of Accounts**

The Funds are reviewed on a periodic basis by each respective Fund's Investment Committee or Portfolio Management team detailed below.

**Master Fund** – Investment Committee Members from Hatteras: David B. Perkins, Chief Executive Officer; Investment Committee Members from Portfolio Advisors: Brian P. Murphy, Managing Director. The focus of these reviews is to confirm performance consistency with objectives and guidelines associated with the applicable registration statement. Reviews are also conducted as needed to update and confirm compliance with any new regulations, guidelines, or restrictions as outlined in the registration statement.

Investors in the Feeder Funds (i.e. Limited Partners) will receive unaudited capital account statements regarding their investment in the Feeder Funds at least monthly from the respective Funds' transfer agent. In addition, Limited Partners receive annual audited financial statements and are able to access a quarterly performance letter and other information at [hatterasinvestmentpartners.com](http://hatterasinvestmentpartners.com).

**Hatteras Evergreen Private Equity Funds** –Investment Committee Members from Hatteras: David B. Perkins, Chief Executive Officer, Thomas Riegert, Chief Investment Officer, Bryan Lloyd, Senior Vice President of Risk Management.

**VCCI Fund II** - Investment Committee Member(s): David B. Perkins, Chief Executive Officer, Thomas Riegert, Chief Investment Officer, Bryan Lloyd, Senior Vice President of Risk Management.

**Hatteras GPEP Fund** - Investment Committee Member(s): David B. Perkins, Chief Executive Officer, Thomas Riegert, Chief Investment Officer, Bryan Lloyd, Senior Vice President of Risk Management.

**GPEP Institutional Fund** - Investment Committee Member(s): David B. Perkins, Chief Executive Officer, Thomas Riegert, Chief Investment Officer, Bryan Lloyd, Senior Vice President of Risk Management.

**GPEP Fund II** – Investment Committee Member(s): David B. Perkins, Chief Executive Officer, Thomas Riegert, Chief Investment Officer, Bryan Lloyd, Senior Vice President of Risk Management.

Limited Partners of the LSVC Fund will receive a final audited financial statement. Limited Partners of the Hatteras GPEP Fund, GPEP Institutional Fund and GPEP Fund II will receive unaudited capital balance reports regarding their investment in the Funds at least quarterly and annual audited financial statements. Investors in VCCI Fund II will receive unaudited capital balance reports and/or account statements regarding their investment in these Funds at least quarterly. In addition, investors will receive unaudited semi-annual financial statements and audited annual financial statements.

The focus of these reviews is to confirm performance consistency with objectives and guidelines associated with the applicable registration statement. Reviews are also conducted as needed to update and confirm compliance with any guidelines or restrictions as outlined in the registration statement.

#### **Item 14: Client Referrals and Other Compensation**

Hatteras may enter into compensation arrangements with solicitors for new business, including arrangements with its affiliates. Any solicitation arrangements will comply with the Investment Advisers Act of 1940 pursuant to which persons introducing new client accounts may receive a portion of the advisory fee generated by the account for a period of time that varies on a case-by-case basis.

Hatteras may assist some solicitors or placement agents in defraying costs of attending its due diligence and educational meetings. Hatteras may sponsor due diligence trips where solicitors may conduct due diligence and attend presentations by Hatteras' associates and managers. Hatteras may sponsor lunches and/or dinners during due diligence trips. Hatteras will seek to ensure that the locations of the meetings are appropriate to their purpose. Attendance at the meetings is not conditioned on the achievement of any previously specified sales target.

Practical and reasonable expense reimbursements may be applied to the travel and lodging expenses of those conducting due diligence, however, there will be no cash compensation paid to any financial advisors in connection with their attendance at the meetings (e.g., appearance fees or attendance fees). Financial advisors will not receive any non-cash compensation in connection with their attendance at any meeting, nor will Hatteras gift any leisure activities such as golf, theater tickets, etc.

### **Item 15: Custody**

Hatteras does not have actual physical custody of any client account or any client funds or securities including the Hatteras Registered Funds which are custodied by a qualified independent custodian unaffiliated with Hatteras or HCD.

Hatteras may be deemed to have custody under Investment Advisers Act Rule 206(4)-2, as amended, in relation to the Funds Hatteras manages, as Hatteras serves as both Adviser and General Partner to the Hatteras Limited Partnerships. Actual custody of all assets held within the portfolios of the Hatteras Limited Partnerships is provided by a qualified independent custodians. Hatteras complies with Rule 206(4)-2 in these instances by ensuring that an independent Public Company Accounting Oversight Board (“PCAOB”) accounting firm audits the Hatteras Limited Partnerships annually and the audited financial statements are distributed to the Limited Partner investors either within 120 days of the fiscal year end of each applicable Fund and within 180 days of the fiscal year end of each applicable fund of funds.

### **Item 16: Investment Discretion**

Hatteras provides investment management services to registered investment companies and private funds (together the “Funds”) solely on a discretionary basis. The investments of the Funds are managed in accordance with the investment objectives, strategies and guidelines as outlined in the current registration statement and are not tailored to any particular investor in the Funds. Hatteras does not provide individualized investment advice to investors.

