

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

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STATEMENT OF ADDITIONAL INFORMATION

July 31, 2020

THIS STATEMENT OF ADDITIONAL INFORMATION (“SAI”) IS NOT A PROSPECTUS AND SHOULD BE READ WITH THE PROSPECTUS DATED JULY 31, 2020. CAPITALIZED TERMS USED HEREIN BUT NOT OTHERWISE DEFINED SHALL HAVE THE SAME MEANING AS IN THE PROSPECTUS. A COPY OF THE PROSPECTUS MAY BE OBTAINED BY CONTACTING THE FUNDS AT THE TELEPHONE NUMBER OR ADDRESS SET FORTH ABOVE.

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## PURCHASE TERMS

Units of limited partnership interest (“Units”) are being offered only to qualified investors that meet all requirements to invest in the Hatteras Core Alternatives Institutional Fund, L.P. (the “Core Alternatives Institutional Fund”) or the Hatteras Core Alternatives TEI Institutional Fund, L.P. (the “TEI Institutional Fund”). The minimum initial investment in each of the Core Alternatives Institutional Fund and the TEI Institutional Fund (each a “Fund” and together, the “Funds”) by an investor is \$1,000,000 and the minimum additional investment is \$100,000. However, Hatteras Funds, LP, doing business as Hatteras Investment Partners, as the general partner of each Fund and the Master Fund (as defined below) (the “General Partner”), in its sole discretion, may modify this minimum from time to time. Investors subscribing through a given broker/dealer or registered investment advisor may have interests aggregated to meet these minimums, so long as denominations are not less than \$50,000 and incremental contributions to those interests are not less than \$10,000. Interests of the Core Alternatives Institutional Fund were offered in a private placement to limited partners (each, a “Partner” and together, the “Partners”) from January 1, 2007 until October 1, 2008. Interests of the TEI Institutional Fund were offered in private placement to Partners from February 1, 2007 until October 1, 2008. Each Fund commenced the public offering of the Units on November 3, 2008 and has publicly offered Units since that time.

Before an investor may invest in a Fund, the investor must certify that it is a qualified investor, that it meets other requirements for investment, and that the investor will not transfer its Units without the prior consent of the applicable Fund.

The Prospectus, which incorporates by reference this SAI, offers Units of the Core Alternatives Institutional Fund and TEI Institutional Fund. Partners should be aware that by combining the Prospectus of each Fund into one document, there is the possibility that one Fund may become liable for any misstatements in the Prospectus about the other Fund. To the extent that a Fund incurs such liability, a Partner’s investment in such Fund could be adversely affected.

## INVESTMENT POLICIES AND PRACTICES

The investment objective and principal investment strategies of each Fund, as well as the principal risks associated with each Fund’s investment strategies, are set forth in the Prospectus. Certain additional investment information is set forth below.

### FUNDAMENTAL POLICIES

Each Fund’s stated fundamental policies, which may only be changed by the affirmative vote of a majority of the outstanding voting securities of the applicable Fund, are listed below. Within the limits of these fundamental policies, each Fund’s management has reserved freedom of action. As defined in the Investment Company Act of 1940, as amended (the “1940 Act”), the vote of a “majority of the outstanding voting securities of the Fund” means the vote, at an annual or special meeting of security holders duly called, (a) of 67% or more of the Units (by value) present at such meeting, if the holders of more than 50% of the Units (by value) of the applicable Fund are present or represented by proxy; or (b) of more than 50% of the Units (by value), whichever is less.

The Hatteras Core Alternatives Offshore Institutional Fund, LDC (the “Offshore Fund”) and the Hatteras Master Fund, L.P. (the “Master Fund”) have substantially the same fundamental policies as the Funds; such policies cannot be changed without the approval of the Board of Directors of the TEI Institutional Fund, in the case of the Offshore Fund, and a majority (as such majority vote is defined in the preceding paragraph) of the outstanding voting securities of the Master Fund, in the case of the Master Fund. Except to the extent permitted by the 1940 Act, the rules and regulations thereunder, or interpretations, orders, or other guidance provided by the Securities and Exchange Commission (the “SEC”) or its staff, each of the Funds and Master Fund may not:

- Issue senior securities or borrow money, except to the extent permitted by Section 18 of the 1940 Act or as otherwise permitted by the SEC;
- Underwrite securities of other issuers, except insofar as a Fund may be deemed an underwriter under the Securities Act of 1933, as amended, in connection with the disposition of its portfolio securities;

- Make loans, except through purchasing fixed-income securities, lending portfolio securities, or entering into repurchase agreements and except as permitted under the 1940 Act;
- Invest 25% or more of the value of its total assets in the securities (other than U.S. Government securities) of any one issuer or of two or more issuers which a Fund or the Master Fund controls and which are engaged in the same or similar trades or businesses or related trades or businesses;
- Invest 25% or more of the value of its total assets in private investment funds (“Adviser Funds”) that, in the aggregate, have investment programs that focus on investing in any single industry;
- Purchase or sell real estate (although it may purchase securities secured by real estate or interests therein, or securities issued by companies that invest in real estate, or interests therein), except that it may hold for prompt sale and sell real estate or interests in real estate to which it may gain an ownership interest through the forfeiture of collateral securing loans or debt securities held by it; and
- Purchase or sell commodities or commodities contracts or oil, gas or mineral programs, except that it may enter into (i) futures and options on futures and (ii) forward contracts.

For purposes of each Fund’s policy not to concentrate its investments as described above, each Fund has adopted the industry classifications as set forth in Appendix A to this SAI.

For purposes of each Fund’s policy not to concentrate its investments as described above, no Fund will invest 25% or more of its assets in an Adviser Fund that it knows concentrates its assets in a single industry.

No other policy, including the investment objective of each Fund, the Offshore Fund, or the Master Fund is a fundamental policy of such Fund. The Board of Directors may modify a Fund’s borrowing policies subject to applicable law, including any required shareholder approval.

Under the 1940 Act, the Funds, the Master Fund and the Adviser Accounts (as defined below) are not permitted to borrow for any purposes if, immediately after such borrowing, a Fund would have an asset coverage (as defined in the 1940 Act) of less than 300% with respect to indebtedness or less than 200% with respect to preferred stock.

Neither the Funds nor the Master Fund can issue “senior securities,” except as permitted by the 1940 Act. Nevertheless, the Master Fund may engage in certain investment activities for which assets of each Fund or the Master Fund may be designated as segregated, or for which margin, collateral or escrow arrangements may be established, to cover certain obligations of a Fund or the Master Fund. Examples of those activities include borrowing money, reverse repurchase agreements, delayed-delivery and when-issued arrangements for portfolio securities transactions, and contracts to buy or sell derivatives, hedging instruments, options or futures.

With respect to these investment restrictions and other policies described in this SAI (except each Fund’s and the Master Fund’s policies on borrowings and senior securities set forth above), if a percentage restriction is adhered to at the time of an investment or transaction, a later change in percentage resulting from a change in the values of investments or the value of a Fund’s or the Master Fund’s total assets, unless otherwise stated, will not constitute a violation of such restriction or policy. The Core Alternatives Institutional Fund’s investment policies and restrictions do not apply to the activities and transactions of the Adviser Funds in which the assets of the Core Alternatives Institutional Fund are invested through the Master Fund (or the investment funds in which the Master Fund’s assets are invested), but will apply to investments made by the Core Alternatives Institutional Fund directly (or any account consisting solely of the Core Alternatives Institutional Fund’s assets). The TEI Institutional Fund’s investment policies and restrictions do not apply to the activities and transactions of the Adviser Funds in which the assets of the TEI Institutional Fund are invested through the Offshore Fund and the Master Fund, but will apply to investments made by the TEI Institutional Fund directly (or any account consisting solely of the TEI Institutional Fund’s assets).

Each Fund’s, the Offshore Fund’s and the Master Fund’s investment objective is not in itself fundamental, and may be changed by the approval of each Fund’s applicable Board of Directors, and without the approval of the Partners.

## CERTAIN PORTFOLIO SECURITIES AND OTHER OPERATING POLICIES

As discussed in the Prospectus, to pursue its objective, the Core Alternatives Institutional Fund invests substantially all of its assets in the Master Fund. The TEI Institutional Fund, to pursue its objective, invests substantially all of its assets in the Offshore Fund, which in turn invests substantially all of its assets in the Master Fund. The Master Fund primarily invests in Adviser Funds that are managed by independent trading advisers (“Advisers”) that employ a wide range of specialized investment strategies that each individually offers the potential for attractive investment returns and which, when blended together within the Master Fund’s portfolio, are designed to produce an overall investment exposure that has a low correlation to the general performance of equity, debt and other markets. Adviser Funds may be either U.S. private investment funds or certain qualifying non-U.S. private investment funds. The Master Fund may also on occasion retain an Adviser to manage a designated segment of the Master Fund’s assets (each, an “Adviser Account”) in accordance with the Adviser’s investment program. Additional information regarding the types of securities and financial instruments in which Advisers may invest the assets of Adviser Funds and Adviser Accounts, and certain of the investment techniques that may be used by Advisers, is set forth below. Detailed information on the investment strategies in which the Advisers invest is set forth in the Prospectus under the section titled “INVESTMENT OBJECTIVE AND STRATEGIES — INVESTMENT STRATEGIES.”

### EQUITY SECURITIES

The investment portfolios of Adviser Funds and Adviser Accounts will include long and short positions in common stocks, preferred stocks and convertible securities of U.S. and foreign issuers. The value of equity securities depends on business, economic and other factors affecting those issuers. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced.

Advisers may generally invest Adviser Funds and Adviser Accounts in equity securities without restriction. These investments may include securities of companies with small to medium-sized market capitalizations, including “microcap” companies and growth stage companies. The securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

### FIXED-INCOME SECURITIES

Adviser Funds and Adviser Accounts may invest in fixed-income securities. An Adviser will invest in these securities when their yield and potential for capital appreciation are considered sufficiently attractive, and also may invest in these securities for defensive purposes and to maintain liquidity. Fixed-income securities include bonds, notes and debentures issued by U.S. and foreign corporations and governments. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer and general market liquidity (i.e., market risk). Certain portfolio securities, such as those with interest rates that fluctuate directly or indirectly based on multiples of a stated index, are designed to be highly sensitive to changes in interest rates and can subject the holders thereof to significant reductions of yield and possible loss of principal.

Adviser Funds and Adviser Accounts may invest in both investment grade and non-investment grade debt securities (commonly referred to as “junk bonds”). Investment grade debt securities are securities that have received a rating from at least one nationally recognized statistical rating organization (a “Rating Agency”) in one of the four highest rating categories or, if not rated by any Rating Agency, have been determined by an Adviser to be of comparable quality.

An Adviser Fund's or Adviser Account's investments in non-investment grade debt securities, including convertible debt securities, are considered by the Rating Agencies to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Non-investment grade securities in the lowest rating categories may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade securities to make principal and interest payments than is the case for higher grade securities. In addition, the market for lower grade securities may be thinner and less liquid than the market for higher grade securities.

#### NON-U.S. SECURITIES

Adviser Funds and Adviser Accounts may invest in equity and fixed-income securities of non-U.S. issuers and in depositary receipts, such as American Depositary Receipts ("ADRs"), that represent indirect interests in securities of non-U.S. issuers. Non-U.S. securities in which Adviser Funds and Adviser Accounts may invest may be listed on non-U.S. securities exchanges or traded in non-U.S. over-the-counter markets or may be purchased in private placements and not be publicly traded. Investments in non-U.S. securities are affected by risk factors generally not thought to be present in the U.S. These factors are listed in this SAI under "RISKS OF SECURITIES ACTIVITIES OF THE ADVISERS — NON-U.S. INVESTMENTS."

As a general matter, Adviser Funds and Adviser Accounts are not required to hedge against non-U.S. currency risks, including the risk of changing currency exchange rates, which could reduce the value of non-U.S. currency denominated portfolio securities irrespective of the underlying investment. However, from time to time, an Adviser Fund or Adviser Account may enter into forward currency exchange contracts ("forward contracts") for hedging purposes and non-hedging purposes to pursue its investment objective. Forward contracts are transactions involving the Adviser Fund's or Adviser Account's obligation to purchase or sell a specific currency at a future date at a specified price. Forward contracts may be used by the Adviser Fund or Adviser Account for hedging purposes to protect against uncertainty in the level of future non-U.S. currency exchange rates, such as when the Adviser Fund or Adviser Account anticipates purchasing or selling a non-U.S. security. This technique would allow the Adviser Fund or Adviser Account to "lock in" the U.S. dollar price of the security. Forward contracts also may be used to attempt to protect the value of the Adviser Fund's or Adviser Account's existing holdings of non-U.S. securities. There may be, however, imperfect correlation between the Adviser Fund's or Adviser Account's non-U.S. securities holdings and the forward contracts entered into with respect to such holdings. Forward contracts also may be used for non-hedging purposes to pursue a Fund's or an Adviser Fund's investment objective, such as when an Adviser anticipates that particular non-U.S. currencies will appreciate or depreciate in value, even though securities denominated in such currencies are not then held in the Master Fund's or Adviser Fund's investment portfolio.

ADRs involve substantially the same risks as investing directly in securities of non-U.S. issuers, as discussed above. ADRs are receipts typically issued by a U.S. bank or trust company that show evidence of underlying securities issued by a non-U.S. corporation. Issuers of unsponsored depositary receipts are not obligated to disclose material information in the United States, and therefore, there may be less information available regarding such issuers.

#### MONEY MARKET INSTRUMENTS

The Master Fund, Adviser Funds and Adviser Accounts may invest during periods of adverse market or economic conditions for defensive purposes some or all of their assets in U.S. Government securities, high quality money market instruments (which may include commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation), and other short-term obligations which generally have remaining maturities of one year or less, money market mutual funds or repurchase agreements with banks or broker-dealers or may hold cash or cash equivalents in such amounts as the Master Fund's investment manager, Hatteras Funds, LP, doing business as Hatteras Investment Partners (the "Investment Manager") and sub-advisor, Portfolio Advisors, LLC ("Portfolio Advisors" or "Sub-Advisor" and together with the Investment Manager, the "Investment Managers") or an Adviser deems appropriate under the circumstances. If a Fund invests in such manner, it may not achieve its investment objective. The Master Fund or Adviser Funds also may invest in these instruments for liquidity purposes pending allocation of their respective offering proceeds and other circumstances.

## REPURCHASE AGREEMENTS

Repurchase agreements are agreements under which the Master Fund, an Adviser Fund or Adviser Account purchases securities from a bank that is a member of the Federal Reserve System, a foreign bank or a securities dealer that agrees to repurchase the securities from the Master Fund, an Adviser Fund or Adviser Account at a higher price on a designated future date. If the seller under a repurchase agreement becomes insolvent or otherwise fails to repurchase the securities, the Master Fund, Adviser Fund or Adviser Account would have the right to sell the securities. This right, however, may be restricted, or the value of the securities may decline before the securities can be liquidated. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before the repurchase of the securities under a repurchase agreement is accomplished, the Master Fund, Adviser Fund or Adviser Account might encounter a delay and incur costs, including a decline in the value of the securities, before being able to sell the securities. Repurchase agreements that are subject to foreign law may not enjoy protections comparable to those provided to certain repurchase agreements under U.S. bankruptcy law, and they therefore may involve greater risks. The Master Fund has adopted specific policies designed to minimize certain of the risks of loss from the Master Fund's use of repurchase agreements.

## REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements involve the sale of a security to a bank or securities dealer and the simultaneous agreement to repurchase the security for a fixed price, reflecting a market rate of interest, on a specific date. These transactions involve a risk that the other party to a reverse repurchase agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses to an Adviser Fund or Adviser Account. Reverse repurchase agreements are a form of leverage which also may increase the volatility of an Adviser Fund's or Adviser Account's investment portfolio.

## SPECIAL INVESTMENT TECHNIQUES

Adviser Funds and Adviser Accounts may use a variety of special investment techniques as more fully discussed below to hedge a portion of their investment portfolios against various risks or other factors that generally affect the values of securities. They may also use these techniques for non-hedging purposes in pursuing their investment objectives. These techniques may involve the use of derivative transactions. The techniques Adviser Funds and Adviser Accounts may employ may change over time as new instruments and techniques are introduced or as a result of regulatory developments. Certain of the special investment techniques that Adviser Funds or Adviser Accounts may use are speculative and involve a high degree of risk, particularly when used for non-hedging purposes. It is possible that any hedging transaction may not perform as anticipated and that an Adviser Fund or Adviser Account may suffer losses as a result of its hedging activities.

## OPTIONS AND FUTURES

The Advisers may utilize options and futures contracts. Such transactions may be effected on securities exchanges, in the over-the-counter market, or negotiated directly with counterparties. When such transactions are purchased over-the-counter or negotiated directly with counterparties, an Adviser Fund or Adviser Account bears the risk that the counterparty will be unable or unwilling to perform its obligations under the option contract. Such transactions may also be illiquid and, in such cases, an Adviser may have difficulty closing out its position. Over-the-counter options purchased and sold by Adviser Funds and Adviser Accounts may include options on baskets of specific securities.

The Advisers may purchase call and put options on specific securities, on indices, on currencies or on futures, and may write and sell covered or uncovered call and put options for hedging purposes and non-hedging purposes to pursue their investment objectives. A put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security at a stated exercise price at any time prior to the expiration of the option. Similarly, a call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security at a stated exercise price at any time prior to the expiration of the option. A covered call option is a call option with respect to which an Adviser Fund or Adviser Account owns the underlying security. The sale of such an option exposes an Adviser Fund or Adviser Account during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or to possible continued holding of a security that might otherwise have been sold to protect against depreciation in the market price of the security. A covered put option is a put option with respect to which cash or liquid securities have been placed in a segregated account on an Adviser Fund's or Adviser Account's books. The sale of such an option exposes the seller during the term of the option to a decline in price of the underlying security while also depriving the seller of the opportunity to invest the segregated assets. Options sold by the Adviser Funds and Adviser Accounts need not be covered.

An Adviser Fund or Adviser Account may close out a position when writing options by purchasing an option on the same security with the same exercise price and expiration date as the option that it has previously written on the security. The Adviser Fund or Adviser Account will realize a profit or loss if the amount paid to purchase an option is less or more, as the case may be, than the amount received from the sale thereof. To close out a position as a purchaser of an option, an Adviser would ordinarily effect a similar "closing sale transaction," which involves liquidating a position by selling the option previously purchased, although the Adviser could exercise the option should it deem it advantageous to do so.

The use of derivatives that are subject to regulation by the Commodity Futures Trading Commission (the "CFTC") by Adviser Funds and Adviser Accounts could cause the Master Fund to be a commodity pool, which would require the Master Fund to comply with certain rules of the CFTC. The Funds have claimed an exemption from registration as a "Commodity Pool Operator" under Rule 4.5 of the Commodity Exchange Act, as amended, (the "CEA") and therefore are not subject to registration as Commodity Pool Operators under the CEA. The Investment Manager and Portfolio Advisors are also exempt from registration as Commodity Pool Operators under the CEA. The Funds do not trade commodity interests directly and the Investment Managers do not allocate more than 50% of the Master Fund's assets to Adviser Funds that trade commodity interests.

Adviser Funds and Adviser Accounts may enter into futures contracts in U.S. domestic markets or on exchanges located outside the United States. Foreign markets may offer advantages such as trading opportunities or arbitrage possibilities not available in the United States. Foreign markets, however, may have greater risk potential than domestic markets. For example, some foreign exchanges are principal markets so that no common clearing facility exists and an investor may look only to the broker for performance of the contract. In addition, any profits that might be realized in trading could be eliminated by adverse changes in the exchange rate, or a loss could be incurred as a result of those changes. Transactions on foreign exchanges may include both commodities which are traded on domestic exchanges and those which are not. Unlike trading on domestic commodity exchanges, trading on foreign commodity exchanges is not regulated by the CFTC.

Engaging in these transactions involves risk of loss, which could adversely affect the value of a Fund's net assets. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and potentially subjecting an Adviser Fund or Adviser Account to substantial losses.

Successful use of futures also is subject to an Adviser's ability to correctly predict movements in the direction of the relevant market, and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the futures contract.

Some or all of the Advisers may purchase and sell stock index futures contracts for an Adviser Fund or Adviser Account. A stock index future obligates an Adviser Fund or Adviser Account to pay or receive an amount of cash equal to a fixed dollar amount specified in the futures contract multiplied by the difference between the settlement price of the contract on the contract's last trading day and the value of the index based on the stock prices of the securities that comprise it at the opening of trading in those securities on the next business day.



Some or all of the Advisers may purchase and sell interest rate futures contracts for an Adviser Fund or Adviser Account. A contract for interest rate futures represents an obligation to purchase or sell an amount of a specific debt security at a future date at a specific price.

Some or all of the Advisers may purchase and sell currency futures. A currency future creates an obligation to purchase or sell an amount of a specific currency at a future date at a specific price.

#### OPTIONS ON SECURITIES INDEXES

Some or all of the Advisers may purchase and sell for the Adviser Funds and Adviser Accounts call and put options on stock indexes listed on national securities exchanges or traded in the over-the-counter market for hedging purposes and non-hedging purposes to pursue their investment objectives. A stock index fluctuates with changes in the market values of the stocks included in the index. Accordingly, successful use by an Adviser of options on stock indexes will be subject to the Adviser's ability to predict correctly movements in the direction of the stock market generally or of a particular industry or market segment. This requires different skills and techniques than predicting changes in the price of individual stocks.

#### WARRANTS AND RIGHTS

Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants and rights may be considered more speculative than certain other types of equity-like securities. In addition, the values of warrants and rights do not necessarily change with the values of the underlying securities or commodities and these instruments cease to have value if they are not exercised prior to their expiration dates.

#### SWAP AGREEMENTS

The Advisers may enter into equity, interest rate, index and currency rate swap agreements on behalf of Adviser Funds and Adviser Accounts. These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost than if an investment was made directly in the asset that yielded the desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount," i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. Forms of swap agreements include: interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates exceed a specified rate or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates fall below a specified level or "floor"; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

Most swap agreements entered into by an Adviser Fund or Adviser Account would require the calculation of the obligations of the parties to the agreements on a "net basis." Consequently, an Adviser Fund's or Adviser Account's current obligations (or rights) under a swap agreement generally will be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount"). The risk of loss with respect to swaps is limited to the net amount of interest payments that a party is contractually obligated to make. If the other party to a swap defaults, an Adviser Fund's or Adviser Account's risk of loss consists of the net amount of payments that it contractually is entitled to receive.

To achieve investment returns equivalent to those achieved by an Adviser in whose investment vehicles the Master Fund could not invest directly, perhaps because of its investment minimum or its unavailability for direct investment, the Master Fund may enter into swap agreements under which the Master Fund may agree, on a net basis, to pay a return based on a floating interest rate, and to receive the total return of the reference investment vehicle over a stated time period. The Master Fund may seek to achieve the same investment result through the use of other derivatives in similar circumstances. The U.S. federal income tax treatment of swap agreements and other derivatives used in the above manner is unclear. The Master Fund does not currently intend to use swaps or other derivatives in this manner.

#### LENDING PORTFOLIO SECURITIES

An Adviser Fund or Adviser Account may lend securities from its portfolio to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. The Adviser Fund or Adviser Account continues to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities which affords the Adviser Fund or Adviser Account an opportunity to earn interest on the amount of the loan and on the loaned securities' collateral. An Adviser Fund or Adviser Account generally will receive collateral consisting of cash, U.S. government securities or irrevocable letters of credit which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The Adviser Fund or Adviser Account might experience risk of loss if the institution with which it has engaged in a portfolio loan transaction breaches its agreement with the Adviser Fund or Adviser Account.