### **Item 17: Voting Client Securities**

A copy of Hatteras’ complete proxy voting policies and procedures may be obtained upon request by calling, toll-free, (888) 363-2324. Hatteras’ Policies and Procedures pursuant to Rule 206(4)-6 under the Advisors Act relating to Proxy Voting are summarized below.

Generally, Hatteras, through either a member of Portfolio Management, one of the sub-advisors of the Funds, or in consultation with a sub-advisor of the funds, will conduct a thorough review and analysis of the underlying company’s proxy statements. The fundamental purpose that underlies the proxy voting policies and procedures is to ensure that each vote will be in a manner, which reflects the best interest of the Funds and, in Hatteras’ reasonable belief, maximizes the value of each fund’s investment.

### **Closed-End Funds and Limited Partnerships (i.e. Private Funds)**

Hatteras serves as a fiduciary to vote proxies on behalf of the closed-end funds and limited partnerships (together, the “Funds”) the Firm manages. The Funds invest substantially all of their assets in Adviser Funds and other investment securities (collectively, “Portfolio Funds”), which include, but are not limited to, private partnerships, limited liability companies, direct company investments, investment securities or similar entities. Investments in Portfolio Funds do not typically convey traditional voting rights to the holder and the occurrence of corporate governance or other notices for this type of investment is substantially less than that encountered in connection with registered equity securities. On occasion, however, Hatteras and/or the Funds may receive notices from such Portfolio Funds seeking the consent of holders in order to materially change certain rights within the structure of the security itself or change material terms of the Portfolio Funds’ limited partnership agreement, limited liability company operating agreement or similar agreement with investors. To the extent that the Funds receive notices or proxies from Portfolio Funds (or receives proxy statements or similar notices in connection with any other portfolio securities), the Funds have delegated proxy voting responsibilities with respect to the Funds’ portfolio securities to Hatteras, with the direction that proxies should be voted consistent with the Funds’ best economic interests. In general, Hatteras believes that voting proxies in accordance with the policies below will be in the best interests of the Funds. If an analyst, trader or partner of Hatteras believes that voting in accordance with stated proxy-voting guidelines would not be in the best interests of a fund, the proxy will be referred to Hatteras’ Director of Operations for a determination of how such proxy should be voted.

If a proxy includes a matter to which none of the specific policies described above or in Hatteras’ stated proxy-voting guidelines is applicable or a matter involving an actual or potential conflict of interest as described below, the proxy will be referred to Hatteras’ Director of Operations for a determination of how such proxy should be voted.

In exercising its voting discretion, Hatteras and its employees will seek to avoid any direct or indirect conflict of interest presented by the voting decision. If any substantive aspect or foreseeable result of the matter to be voted on presents an actual or potential conflict of interest involving Hatteras (or an affiliate of Hatteras), any issuer of a security for which Hatteras (or an affiliate of Hatteras) acts as sponsor, adviser, manager, custodian, distributor, underwriter, broker or other similar capacity or any person with whom Hatteras (or an affiliate of Hatteras) has an existing material contract or business relationship not entered into in the ordinary course of business (Hatteras and such other persons having an interest in the matter being called “Interested Persons”), Hatteras will make written disclosure of the conflict indicating how Hatteras proposes to vote on the matter and its reasons for doing so. If Hatteras does not receive timely written instructions as to voting or non-voting on the matter, Hatteras may take any of the following actions which it deems to be in the best interests of the Funds: (i) engage an independent third party to determine whether and how the proxy should be voted and vote or refrain from voting on the matter as determined by the third party; (ii) vote on the matter in the manner proposed to the Independent Directors (if applicable) if the vote is against the interests of all Interested Persons; or (iii) refrain from voting on the matter.

Hatteras Registered Funds are required to file Form N-PX, with their complete proxy voting record for the twelve months ended June 30<sup>th</sup>, no later than August 31<sup>st</sup> of each year. Each of the

Funds' Form N-PX filings is available: (i) without charge, upon request, by calling 888.363.2324, or (ii) by visiting the SEC's website at [www.sec.gov](http://www.sec.gov).

## **Item 18: Financial Information**

Hatteras does not require or solicit prepayment of more than \$1,200 in fees per fund, six months or more in advance and therefore is not required to include a balance sheet with this brochure. Hatteras has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds managed by Hatteras and has not been the subject of a bankruptcy proceeding.

## **Summary of Business Continuity Plans**

Hatteras has a disaster recovery and business continuation plan in place to help the firm address potential emergencies. The program is designed to provide Hatteras' most critical portfolio management, operations and computer system functions with a measure of protection against potential disasters. The goal of the program is to safeguard the assets of the Funds managed by Hatteras against major or minor external threats. Hatteras' disaster recovery program targets recoverability, the ability of information systems to overcome any short- or long-term disruption; redundancy, the duplication of key information systems processes to prevent loss of data; and reliability, the assurance that Hatteras staff members will be able to function immediately following most external problems and within 24 hours even after the most extreme problems. Hatteras engages in an ongoing process of upgrading and testing this program in an effort to ensure that it is capable of meeting its goals. Additional details on the specific elements of the program are available upon request.