#### WHEN-ISSUED, DELAYED DELIVERY AND FORWARD COMMITMENT SECURITIES

To reduce the risk of changes in securities prices and interest rates, an Adviser Fund or Adviser Account may purchase securities on a forward commitment, when-issued or delayed delivery basis, which means delivery and payment take place a number of days after the date of the commitment to purchase. The payment obligation and the interest rate receivable with respect to such purchases are fixed when the Adviser Fund or Adviser Account enters into the commitment, but the Adviser Fund or Adviser Account does not make payment until it receives delivery from the counterparty. After an Adviser Fund or Adviser Account commits to purchase such securities, but before delivery and settlement, it may sell the securities if it is deemed advisable.

Securities purchased on a forward commitment or when-issued or delayed delivery basis are subject to changes in value, generally changing in the same way, i.e., appreciating when interest rates decline and depreciating when interest rates rise, based upon the public's perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates. Securities so purchased may expose an Adviser Fund or Adviser Account to risks because they may experience such fluctuations prior to their actual delivery. Purchasing securities on a when-issued or delayed delivery basis can involve the additional risk that the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself. Purchasing securities on a forward commitment, when-issued or delayed delivery basis when an Adviser Fund or Adviser Account is fully or almost fully invested results in a form of leverage and may result in greater potential fluctuation in the value of the net assets of an Adviser Fund or Adviser Account. In addition, there is a risk that securities purchased on a when-issued or delayed delivery basis may not be delivered and that the purchaser of securities sold by an Adviser Fund or Adviser Account on a forward basis will not honor its purchase obligation. In such cases, the Adviser Fund or Adviser Account may incur a loss.

#### EACH FUND MAY CHANGE ITS INVESTMENT OBJECTIVE, POLICIES, RESTRICTIONS, STRATEGIES, AND TECHNIQUES.

Except as otherwise indicated, the Funds, the Offshore Fund and the Master Fund may each change their respective investment objectives and any of their respective policies, restrictions, strategies, and techniques without Partner approval. The Funds', the Offshore Fund's and the Master Fund's investment objective is not a fundamental policy and it may be changed by the respective Board of Directors without Partner approval. Notice will be provided to Partners prior to any such change.

## RISKS OF SECURITIES ACTIVITIES OF THE ADVISERS

All securities investing and trading activities involve the risk of loss of capital. While the Investment Managers will attempt to moderate these risks, there can be no assurance that the Master Fund's investment activities will be successful or that the Partners will not suffer losses. The following discussion sets forth some of the more significant risks associated with the styles of investing which may be utilized by one or more Advisers:

### EQUITY SECURITIES

Advisers' investment portfolios may include long and short positions in common stocks, preferred stocks and convertible securities of U.S. and non-U.S. issuers. Advisers also may invest in depositary receipts relating to non-U.S. securities, which are subject to the risks affecting investments in foreign issuers discussed under "NON-U.S. INVESTMENTS," below. Issuers of unsponsored depositary receipts are not obligated to disclose material information in the United States, and therefore, there may be less information available regarding such issuers. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced.

### BONDS AND OTHER FIXED INCOME SECURITIES

Adviser Funds and Adviser Accounts may invest in bonds and other fixed income securities, both U.S. and non-U.S., and may take short positions in these securities. Adviser Funds will invest in these securities when they offer opportunities for capital appreciation (or capital depreciation in the case of short positions) and may also invest in these securities for temporary defensive purposes and to maintain liquidity. Fixed income securities include, among other securities: bonds, notes and debentures issued by U.S. and non-U.S. corporations; U.S. government securities or debt securities issued or guaranteed by a non-U.S. government; municipal securities; and mortgage-backed and asset backed securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility resulting from, among other things, interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

### NON-U.S. INVESTMENTS

It is expected that Adviser Funds and Adviser Accounts will invest in securities of non-U.S. companies and countries. Foreign obligations have risks not typically involved in domestic investments. Foreign investing can result in higher transaction and operating costs for the Master Fund. Foreign issuers are not subject to the same accounting and disclosure requirements to which U.S. issuers are subject and consequently, less information may be available to investors in companies located in such countries than is available to investors in companies located in the United States. The value of foreign investments may be affected by: exchange control regulations; fluctuations in the rate of exchange between currencies and costs associated with currency conversions; the potential difficulty in repatriating funds; expropriation or nationalization of a company's assets; delays in settlement of transactions; changes in governmental economic or monetary policies in the United States or abroad; or other political and economic factors.

Securities of issuers in emerging and developing markets present risks not found in securities of issuers in more developed markets. Securities of issuers in emerging and developing markets may be more difficult to sell at acceptable prices and their prices may be more volatile than securities of issuers in more developed markets. Settlements of securities trades in emerging and developing markets may be subject to greater delays than in other markets so that the Master Fund might not receive the proceeds of a sale of a security on a timely basis. Emerging markets generally have less developed trading markets and exchanges, and legal and accounting systems.

### FOREIGN CURRENCY TRANSACTIONS

Adviser Funds and Adviser Accounts may engage in foreign currency transactions for a variety of purposes, including "locking in" the U.S. dollar price of a security between trade and settlement date, or hedging the U.S. dollar value of securities held in the Adviser Fund or Adviser Account. Adviser Funds and Adviser Accounts may also engage in foreign currency transactions for non-hedging purposes to generate returns.

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

An Adviser Fund or Adviser Account may enter into forward contracts ("forward contracts") for hedging and non-hedging purposes in pursuing its investment objective. Forward contracts are transactions involving an obligation to purchase or sell a specific currency at a future date at a specified price. Forward contracts may be used for hedging purposes to protect against uncertainty in the level of future non-U.S. currency exchange rates, such as when an Adviser anticipates purchasing or selling a non-U.S. security. This technique would allow the Adviser to "lock in" the U.S. dollar price of the security. Forward contracts may also be used to attempt to protect the value of an existing holding of non-U.S. securities. Imperfect correlation may exist, however, between the non-U.S. securities holdings of the Adviser Fund or Adviser Account, and the forward contracts entered into with respect to those holdings. In addition, forward contracts may be used for non-hedging purposes, such as when an Adviser anticipates that particular non-U.S. currencies will appreciate or depreciate in value, even though securities denominated in those currencies are not then held in the applicable investment portfolio. Generally, Adviser Funds are subject to no requirement that they hedge all or any portion of their exposure to non-U.S. currency risks, and there can be no assurance that hedging techniques will be successful if used.

#### SMALL CAPITALIZATION ISSUERS

Adviser Funds and Adviser Accounts may invest in smaller capitalization companies, including micro cap companies. Investments in smaller capitalization companies often involve significantly greater risks than the securities of larger, better-known companies because they may lack the management expertise, financial resources, product diversification and competitive strengths of larger companies. The prices of the securities of smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies, as these securities typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects. In addition, when selling large positions in small capitalization securities, the seller may have to sell holdings at discounts from quoted prices or may have to make a series of small sales over a period of time.

#### DISTRESSED SECURITIES

Certain of the companies in whose securities the Adviser Funds or Adviser Accounts may invest may be in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation. These characteristics of these companies can cause their securities to be particularly risky, although they also may offer the potential for high returns. These companies' securities may be considered speculative, and the ability of the companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic factors affecting a particular industry or specific developments within the companies. Such investments can result in significant or even total losses. In addition, the markets for distressed investment assets are frequently illiquid.

Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to an Adviser Fund's or Adviser Account's investment in any instrument, and a significant portion of the obligations and preferred stock in which an Adviser Fund or Adviser Account invests may be less than investment grade. Any one or all of the issuers of the securities in which an Adviser Fund or Adviser Account may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that an Adviser will correctly evaluate the value of the assets collateralizing such Adviser Fund's or Adviser Account's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which an Adviser Fund or Adviser Account invests, such Adviser Fund or Adviser Account may lose its entire investment, may be required to accept cash or securities with a value less than such Adviser Fund or Adviser Account's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from an Adviser Fund's or Adviser Account's investments may not compensate the investors adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to an Adviser Fund or Adviser Account of the security in respect to which such distribution was made.

In certain transactions, an Adviser Fund or Adviser Account may not be “hedged” against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

#### PURCHASING INITIAL PUBLIC OFFERINGS

Adviser Funds and Adviser Accounts may purchase securities of companies in initial public offerings (“IPOs”) or shortly after those offerings are complete. Special risks associated with these securities may include a limited number of shares available for trading, lack of a trading history, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some IPOs may make it more difficult for an Adviser to buy or sell significant amounts of shares without an unfavorable effect on prevailing market prices. In addition, some companies in IPOs are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or near-term prospects of achieving revenues or operating income. Further, when an Adviser Fund’s or Adviser Account’s asset base is small, a significant portion of an Adviser Fund’s or Adviser Account’s performance could be attributable to investments in IPOs, because such investments would have a magnified impact on the Adviser Fund or Adviser Account.

#### ILLIQUID PORTFOLIO INVESTMENTS

Adviser Funds and Adviser Accounts may invest in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and an Adviser Fund or Adviser Account may not be able to sell them when the Adviser desires to do so or to realize what the Adviser perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over the counter markets. Restricted securities may sell at prices that are lower than similar securities that are not subject to restrictions on resale.

The Core Alternatives Institutional Fund’s investments in the Master Fund, and the TEI Institutional Fund’s investments in the Master Fund through the Offshore Fund, are themselves illiquid and subject to substantial restrictions on transfer. The Funds will typically have only limited rights to withdraw its investment in the Master Fund. The illiquidity of this investment may adversely affect a Fund if it sold such investment at an inopportune time. See “Repurchase Offers” in the Funds’ Prospectus.

#### PAYMENT IN KIND FOR REPURCHASED UNITS

The Funds do not expect to distribute securities as payment for repurchased Units except in unusual circumstances, such as in the unlikely event that making a cash payment would result in a material adverse effect on the Funds or on Partners not requesting that their Units be repurchased, or that the Core Alternatives Institutional Fund has received distributions from the Master Fund, or that the TEI Institutional Fund has received distributions from the Master Fund via the Offshore Fund, consisting of securities of Adviser Funds or securities from such Adviser Funds that are transferable to the Partners. In the event that a Fund makes such a distribution of securities as payment for Units, Partners will bear any risks of the distributed securities (see “SPECIAL INVESTMENT INSTRUMENTS AND TECHNIQUES” below) and may be required to pay a brokerage commission or other costs in order to dispose of such securities.

#### SECURITIES BELIEVED TO BE UNDERVALUED OR INCORRECTLY VALUED

Securities that Advisers believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Advisers anticipate. As a result, an Adviser Fund or Adviser Account in which the Master Fund invests may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard that is a prerequisite to an Adviser’s investment in any instrument and some obligations and preferred stock in which an Adviser invests may be less than investment grade.

#### EVENT-DRIVEN STRATEGIES

Event-driven strategies generally incur significant losses when proposed transactions are not consummated. The consummation of mergers, tender offers, and exchange offers and other significant corporate events can be prevented or delayed by a variety of factors, including: (i) regulatory intervention; (ii) efforts by the target company to pursue a defensive strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iii) failure to obtain the necessary shareholder approvals; (iv) adverse market or business conditions resulting in material change or termination of the pending transaction; (v) additional requirements imposed by law; and (vi) inability to obtain adequate financing.

#### ACTIVIST TRADING STRATEGY

The success of the Master Fund’s investments in Adviser Funds and Adviser Accounts that pursue an activist trading strategy may require, among other things: (i) that the Adviser properly identify companies whose securities prices can be improved through corporate and/or strategic action; (ii) that the Adviser Funds and Adviser Accounts acquire sufficient securities of such companies at a sufficiently attractive price; (iii) that the Adviser Funds and Adviser Accounts avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) that management of companies and other security holders respond positively to the Adviser’s proposals; and (v) that the market price of a company’s securities increases in response to any actions taken by companies. There can be no assurance that any of the foregoing will succeed.

Successful execution of an activist strategy will depend on the cooperation of security holders and others with an interest in the company. Some security holders may have interests which diverge significantly from those of the Adviser Funds and Adviser Accounts and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates, even if the Adviser Fund’s and Adviser Account’s strategy is successfully implemented. Even if the prices for a company’s securities have increased, there is no assurance that the Adviser Fund and Adviser Account will be able to realize any increase in the price of such securities.

#### CONVERTIBLE BOND ARBITRAGE

The success of the investment activities involving convertible bond arbitrage will depend on the Advisers’ ability to identify and exploit price discrepancies in the market. Identification and exploitation of the market opportunities involve uncertainty. No assurance can be given that the Advisers will be able to locate investment opportunities or to correctly exploit price discrepancies. In the event that the perceived mispricings underlying the Advisers’ positions were to fail to materialize as expected by the Advisers, the Master Fund and the Funds could incur a loss.

## MERGER ARBITRAGE

Merger arbitrage is a strategy that seeks to profit from changes in the price of securities of companies involved in extraordinary corporate transactions. The difference between the price paid by an Adviser for securities of a company involved in an announced extraordinary corporate transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. Since the price bid for the securities of a company involved in an announced extraordinary corporate transaction will generally be at a significant premium above the market price prior to the announcement, if the proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps by more than the Adviser's anticipated profit, even if the security's market price returns to a level comparable to that which exists prior to the announcement of the deal.

Numerous factors, such as the possibility of litigation between the participants in a transaction, the requirement to obtain mandatory or discretionary consents from various governmental authorities or others, or changes in the terms of a transaction either by the initial participants or as a result of the entry of additional participants, make any evaluation of the outcome of an arbitrage situation uncertain; and these uncertainties may be increased by legal and practical considerations that limit the access of the Advisers to reliable and timely information concerning material developments affecting pending transactions, or that cause delays in the consummation of transactions resulting in an increase of the Master Fund's and the Funds' costs.

## MAJOR STOCK MARKET CORRECTION

A major stock market correction may result in the widening of arbitrage spreads generally and in the termination of some merger and acquisition ("M&A") transactions. In the event of such a correction, to the extent the portfolios contain stock-for-stock transactions, short positions held by the Master Fund (through the Adviser Funds and Adviser Accounts) in acquiring companies are anticipated to provide a significant but not complete offset to the potential losses on long positions held by the Master Fund (through the Adviser Funds and Adviser Accounts) in target companies. A major stock market correction may also adversely affect the number and frequency of publicly announced M&A transactions available for investment by the Master Fund (through the Adviser Funds and Adviser Accounts).

## INTEREST RATE RISK

The Adviser Funds and Adviser Accounts, and therefore the Master Fund and the Funds, are subject to financial market risks, including the risk of a change in interest rates. A decline in interest rates could reduce the amount of current income the Master Fund is able to achieve from interest on convertible debt and the proceeds of short sales. An increase in interest rates could reduce the value of convertible securities owned by the Adviser Funds or Adviser Accounts. To the extent that the cash flow from a fixed income security is known in advance, the present value (i.e., discounted value) of that cash flow decreases as interest rates increase; to the extent that the cash flow is contingent, the dollar value of the payment may be linked to then prevailing interest rates. The Adviser Funds and Adviser Accounts may also invest in floating rate securities.

Interest rates have recently been at or near historic lows. The historically low interest rate environment increases the risks associated with rising interest rates, including the potential for periods of volatility. The Adviser Funds and Adviser Accounts, and therefore the Master Fund, currently face a heightened level of risk associated with rising interest rates and/or bond yields. This could be driven by a variety of factors, including but not limited to central bank monetary policies, changing inflation or real growth rates, general economic conditions, increasing bond issuances or reduced market demand for low yielding investments.

In the event of a rising interest rate environment, payments under floating rate debt instruments or equities generating yields would rise and there may be a significant number of issuers of such floating rate debt instruments or equities that would be unable or unwilling to pay such increased interest costs and may otherwise be unable to repay their loans. Investments in floating rate debt instruments or equities generating yields may also decline in value in response to rising interest rates if the interest rates of such investments do not rise as much, or as quickly, as market interest rates in general. Similarly, during periods of rising interest rates, fixed rate debt instruments may decline in value because the fixed rates of interest paid thereunder may be below market interest rates.

## CONTINGENT LIABILITIES

The Master Fund may from time to time incur contingent liabilities in connection with an investment made through an Adviser Fund or Adviser Account. For example, the Master Fund may purchase from a lender a revolving credit

facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Master Fund might be obligated to fund a portion of the amounts due.

## GENERAL CREDIT RISKS

The value of any underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. The Advisers cannot guarantee the adequacy of the protection of the Master Fund's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Advisers cannot assure that claims may not be asserted that might interfere with enforcement of the rights of the holder(s) of the relevant debt. In the event of a foreclosure, the liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Master Fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss. The Master Fund will not have the right to proceed directly against obligors on bank loans, high yield securities and other fixed income securities selected by the Advisers ("Reference Securities").

## CREDIT DEFAULT SWAPS

The Adviser Funds or Adviser Accounts may enter into credit default swaps. Under these instruments, the Adviser Funds or Adviser Accounts will usually have a contractual relationship only with the counterparty of such credit default swaps and not the issuer of the obligation (the "Reference Obligation") subject to the credit default swap (the "Reference Obligor"). The Adviser Funds or Adviser Accounts will have no direct right or recourse against the Reference Obligor with respect to the terms of the Reference Obligation nor any rights of set-off against the Reference Obligor, nor any voting rights with respect to the Reference Obligation. The Adviser Funds or Adviser Accounts will not directly benefit from the collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the credit default swap counterparty, the Adviser Funds or Adviser Accounts will be treated as a general creditor of such counterparty and will not have any claim with respect to the Reference Obligation. Consequently, the Adviser Funds or Adviser Accounts will be subject to the credit risk of the counterparty and in the event the Adviser Funds or Adviser Accounts will be selling credit default swaps, the Adviser Funds or Adviser Accounts will also be subject to the credit risk of the Reference Obligor. As a result, concentrations of credit default swaps in any one counterparty expose the Adviser Funds or Adviser Accounts to risk with respect to defaults by such counterparty.

## BANK DEBT TRANSACTIONS

Bank debt will be included as Reference Securities. Special risks associated with investments in bank loans and participations include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) so-called lender-liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iv) limitations on the ability of the holder of the interest affecting the Master Fund to directly enforce its rights with respect to participations. Successful claims in respect of such matters may reduce the cash flow and/or market value of certain of the Reference Securities.

In addition to the special risks generally associated with investments in bank loans described above, the Master Fund's investments (through the Adviser Funds or Adviser Accounts) in second-lien and unsecured bank loans will entail additional risks, including (i) the subordination of the Master Fund's claims to a senior lien in terms of the coverage and recovery from the collateral and (ii) with respect to second-lien loans, the prohibition of or limitation on the right to foreclose on a second-lien or exercise other rights as a second-lien holder, and with respect to unsecured loans, the absence of any collateral on which the Master Fund may foreclose to satisfy its claim in whole or in part. In certain cases, therefore, no recovery may be available from a defaulted second-lien loan. The Master Fund's investments (through the Adviser Funds or Adviser Accounts) in bank loans of below investment grade companies also entail specific risks associated with investments in non-investment grade securities.



## COMPLEXITY OF QUANTITATIVE TRADING STRATEGIES; RELIANCE ON TECHNOLOGY

Many of the investments that the Advisers are expected to trade on behalf of the Master Fund, and many of the trading strategies that the Advisers are expected to execute on behalf of the Master Fund, are highly complex. In certain cases, the successful application of a particular trading strategy may require relatively sophisticated mathematical calculations and relatively complex computer programs. While it is the Investment Managers' belief that the Advisers intend to use "good faith" efforts to carry out such calculations and such programs correctly and to use the aforementioned investments and strategies effectively, there can be no assurance that they will prove successful in doing so. In addition, whether or not such calculations or programs relate to a substantial portion of the investment portfolio of the Master Fund, any errors in this regard could have a material adverse effect on the Master Fund.

Certain of the trading strategies expected to be used by the Advisers are dependent upon various computer and telecommunications technologies. The successful deployment of these strategies, the implementation and operation of these strategies and any future strategies, and various other critical activities of the Advisers could be severely compromised by telecommunications failures, power loss, software-related "system crashes," fire or water damage, or various other events or circumstances. The Advisers do not provide comprehensive and foolproof protection against all such events (whether because they believe such to be impractical or prohibitively expensive in terms of financial expenditures and/or scheduling delays, or for other reasons), and are not expected to secure such comprehensive or foolproof protection. Any event that interrupts the Advisers' computer and/or telecommunications operations, however, could result in, among other things, the inability to establish, modify, liquidate, or monitor the Master Fund's investment portfolio, and, for those and other reasons, could have a material adverse effect on the operating results, financial condition, activities, and prospects of the Master Fund.

## SPECIAL INVESTMENT INSTRUMENTS AND TECHNIQUES

The Advisers may utilize a variety of special investment instruments and techniques to hedge against various risks (such as changes in interest rates or other factors that affect security values) or for non-hedging purposes to pursue an Adviser Fund's or Adviser Account's investment objective. These strategies may often be executed through derivative transactions. Certain of the special investment instruments and techniques that the Advisers may use are speculative and involve a high degree of risk, particularly in the context of non-hedging transactions.

## DERIVATIVES

Derivatives are securities and other instruments the value or return of which is based on the performance of an underlying asset, index, interest rate or other investment. Derivatives may be volatile and involve various risks, depending upon the derivative and its function in a portfolio. Special risks may apply to instruments that are invested in by Adviser Funds or Adviser Accounts in the future that cannot be determined at this time or until such instruments are developed or invested in by Adviser Funds or Adviser Accounts. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

## CALL AND PUT OPTIONS

There are risks associated with the sale and purchase of call and put options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium invested in the call option. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above its short sales price plus the premium received for writing the put option, and gives up the opportunity for gain on the short position if the underlying security's price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing his entire premium invested in the put option.

## HEDGING TRANSACTIONS

Advisers may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts to seek to hedge against declines in the values of their portfolio positions as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging transactions may also limit the opportunity for gain if the value of the hedged portfolio positions should increase. It may not be possible for the Advisers to hedge against a change or event at a price sufficient to protect an Adviser Fund's or Adviser Account's assets from the decline in value of the portfolio positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. While an Adviser may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks of a decline in the equity markets generally or one or more sectors of the equity markets in particular, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or increases or smaller than expected decreases in the equity markets or sectors being hedged or the nonoccurrence of other events being hedged against may result in a poorer overall performance for a Fund than if the Adviser had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the Advisers may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Advisers from achieving the intended hedge or expose a Fund to additional risk of loss.

## SWAP AGREEMENTS

An Adviser Fund or Adviser Account may enter into equity, interest rate, index and currency rate swap agreements. These transactions will be undertaken in attempting to obtain a particular return when it is considered desirable to do so, possibly at a lower cost than if an Adviser Fund or Adviser Account had invested directly in the asset that yielded the desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount," that is, the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular non-U.S. currency, or in a "basket" of securities representing a particular index.

Most of these swap agreements would require the calculation of the obligations of the parties to the agreements on a "net basis." Consequently, current obligations (or rights) under a swap agreement generally will be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount"). The risk of loss with respect to swaps is limited to the net amount of interest payments that the Adviser Fund or Adviser Account is contractually obligated to make. If the other party to a swap defaults, the risk of loss consists of the net amount of payments that the Adviser Fund or Adviser Account contractually is entitled to receive.

The U.S. federal income tax treatment of swap agreements and other derivatives as described above is unclear. Swap agreements and other derivatives used in this manner may be treated as a constructive ownership of the reference property which may result in a portion of any long-term capital gain being treated as ordinary income.

## LEVERAGE

In addition to the use of leverage by the Advisers in their respective trading strategies, the Investment Managers intend to leverage the Master Fund's allocations to the Advisers through (i) borrowings, (ii) swap agreements, options or other derivative instruments, (iii) employing certain Advisers (many of which trade on margin and do not generally need additional capital from the Master Fund in order to increase the level of the positions they acquire for it) to trade notional equity in excess of the equity actually available in their accounts or (iv) a combination of these methods. The financing entity or counterparty on any swap, option or other derivative instrument may be any entity or institution which the Investment Managers determine to be creditworthy.

The Investment Managers anticipate that Adviser Account and Adviser Fund investments generally will be maintained representing an aggregate investment with the Advisers of between 150% to 300% of the Master Fund's equity, although this investment leverage varies as the Investment Managers allocate and reallocate assets.

Thus the Master Fund, through its leveraged investments in the Adviser Funds and through each Adviser's use of leverage in its trading strategies, uses leverage with respect to the Units. As a result of that leverage, a relatively small movement in the spread relationship between the securities and commodities interests the Master Fund indirectly owns and those which it has indirectly sold short may result in substantial losses.

Investors also should note that the leverage the Advisers employ in their Adviser Account and Adviser Fund trading can result in an investment portfolio significantly greater than the assets allocated to their trading, which can greatly increase a Fund's profits or losses as compared to its net assets. The Advisers' anticipated use of short-term margin borrowings results in certain additional risks to the Fund. For example, should the securities that are pledged to brokers to secure the Advisers' margin Adviser Funds decline in value, or should brokers from which the Advisers have borrowed increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), then the Advisers could be subject to a "margin call," pursuant to which the Advisers must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a precipitous drop in the value of the assets of an Adviser, the Adviser might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses.

## SHORT SELLING

The Advisers may engage in short selling. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an investor to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. For these reasons, short selling is considered a speculative investment practice.

Adviser Funds and Adviser Accounts may also effect short sales "against the box." These transactions involve selling short securities that are owned (or that an Adviser Fund or Adviser Account has the right to obtain). When an Adviser Fund or Adviser Account enters into a short sale against the box, it will set aside securities equivalent in kind and amount to the securities sold short (or securities convertible or exchangeable into such securities) and will hold such securities while the short sale is outstanding. Adviser Funds and Adviser Accounts will incur transaction costs, including interest expenses, in connection with opening, maintaining and closing short sales against the box.

## OTHER POTENTIAL RISKS AND ADDITIONAL INVESTMENT INFORMATION

*DEPENDENCE ON THE INVESTMENT MANAGERS AND THE ADVISERS.* The Investment Managers will invest assets of the Master Fund through the Advisers, and the Investment Managers have the sole authority and responsibility for the selection of the Advisers. The success of the Master Fund depends upon the ability of the Investment Managers to develop and implement investment strategies that achieve the investment objective of the Funds, the Offshore Fund and the Master Fund, and upon the ability of the Advisers to develop and implement strategies that achieve their investment objectives. Partners will have no right or power to participate in the management or control of either Fund, the Offshore Fund, the Master Fund or the Adviser Funds, and will not have an opportunity to evaluate the specific investments made by the Adviser Funds or the Advisers, or the terms of any such investments.

*COMPENSATION ARRANGEMENTS WITH THE ADVISERS.* Advisers may receive compensation based on the performance of their investments. Such compensation arrangements may create an incentive to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation is calculated on a basis that includes unrealized appreciation of an Adviser Fund's assets, such performance-based compensation may be greater than if such compensation were based solely on realized gains.

*BUSINESS AND REGULATORY RISKS.* Legal, tax and regulatory developments that may adversely affect the Funds, the Advisers or the Adviser Funds could occur. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect the ability of a Fund to pursue its investment strategy and the value of investments held by the Funds. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. It is impossible to predict what, if any, changes in regulations may occur, but any regulations which restrict the ability of a Fund to trade in securities or the ability of a Fund to employ, or brokers and other counterparties to extend, credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on a Fund's portfolio.

*CONTROL POSITIONS.* Adviser Funds and Advisers (through Adviser Accounts) may take control positions in companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of liability related to business operations. In addition, the act of taking a control position, or seeking to take such a position, may itself subject an Adviser Fund and Adviser (through Adviser Accounts) to litigation by parties interested in blocking it from taking that position. If those liabilities were to arise, or such litigation were to be resolved in a manner adverse to the Adviser Funds or Adviser, the Adviser Funds or Adviser Accounts likely would suffer losses on their investments. Additionally, should an Adviser Fund or Adviser (through an Adviser Account) obtain such a position, such entity may be required to make filings concerning its holdings with the SEC and it may become subject to other regulatory restrictions that could limit the ability of such Adviser Fund or Adviser Account to dispose of its holdings at a preferable time and in a preferable manner. Violations of these regulatory requirements could subject the Adviser Fund or Adviser Account to significant liabilities.

*EFFECT OF INVESTOR WITHDRAWALS ON AN ADVISER'S ABILITY TO INFLUENCE CORPORATE CHANGE.* From time to time an Adviser Fund or Adviser Account may acquire enough of a company's shares or other equity to enable its Adviser, either alone or together with the members of any group with which the Adviser is acting, to influence the company to take certain actions, with the intent that such actions will maximize shareholder value. If the investors of such an Adviser Fund or Adviser Account request withdrawals representing a substantial portion of the Adviser Fund's or Adviser Account's assets during any period when its Adviser (or members of any such group) are seeking to influence any such corporate changes, the Adviser may be compelled to sell some or all of the Adviser Fund's or Adviser Account's holdings of the shares or other equity issued by such company in order to fund such investor withdrawal requests. This may adversely impact, or even eliminate, the Adviser's (or the group's) ability to influence such changes and, thus, to influence shareholder value, possibly resulting in losses to the Adviser Fund or Adviser Account and subsequently, the Master Fund and the Funds.

*RELIANCE ON KEY PERSONNEL OF THE INVESTMENT MANAGERS.* The Funds' abilities to identify and invest in attractive opportunities is dependent upon the Investment Managers. If one or more of the key individuals leaves the Investment Managers, the Investment Managers may not be able to hire qualified replacements at all, or may require an extended time to do so. This could prevent the Funds from achieving their investment objective.

*DILUTION.* If an Adviser limits the amount of capital that may be contributed to an Adviser Fund by the Master Fund, additional sales of Units of the Funds will dilute the participation of existing Partners in the indirect returns to the Funds from such Adviser Fund.

*INDIRECT INVESTMENT IN ADVISER FUNDS.* Any transaction by which the Master Fund indirectly gains exposure to an Adviser Fund by the purchase of a swap or other contract is subject to special risks. The Master Fund's use of such instruments can result in volatility, and each type of instrument is subject to special risks. Indirect investments generally will be subject to transaction and other fees that will reduce the value of the Master Fund's investment in an Adviser Fund. There can be no assurance that the Master Fund's indirect investment in an Adviser Fund will have the same or similar results as a direct investment in the Adviser Fund, and the Master Fund's value may decrease as a result of such indirect investment.

*COUNTERPARTY INSOLVENCY.* The Funds' and the Adviser Funds' or Adviser Accounts' assets may be held in one or more funds maintained for the Funds or the Adviser Funds or Adviser Accounts by counterparties, including their prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of such counterparties is likely to impair the operational capabilities or the assets of the Adviser Funds or Adviser Accounts and the Funds. If one or more of the Adviser Funds' or Adviser Accounts' counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Adviser Funds' or Adviser Accounts' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, the Adviser Funds or Adviser Accounts may use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Adviser Funds' or Adviser Accounts' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Adviser Funds or Adviser Accounts and their assets and the Funds. The insolvency of any counterparty would result in a loss to the Funds, which could be material.

*FINANCIAL FAILURE OF INTERMEDIARIES.* There is always the possibility that the institutions, including brokerage firms and banks, with which the Funds do business, or to which securities have been entrusted for custodial purposes, will encounter financial difficulties that may impair their operational capabilities or result in losses to the Funds.

*SUSPENSIONS OF TRADING.* Each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible for an Adviser Fund to liquidate its positions and thereby expose it to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough for an Adviser Fund to close out positions.

*ENFORCEABILITY OF CLAIMS AGAINST ADVISER FUNDS.* The Funds have no assurances that they will be able to: (1) effect service of process within the U.S. on foreign Adviser Funds; (2) enforce judgments obtained in U.S. courts against foreign Adviser Funds based upon the civil liability provisions of the U.S. federal securities laws; (3) enforce, in an appropriate foreign court, judgments of U.S. courts based upon the civil liability provisions of the U.S. federal securities laws; and (4) bring an original action in an appropriate foreign court to enforce liabilities against an Adviser Fund or other person based upon the U.S. federal securities laws. It is unclear whether Partners would ever be able to bring claims directly against the Adviser Funds, domestic or foreign, or whether all such claims must be brought by the Board of Directors on behalf of Partners.

*CYBER SECURITY RISK.* The Funds and their service providers may be prone to operational and information security risks resulting from breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Funds to lose proprietary information, suffer data corruption, or lose operational capacity. Breaches in cyber security include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cyber-attacks. Cyber security breaches affecting the Funds, the Investment Managers, financial intermediaries and other third-party service providers may adversely impact the Funds. For instance, cyber security breaches may interfere with the processing of investor transactions, impact the Funds' ability to calculate its net asset value, cause the release of private investor information or confidential business information, impede investment activities, subject the Funds to regulatory fines or financial losses and/or cause reputational damage. The Funds may also incur additional costs for cyber security risk management purposes. Similar types of cyber security risks are also present for Master Fund and for the issuers of securities in which the Master Fund may invest, which could result in material adverse consequences for such issuers and may cause the Master Fund to lose value.

## BOARDS OF DIRECTORS AND OFFICERS

### BOARDS OF DIRECTORS

Each Fund and the Master Fund are governed by a Board of Directors (each, a "Board," and each director, a "Director"), which is responsible for protecting the interests of the Partners under Delaware law. The Offshore Fund has two members: the TEI Institutional Fund (which serves as its managing member) and Hatteras Investment Partners (which holds only a nominal non-voting interest). The managing member of the Offshore Fund has delegated the day-to-day management, as well as general oversight responsibilities of the Offshore Fund, to the TEI Institutional Fund. Therefore, the Board of the TEI Institutional Fund effectively makes all decisions on behalf of the Offshore Fund. Each Board is comprised of both Directors who are not "interested persons" as defined in Section 2(a)(19) of the 1940 Act ("Independent Directors") and Directors who are "interested persons" ("Interested Directors"). Each Board meets periodically throughout the year to oversee the applicable Fund's activities and to review its performance and the actions of the Investment Managers.

A Director serves on a Board until he is removed, resigns or is subject to various disabling events such as death or incapacity. A Director may resign upon 90 days' prior written notice to the Board and may be removed either by a vote of a majority of the Board not subject to the removal vote or of Partners holding not less than two-thirds of the total number of votes eligible to be cast by all of the Partners.

In the event of any vacancy in the position of a Director, the remaining Directors of that Board may appoint an individual to serve as a Director, so long as immediately after such appointment at least two-thirds of the Directors then serving would have been elected by the Partners. The Directors may call a meeting of the Partners to fill any vacancy in the position of a Director and must do so within 60 days after any date on which Directors who were elected by the Partners cease to constitute a majority of the directors then serving. If no Director remains to manage the business of such Fund, the Investment Managers may manage and control the Fund, but must convene a meeting of the Partners of that Fund within 60 days for the purpose of either electing new Directors or dissolving the affected Fund. The Board will render assistance to the Partners on the question of the removal of a Director in the manner required by Section 16(c) of the 1940 Act.

Each Board appoints officers of each Fund who are responsible for each Fund's day-to-day business decisions based on policies set by the Board. The officers of each Fund do not receive any additional compensation from the Funds.

The Directors and officers of each Fund may also be Directors or officers of some or all of the other registered investment companies managed by Hatteras Investment Partners or its affiliates (the "Fund Complex"). The table below shows, for each Director and executive officer, his or her full name and date of birth, the position held with each Fund, the length of time served in that position, his or her principal occupations during the last five years, the number of portfolios in the Fund Complex overseen by the Director, and other directorships held by such Director. The business address of each Director and officer is: care of Hatteras Investment Partners, 8510 Colonnade Center Drive, Suite 150, Raleigh, North Carolina 27615.

INTERESTED DIRECTOR

NAME & DATE OF BIRTH	POSITION(S) HELD WITH THE FUNDS	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	OTHER DIRECTORSHIPS HELD BY DIRECTOR DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX (1) OVERSEEN BY DIRECTOR OR OFFICER**
David B. Perkins* July 18, 1962	President and Chairman of the Board of Directors of each Fund	Since Inception	President and Trustee, each fund the Fund Complex (2004 to Present); Chief Executive Officer of Hatteras Investment Partners (2014 to present); Co-Founder of Hatteras Investment Partners and its affiliated entities (“Hatteras Funds”) in 2003.	Trustee, HCIM Trust (mutual fund) from 2013 to 2015.	6

(1) With respect to Mr. Perkins, the “Fund Complex” as of March 31, 2020 consists of the Funds, Hatteras Core Alternatives Fund, L.P., Hatteras Core Alternatives TEI Fund, L.P., the Mater Fund, and Hatteras VC Co-Investment Fund II, LLC.

\* Mr. Perkins is an “interested” Director because of his affiliation with Hatteras Funds.

\*\* Mr. Perkins is also a director of Hatteras GPEP Fund II, LLC and Hatteras Global Private Equity Partners Institutional, LLC, each a fund that would be an investment company but for the exclusion provided by Section 3(c)(1) of the 1940 Act. The Investment Manager also serves as investment adviser to Hatteras GPEP Fund II, LLC and to Hatteras Global Private Equity Partners Institutional, LLC.

INDEPENDENT DIRECTORS AND OFFICERS

NAME & DATE OF BIRTH	POSITION(S) HELD WITH THE FUNDS	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	OTHER DIRECTORSHIPS HELD BY DIRECTOR DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX (1) OVERSEEN BY DIRECTOR OR OFFICER**
H. Alexander Holmes May 4, 1942	Director; Audit Committee Member of each Fund	Since Inception	Founder, Holmes Advisory Services, LLC, a financial consultation firm (1993 to present).	Trustee, HCIM Trust (mutual fund) from 2013 to 2015; Trustee, Trust for Advisor Solutions (mutual fund) from 2016 to 2019.	6
Thomas Mann February 1, 1950	Director; Audit Committee Member of each Fund	Since 2013	Private Investor (2012 to present).	Director, F-Squared Investments, Inc. from 2012 to 2016; Director, Virtus Global Multi-Sector Income Fund from 2011 to 2016; Director, Virtus Total Return Fund and Virtus Alternative Solutions Fund from 2012 to 2016; Trustee, HCIM Trust (mutual fund) from 2013 to 2015; Trustee, Trust for Advisor Solutions (mutual fund) from 2016 to 2019.	6

Steve E. Moss, CPA February 18, 1953	Director; Audit Committee Member of each Fund	Since Inception	Principal, Holden, Moss, Knott, Clark & Copley, P.A., accountants and business consultants (1996 to present). Member Manager, HMKCT Properties, LLC (1996 to present).	Trustee, HCIM Trust (mutual fund) from 2013 to 2015; Trustee, Trust for Advisor Solutions (mutual fund) from 2016 to 2019.	6
Gregory S. Sellers May 5, 1959	Director; Audit Committee Member of each Fund	Since Inception	Partner, Chief Financial Officer, Chief Operating Officer, Spectrum Consultants, Inc., a sales marketing firm in the senior living housing industry (2015 to present); Chief Financial Officer, Imagemark Business Services, Inc., a provider of marketing and print communications solutions (2009 to 2015).	Trustee, HCIM Trust (mutual fund) from 2013 to 2015; Trustee, Trust for Advisor Solutions (mutual fund) from 2016 to 2019.	6
Allison C. Zollicoffer March 24, 1956	Treasurer of each Fund	Since 2019	Chief Financial Officer, Hatteras Investment Partners (2018 to present); self-employed as Fractional CFO/Financial Consultant with companies in wholesale distribution, real estate, specialty apparel and light manufacturing (since 2012).	None	N/A



Brittney L. Chick-Reny February 14, 1993	Secretary of each Fund	Since 2019	Director of Operations, Hatteras Investment Partners (2019 to present); Operations Associate (2019); Director of Development & Community Engagement, YMCA of Auburn-Lewiston (2017-2018); Licensed Relationship Manager, KeyBank (2015-2016).	None	N/A
Andrew P. Chica September 7, 1975	Chief Compliance Officer of each Fund	Since 2008	Compliance Director, Cipperman Compliance Services (2019 to present); Chief Compliance Officer, Hatteras Investment Partners (2014 to 2019).	None	N/A

(1) With respect to each Independent Director, the “Fund Complex” as of March 31, 2020, consists of the Funds, Hatteras Core Alternatives Fund, L.P., Hatteras Core Alternatives TEI Fund, L.P., the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

\*\* Each Independent Director is also a trustee of Hatteras GPEP Fund II, LLC and Hatteras Global Private Equity Partners Institutional, LLC, each a fund that would be an investment company but for the exclusion provided by Section 3(c)(1) of the 1940 Act.

The General Partner of each Fund appointed an Initial Director to the Board and, to the fullest extent permitted by applicable law, has irrevocably delegated to each Board its rights and powers to monitor and oversee the business affairs of the Fund, including the complete and exclusive authority to oversee and establish policies regarding the management, conduct and operation of the Fund’s business. The appointment of the Board of Directors of the TEI Institutional Fund and the Core Alternatives Institutional Fund was approved by each Fund’s Partners on March 7, 2013 and March 28, 2013, respectively.

Each Board believes that the significance of each Director’s experience, qualifications, attributes or skills is an individual matter (meaning that experience that is important for one Director may not have the same value for another) and that these factors are best evaluated at the Board level, with no single Director, or particular factor, being indicative of the Board’s effectiveness. The Board determined that each of the Directors is qualified to serve as a Director of the Funds based on a review of the experience, qualifications, attributes and skills of each Director. In reaching this determination, the Board has considered a variety of criteria, including, among other things: character and integrity; ability to review critically, evaluate, question and discuss information provided, to exercise effective business judgment in protecting shareholder interests and to interact effectively with the other Directors, the Investment Managers, other service providers, counsel and the independent registered accounting firm; and willingness and ability to commit the time necessary to perform the duties of a Director. Each Director’s ability to perform his or her duties effectively is evidenced by his or her experience or achievements in the following areas: management or board experience in the investment management industry or companies in other fields; educational background and professional training; and experience as a Director of the Funds or other funds in the Fund Complex. Information as of March 31, 2020, indicating the specific experience, skills, attributes and qualifications of each Director, which led to the Board’s determination that the Director should serve in this capacity, is provided below.

*David B. Perkins.* Mr. Perkins has been a Director since inception. Mr. Perkins is a Co-Founder of Hatteras Investment Partners and its affiliated entities in September 2003 and has served as its Chief Executive Officer since inception. Mr. Perkins has over 30 years of experience in investment management consulting and institutional and private client relations and offers proven experience building, operating and leading client-focused businesses.

*H. Alexander Holmes.* Mr. Holmes has been a Director since inception. He has degrees in law and accounting and spent 25 years in the tax practice of a nationally recognized accounting firm and was a managing partner of one of its offices. He has over 45 years of experience as a tax professional and estate planning consultant and has served on the boards and audit committees of several public companies. He is a retired certified public accountant and the founder of a tax and financial consulting firm advising family businesses and high net worth individuals.

*Thomas Mann.* Mr. Mann has been a Director since March 2013 and previously served as an Advisory Board Member since November 2012. He has over 46 years of asset management and banking experience and is currently a private investor. He is a former managing director of an investment bank.

*Steve E. Moss.* Mr. Moss has been a Director since inception. He has over 32 years of public accounting experience advising businesses and high net worth individuals. He is a certified public accountant and is currently a principal of an accounting firm and a manager of a real estate investment partnership.

*Gregory S. Sellers.* Mr. Sellers has been a Director since inception. He has over 30 years of experience in finance, including public accounting, and has held positions in private companies as a chief financial officer and vice president of finance. He is currently a partner and the chief financial officer and chief operating officer of a sales and marketing firm in the senior living housing industry.

#### BOARD COMPOSITION AND LEADERSHIP STRUCTURE

Each Board consists of five individuals, four of whom are Independent Directors. The Chairman of the Board, Mr. David B. Perkins, is an Interested Director and serves as liaison for communications between the Directors and the Funds' management and service providers. Each Board currently does not have a lead Independent Director.

Each Board believes that its structure facilitates the orderly and efficient flow of information to the Directors from the Investment Managers and other service providers with respect to services provided to the Funds, potential conflicts of interest that could arise from these relationships and other risks that the Funds may face. Each Board further believes that its structure allows all of the Directors to participate in the full range of the Board's oversight responsibilities. Each Board believes that the orderly and efficient flow of information and the ability to bring each Director's talents to bear in overseeing the Funds' operations is important, in light of the size and complexity of the Funds and the risks that the Funds face. Each Board and its committees review their structure regularly, to help ensure that it remains appropriate as the business and operations of the Funds, and the environment in which the Funds operate, changes.

#### BOARD OF DIRECTORS' ROLE IN RISK OVERSIGHT OF THE FUNDS

Each Board oversees risk management for the Funds directly and, as to certain matters, through its committees. The Board exercises its oversight in this regard primarily through requesting and receiving reports from and otherwise working with the Funds' senior officers (including the Funds' President, Chief Compliance Officer and Treasurer), portfolio management and other personnel of the Investment Managers, the Funds' independent auditors, legal counsel and personnel from the Funds' other service providers. Each Board has adopted, on behalf of the Funds, and periodically reviews with the assistance of the Funds' Chief Compliance Officer, policies and procedures designed to address certain risks associated with the Funds' activities. In addition, the Investment Managers and the Funds' other service providers also have adopted policies, processes and procedures designed to identify, assess and manage certain risks associated with the Funds' activities, and the Board receives reports from service providers with respect to the operation of these policies, processes and procedures as required and/or as the Board deems appropriate.

#### COMMITTEES

Each Board's Audit Committee is comprised of the Independent Directors. Each Audit Committee recommends the selection of the independent registered public accounting firm to its respective Board. It also (i) reviews the scope and results of audits and the audit fees charged, (ii) reviews reports from the applicable Fund's independent registered public accounting firm regarding the adequacy of that Fund's internal accounting procedures and controls and (iii) establishes a separate line of communication between the applicable Fund's independent registered public accounting firm and its Independent Directors. Meetings of the Audit Committee may be held in person or by telephone conference call, as necessary.

Based on an Audit Committee's recommendation, each Board, including a majority of the Independent Directors, selected Cohen & Company, Ltd. as the independent registered public accounting firm of each Fund, and in such capacity it will audit the Funds' annual financial statements and financial highlights. Cohen & Company, Ltd. currently serves and may in the future serve as independent registered public accounting firm for other pooled investment vehicles managed by the Investment Managers or their affiliates. It may also, currently or in the future, serve as independent registered public accounting firm for certain of the Adviser Funds, or for other clients of the Advisers.

The Independent Directors of each Board meet separately to consider, evaluate and make recommendations to the full Board concerning (i) all contractual arrangements with service providers to the applicable Fund, including investment advisory, administrative, transfer agency, custodial and distribution services, and (ii) all other matters in which the applicable Fund, the Investment Managers or their affiliates have any actual or potential conflict of interest with the Funds.

During the fiscal year ended March 31, 2020, the Audit Committee of each Fund met two times, respectively.

#### OWNERSHIP OF UNITS

Set forth in the table below is the dollar range of the beneficial shares owned by each Director as of December 31, 2019 in each Fund.

Name of Director	Dollar Value of Units in the Core Alternatives Institutional Fund	Dollar Value of Units in the TEI Institutional Fund	Aggregate Dollar Value of Units in all Registered Investment Companies Overseen by Director in Family of Investment Companies
David B. Perkins	Over \$100,000	Over \$100,000	Over \$100,000
H. Alexander Holmes	Over \$100,00	None	Over \$100,000
Thomas Mann	\$50,001 - \$100,000	None	\$50,001 - \$100,000
Steve E. Moss	None	None	None
Gregory S. Sellers	None	None	None

As of June 30, 2020, the Directors and the Officers of each Fund as a group owned an aggregate of 11,644.896 Units or 2.55% of the outstanding Units of the Core Alternatives Institutional Fund and less than 1% of the TEI Institutional Fund.

TEI Institutional Fund	% of Fund
Alaska Laborers Employers Retirement Trust Fund	\$10,853,790.96
Northwest Iron Workers Retirement Trust	\$5,727,870.10

#### DIRECTOR, ADVISORY BOARD MEMBER AND OFFICER COMPENSATION

Each Independent Director will receive an annual retainer of \$89,000 from the Master Fund for his services as a Director and member of the Audit Committees of the Funds and the Master Fund. The Chief Compliance Officer will also receive an annual retainer of \$58,272 from the Master Fund for his duties as chief compliance officer of the Funds. The Interested Director receives no salary, fees or other compensation from the Funds. All Directors are reimbursed by the Funds for their reasonable travel and out-of-pocket expenses relating to attendance at meetings of the applicable Fund's Board of Directors or committee meetings. The Directors do not receive any pension or retirement benefits from the Funds. The officers of the Funds do not receive any additional compensation from the Funds or the Master Fund. Advisory Board Members, if any, are paid the same fees payable to Board directors and their expenses are reimbursed in accordance with existing Board expense reimbursement policies.

The following table sets forth certain information regarding the compensation of the Funds' Directors and each of the three highest paid officers or any unaffiliated person of each Fund with aggregate compensation from each Fund in excess of \$60,000 for the fiscal year ended March 31, 2020.

Name of Person, Position	Aggregate Compensation from the Core Alternatives Institutional Fund		Aggregate Compensation from the TEI Institutional Fund		Total Compensation from Funds and Fund Complex Paid to Directors
	\$		\$		
H. Alexander Holmes	\$	0	\$	0	\$ 90,000
Thomas Mann	\$	0	\$	0	\$ 90,000
Steve E. Moss	\$	0	\$	0	\$ 90,000
Gregory S. Sellers	\$	0	\$	0	\$ 90,000

#### CODES OF ETHICS

The Funds, the Investment Managers and the Distributor have each adopted a code of ethics governing personal securities transactions (each a "Code" and collectively, the "Codes"). The Codes are designed to detect and prevent improper personal trading by their personnel, including investment personnel that might compete with or otherwise take advantage of a Fund's portfolio transactions. Covered persons include the Directors and the officers of the Funds and directors of the Investment Managers, as well as employees of the Investment Managers and the Distributor having knowledge of the investments and investment intentions of the Funds. The Codes permit persons subject to the Codes to invest in securities, including securities that may be purchased or held by a Fund, subject to a number of restrictions and controls. Compliance with the Codes is carefully monitored and enforced.

The Codes are included as exhibits to each Fund's registration statement filed with the SEC. The Codes are available on the EDGAR database on the SEC's Internet site at <http://www.sec.gov>.

#### PROXY VOTING POLICIES AND PROCEDURES

The Core Alternatives Institutional Fund invests substantially all of its investable assets in the Master Fund. The TEI Institutional Fund invests substantially all of its investable assets in the Offshore Fund, and the Offshore Fund in turn invests in the Master Fund. The Master Fund invests substantially all of its assets in Adviser Accounts and securities of Adviser Funds, which include, but are not limited to, private partnerships, limited liability companies or similar entities managed by Advisers (commonly referred to as "hedge funds," "private equity funds" or "private funds"). Investments in Adviser 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, the Investment Managers and/or the Master Fund may receive notices from such Adviser 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 Adviser Funds' limited partnership agreement, limited liability company operating agreement or similar agreement with investors. To the extent that the Master Fund receives notices or proxies from Adviser Funds (or receives proxy statements or similar notices in connection with any other portfolio securities), the Master Fund has delegated proxy voting responsibilities with respect to the Master Fund's portfolio securities to the Investment Managers, subject to the Board's general oversight and with the direction that proxies should be voted consistent with the Master Fund's best economic interests. In general, the Investment Managers believes that voting proxies in accordance with the policies described below will be in the best interests of the Funds. If an analyst, trader or partner of the Investment Managers believe 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 the Funds' Chief Compliance Officer for a determination of how such proxy should be voted.

The Investment Managers will generally vote to support management recommendations relating to routine matters such as the election of directors (where no corporate governance issues are implicated), the selection of independent auditors, an increase in or reclassification of common stock, the addition or amendment of indemnification provisions in the company's charter or by-laws, changes in the board of directors and compensation of outside directors. The Investment Managers will generally vote in favor of management or shareholder proposals that the Investment Managers believe will maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the company's board of directors and management and maintain or increase the rights of shareholders.

On non-routine matters, the Investment Managers will generally vote in favor of management proposals for mergers or reorganizations, reincorporation plans, fair-price proposals and shareholder rights plans so long as such proposals are in the best economic interests of the Master Fund.

If a proxy includes a matter to which none of the specific policies described above or in the Investment Managers' 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 the Funds' Chief Compliance Officer for a determination of how such proxy should be voted.

In exercising its voting discretion, the Investment Managers and their 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 the Investment Managers (or an affiliate of the Investment Managers), any issuer of a security for which the Investment Managers (or an affiliate of the Investment Managers) acts as sponsor, advisor, manager, custodian, distributor, underwriter, broker or other similar capacity or any person with whom the Investment Managers (or an affiliate of the Investment Managers) has an existing material contract or business relationship not entered into in the ordinary course of business (the Investment Managers and such other persons having an interest in the matter being called "Interested Persons"), the Investment Managers will make written disclosure of the conflict to the Independent Directors of the Master Fund indicating how the Investment Managers propose to vote on the matter and the reasons for doing so. If the Investment Managers do not receive timely written instructions as to voting or non-voting on the matter from the Master Fund's Independent Directors, the Investment Managers may take any of the following actions which they deem to be in the best interests of the Fund: (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 the vote is against the interests of all Interested Persons; or (iii) refrain from voting on the matter.

The voting rights of members of the Master Fund are substantially similar to those of the Partners of the Funds. Whenever a Fund, as a member of the Master Fund, is requested to vote on matters pertaining to the Master Fund, the Fund will seek voting instructions from its Partners and will vote its Master Fund interest for or against such matters proportionately to the instructions to vote for or against such matters received from its Partners. In the event that a Fund does not receive voting instructions from its Partners, the portion of that Fund's Master Fund interest allocable to such Partners will be voted in the same proportions as the portion with respect to which it has received voting instructions.

The Master Fund and the Funds are required to file Form N-PX, with their complete proxy voting record for the twelve months ended June 30, no later than August 31 of each year. Each of the Funds' and the Master Fund's Form N-PX filing are available: (i) without charge, upon request, by calling 1-800-390-1560, or (ii) by visiting the SEC's website at [www.sec.gov](http://www.sec.gov).

#### INVESTMENT MANAGEMENT SERVICES

Hatters Funds, LP, doing business as Hatteras Investment Partners, is a Delaware limited partnership majority owned and controlled by David B. Perkins, President of the Fund and Chief Executive Officer and Co-Founder of Hatteras Investment Partners. The BPM Family Trust owns 15% of Portfolio Advisors. Hatteras Investment Partners, the investment manager to the Master Fund, and Portfolio Advisors, the sub-advisor to the Master Fund, are subject to the ultimate supervision of and subject to any policies established by the Board.

The following table sets forth the name, position and principal occupation of each affiliated person of the Funds that is also an affiliated person of the Investment Manager.

<b>Name</b>	<b>Principal Occupation with the Investment Manager</b>	<b>Position with each of the Funds</b>
David B. Perkins, CAIA	Chief Executive Officer, Co-Founder	President and Chairman of the Board of Directors
Brittney L. Chick-Reny	Director of Operations	Secretary
Allison C. Zollicoffer	Chief Financial Officer	Treasurer

The Investment Managers are responsible for the selection of Advisers and the allocation of the assets of the Master Fund for investment among the Advisers. In addition, the Investment Managers are responsible for investing the cash portion of each Fund's assets not invested in the Master Fund.

The Master Fund and the Investment Manager entered into an investment advisory agreement dated as of March 10, 2016 (the "Investment Management Agreement"). The Master Fund, the Investment Manager and Portfolio Advisors entered into an investment sub-advisory agreement dated as of July 1, 2017 (the "Sub-Advisory Agreement", and together with the Investment Management Agreement, the "Agreements"). Pursuant to the terms of the Agreements, the Investment Managers are responsible for developing, implementing and supervising the Master Fund's investment program and in connection therewith shall regularly provide investment advice and recommendations to the Master Fund with respect to its investments, investment policies and purchases and sales of securities for the Master Fund and arranging for the purchase and sale of such securities. The Investment Managers are authorized, subject to the approval of the Board, to retain one or more of their affiliates to assist them in providing investment management services.

Advisers will charge the Master Fund asset-based fees, and certain Advisers will also be entitled to receive performance-based fees or allocations. Such fees and performance-based compensation are in addition to the fees charged to the Master Fund by the Investment Manager. An investor in the Core Alternatives Institutional Fund bears a proportionate share of the expenses of the Master Fund and the Core Alternatives Institutional Fund and, indirectly, similar expenses of the Adviser Funds. An investor in the TEI Institutional Fund bears a proportionate share of the expenses of the Master Fund, the Offshore Fund and the TEI Institutional Fund and, indirectly, similar expenses of the Adviser Fund. Investors could avoid the additional level of fees and expenses at the Master Fund, Offshore Fund and Fund level by investing directly with the Adviser Funds, although access to many Adviser Funds may be limited or unavailable.

In consideration of the advisory and other services provided by the Investment Manager to the Master Fund pursuant to the Investment Management Agreement, the Master Fund pays the Investment Manager a monthly management fee (the "Management Fee") equal to 1/12th of 1.00% (1.00% on an annualized basis) of the aggregate value of the Master Fund's net assets as of the end of each month. In the case of a partial month, the Management Fee will be based on the number of days during the month in which the Investment Manager invested Master Fund assets. The Management Fee will be paid to the Investment Manager out of the capital account of each limited partner of the Master Fund before giving effect to any repurchase of interests in the Master Fund and will decrease the net profits or increase the net losses of the Master Fund that are credited to or debited against the capital accounts of its limited partners. The Management Fee will be computed as a percentage of the capital account of each limited partner of the Master Fund, valued based on the net assets of the Master Fund as of month end. Net assets means the total value of all assets of the Master Fund, less an amount equal to all accrued debts, liabilities and obligations of the Master Fund. Under the Sub-Advisory Agreement, Portfolio Advisors is entitled to receive a percentage of the management fee received by the Investment Manager.

So long as the Core Alternatives Institutional Fund invests its investable assets in the Master Fund, the Core Alternatives Institutional Fund's Partners bear an indirect share of the Investment Management Fee through the Core Alternatives Institutional Fund's investment in the Master Fund. So long as the TEI Institutional Fund invests its investable assets in the Master Fund through the Offshore Fund, the TEI Institutional Fund's Partners bear an indirect share of the Investment Management Fee through the TEI Institutional Fund's investment in the Master Fund through the Offshore Fund.

In addition to the Management Fee, effective June 30, 2008, the General Partner is allocated a performance allocation 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 (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 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. Because the Performance Allocation and the “high watermark” is calculated at the Master Fund level, a Partner of a Fund may bear a pro rata portion of a Performance Allocation when such Partner has net losses. Conversely, Partners who have positive performance may not bear any Performance Allocation during periods when the Fund has negative performance or is below its “high watermark.” The General Partner makes payments to Portfolio Advisors equal to a portion of the Performance Allocation it receives from the Master Fund.

The continuation of the Investment Management Agreement and the Sub-Advisory Agreement was approved by the Master Fund Board (including a majority of the Independent Directors) at a meeting held in person on March 11, 2020. Discussion regarding the basis for the Master Fund’s Board’s approval of the Investment Management Agreement and Sub-Advisory Agreement is available in the Master Fund’s annual report for the period ended March 31, 2020. Each of the Investment Management Agreement and the Sub-Advisory Agreement had an initial term of two years from the date of their execution, and continues in effect from year to year thereafter if such continuance is approved annually by the Master Fund Board or by vote of a majority of the Partners of the Master Fund, provided that in either event the continuance is also approved by a majority of the Independent Directors by vote cast in person at a meeting called for the purpose of voting on such approval. The Investment Management Agreement is terminable without penalty on not more than 60 days’ or less than 30 days’ prior written notice by the Master Fund Board, by vote of a majority of the interests of the Master Fund or by the Investment Manager. The Sub-Advisory Agreement is terminable without penalty on 60 days’ prior written notice by the Master Fund Board, by vote of a majority of the interests of the Master Fund or by Portfolio Advisors or the Investment Manager. The Sub-Advisory Agreement provides that it shall terminate automatically should the Investment Management Agreement terminate for any reason. Each of the Agreements also provides that it will terminate automatically in the event of its “assignment,” as defined by the 1940 Act and the rules thereunder.

The Investment Management Agreement generally provides that in the absence of willful misfeasance, bad faith or gross negligence in the performance of its duties or reckless disregard of its obligations and duties under the Investment Management Agreement, the Investment Manager is not liable to any Fund or to any investor for any loss the Master Fund sustains for any investment, adoption of any investment policy, or the purchase, sale or retention of any security. In addition, it provides that the Investment Manager may act as investment manager for any other person, firm or corporation and use the name “Hatteras” in connection with other investment companies for which it may act as investment manager or general distributor. If the Investment Manager shall no longer act as investment manager of the Master Fund, it may withdraw the right of the Funds to use the name “Hatteras” as part of their name.

The Sub-Advisory Agreement generally provides that in the absence of willful misfeasance, bad faith or gross negligence in the performance of its duties or reckless disregard of its obligations and duties under the Sub-Advisory Agreement, Portfolio Advisors is not liable to the Investment Manager, or any Fund or to any investor for any loss the Master Fund sustains for any investment, adoption of any investment policy, or the purchase, sale or retention of any security. In addition, it provides that Portfolio Advisors may act as investment manager for any other person, firm or corporation.

The Investment Managers or their designees maintain the Master Fund’s accounts, books and other documents required to be maintained under the 1940 Act at the principal business office of the Investment Managers.

Each Fund’s advisory fee and performance allocation for the last three fiscal years/periods was as follows:

ADVISORY FEE and PERFORMANCE ALLOCATION

<b>FUND</b>	<b>Year ended March 31, 2020</b>	<b>Year ended March 31, 2019</b>	<b>Year ended March 31, 2018</b>
Core Alternatives Institutional Fund	\$ 686,278	\$ 1,067,734	\$ 773,075
TEI Institutional Fund	\$ 1,816,257	\$ 2,847,823	\$ 2,081,765

PORTFOLIO MANAGERS - OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS

The following table provides information about portfolios and accounts, other than the Master Fund, for which the members of the Investment Managers' investment committee (the "Investment Committee") are primarily responsible for the day-to-day portfolio management as of March 31, 2020:

<b>NAME OF INVESTMENT COMMITTEE MEMBERS</b>	<b>TYPE OF ACCOUNTS</b>	<b>TOTAL # OF ACCOUNTS MANAGED</b>	<b>TOTAL ASSETS</b>	<b># OF ACCOUNTS MANAGED FOR WHICH ADVISORY FEE IS BASED ON PERFORMANCE</b>	<b>TOTAL ASSETS FOR WHICH ADVISORY FEE IS BASED ON PERFORMANCE</b>
David B. Perkins	Registered Investment Companies	1	\$ 1,370,562	0	\$ 0
	Other Pooled Investment Vehicles	5	\$ 52,293,070	4	\$ 50,019,801
	Other Accounts	0	\$ 0	0	\$ 0
Brian P. Murphy	Registered Investment Companies	0	\$ 0	0	\$ 0
	Other Pooled Investment Vehicles	0	\$ 0	0	\$ 0
	Other Accounts	2	\$ 2,581,355,522	0	\$ 0

PORTFOLIO MANAGERS - POTENTIAL CONFLICTS OF INTERESTS

Messrs. Perkins and Murphy are responsible for managing other accounts, including proprietary accounts, separate accounts and other pooled investment vehicles. They may manage separate accounts or other pooled investment vehicles which may have materially higher or different fee arrangements than the registrant and may also be subject to performance-based fees. The side-by-side management of these separate accounts and pooled investment vehicles may raise potential conflicts of interest relating to cross trading and the allocation of investment opportunities. The Investment Managers have a fiduciary responsibility to manage all client accounts in a fair and equitable manner. The Investment Managers seek to provide best execution of all securities transactions and to allocate investments to client accounts in a fair and timely manner. To this end, the Investment Managers have developed policies and procedures designed to mitigate and manage the potential conflicts of interest that may arise from side-by-side management.

PORTFOLIO MANAGERS - COMPENSATION

The compensation of the portfolio managers may include a combination of the following: (i) fixed annual salary; (ii) a variable portion of the Management Fee paid by the Master Fund to the Investment Manager; and (iii) a variable portion of any Performance Allocation allocated to the General Partner of the Master Fund. The Performance Allocation is equal to 10% of the excess of the new net profits of the partner interests in the Master Fund (calculated and accrued monthly and payable annually and calculated separately for the Core Alternatives Institutional Fund, the TEI



Institutional Fund and each other fund that serves as a feeder fund to the Master Fund) over the yield-to-maturity of the 90-day US Treasury Bill of the Master Fund.

PORTFOLIO MANAGERS - SECURITIES OWNERSHIP

The following table sets forth the dollar range of equity securities beneficially owned by each member of the Investment Committee in the Funds as of March 31, 2020:

Name of Investment Committee Member	Dollar Range of Core Alternatives Institutional Fund	Dollar Range of TEI Institutional Fund
David B. Perkins	Over \$1,000,000	\$500,001-\$1,000,000
Brian Murphy	None	None

CONFLICTS OF INTEREST RELATING TO THE INVESTMENT MANAGERS

The Investment Managers may provide investment advisory and other services, directly and through affiliates, to various entities and accounts other than the Master Fund (“Other Accounts”). The Investment Managers expect to employ an investment program for the Master Fund that is substantially similar to the investment program employed by the Investment Managers for certain Other Accounts. As a general matter, the Investment Managers will consider participation by each Fund (through its investment in the Master Fund) in all appropriate investment opportunities that are under consideration for those Other Accounts. There may be circumstances, however, under which the Investment Managers will cause one or more Other Accounts to commit a larger percentage of their respective assets to an investment opportunity than to which the Investment Managers will commit the Master Fund’s assets. There also may be circumstances under which the Investment Managers will consider participation by Other Accounts in investment opportunities in which the Investment Managers do not intend to invest on behalf of the Master Fund, or vice versa.

The Investment Managers will evaluate for the Master Fund and for each Other Account a variety of factors that may be relevant in determining whether a particular investment opportunity or strategy is appropriate and feasible for the Master Fund or Other Account at a particular time, including, but not limited to, the following: (1) the nature of the investment opportunity taken in the context of the other investments at the time; (2) the liquidity of the investment relative to the needs of the particular entity or account; (3) the availability of the opportunity (i.e., size of obtainable position); (4) the transaction costs involved; and (5) the investment or regulatory limitations applicable to the particular entity or account. Because these considerations may differ for the Master Fund and the Other Accounts in the context of any particular investment opportunity, the investment activities of the Master Fund and the Other Accounts may differ from time to time. In addition, the fees and expenses of the Master Fund will differ from those of the Other Accounts. Accordingly, the future performance of each Fund, the Offshore Fund, the Master Fund, and the Other Accounts will vary.

When the Investment Managers determine that it would be appropriate for the Master Fund and one or more Other Accounts to participate in an investment, they will attempt to place and allocate orders on a basis that the Investment Managers believe to be fair and equitable, consistent with their responsibilities under applicable law. Decisions in this regard are necessarily subjective and there is no requirement that the Master Fund participate, or participate to the same extent as the Other Accounts, in all investments or trades. However, no participating entity or account will receive preferential treatment over any other and the Investment Managers 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 the Master Fund could be disadvantaged because of the investment activities conducted by the Investment Managers for the Other Accounts. Such situations may be based on, among other things, the following: (1) legal restrictions or other limitations (including limitations imposed by Advisers with respect to Adviser Funds) on the combined size of positions that may be taken for the Master Fund and the Other Accounts, thereby limiting the size of the Master Fund’s position or the availability of the investment opportunity; (2) the difficulty of liquidating an investment for the Master Fund and the Other Accounts 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 Master Fund may be legally restricted from entering into a “joint transaction” (as defined in the 1940 Act) with the Other Accounts with respect to the securities of an issuer without first obtaining exemptive relief from the SEC.

Directors, officers, employees and affiliates of the Investment Managers may buy and sell securities or other investments for their own accounts and may have actual or potential conflicts of interest with respect to investments made on behalf of the Master Fund. As a result of differing trading and investment strategies or constraints, positions may be taken by directors, officers, employees and affiliates of the Investment Managers, or by the Investment Managers for the Other Accounts, that are the same, different or made at a different time than positions taken for the Master Fund.

Except in accordance with applicable law, the Investment Managers and their affiliates are not permitted to buy securities or other property from, or sell securities or other property to, a Fund or the Master Fund. However, subject to certain conditions imposed by applicable rules under the 1940 Act, the Master Fund may effect certain principal transactions in securities with one or more accounts managed by the Investment Managers, except for accounts as to which either of the Investment Managers or any of their affiliates serves as a general partner or as to which they may be deemed to be an affiliated person (or an affiliated person of such a person), other than an affiliation that results solely from either of the Investment Managers or one of their affiliates serving as an investment adviser to the account. These transactions would be made in circumstances where the Investment Managers have determined it would be appropriate for both the Master Fund to purchase (or sell), and for another account to sell (or purchase), the same security or instrument on the same day.

Future investment activities of the Investment Managers and their affiliates, and of their respective directors, officers or employees, may give rise to additional conflicts of interest.

#### CONFLICTS OF INTEREST RELATING TO ADVISERS

The Investment Managers anticipate that each Adviser will consider participation by the applicable Adviser Fund (references in this section to Adviser Fund include Adviser Account as defined in the section entitled "CERTAIN PORTFOLIO SECURITIES AND OTHER OPERATING POLICIES") in all appropriate investment opportunities that are also under consideration for investment by the Adviser for other investment funds and accounts managed by the Adviser ("Adviser Managed Accounts") that pursue investment programs similar to that of the applicable Adviser Fund or the Master Fund. However, there can be no guarantee or assurance that Advisers will follow such practices or that an Adviser will adhere to, and comply with, its stated practices, if any. In addition, circumstances may arise under which an Adviser will cause its Adviser Managed Accounts to commit a larger percentage of their assets to an investment opportunity than to which the Adviser will commit assets of the Adviser Fund. Circumstances may also arise under which an Adviser will consider participation by its Adviser Managed Accounts in investment opportunities in which the Adviser intends not to invest on behalf of the Adviser Fund, or vice versa.

Situations may occur where the Master Fund could be disadvantaged by investment activities conducted by the Adviser for the Adviser Managed Accounts. These situations may arise as a result of, among other things: (1) legal restrictions on the combined size of positions that may be taken for an Adviser Fund in which a Fund and/or Adviser Managed Accounts participate (collectively, "Co-Investors" and, individually, a "Co-Investor"), limiting the size of the Adviser Fund's position; (2) legal prohibitions on the Co-Investors' participating in the same instruments; (3) the difficulty of liquidating an investment for a Co-Investor when the market cannot absorb the sale of the combined positions; and (4) the determination that a particular investment is warranted only if hedged with an option or other instrument and the availability of those options or other instrument is limited.

An Adviser may from time to time cause an Adviser Fund to effect certain principal transactions in securities with one or more Adviser Managed Accounts, subject to certain conditions. For example, these transactions may be made in circumstances in which the Adviser determined it was appropriate for the Adviser Fund to purchase and an Adviser Managed Account to sell, or the Adviser Fund to sell and the Adviser Managed Account to purchase, the same security or instrument on the same day.

Each Adviser, its affiliates and their directors, officers and employees, may buy and sell securities or other investments for their own accounts, including interests in Adviser Funds, and may have conflicts of interest with respect to investments made on behalf of an Adviser Fund in which the Master Fund participates. As a result of differing trading and investment strategies or constraints, positions may be taken by directors, officers, employees and affiliates of the Adviser that are the same as, different from or made at different times than positions taken for the Adviser Fund in which the Master Fund participates. Future investment activities of the Advisers, or their affiliates, and the principals, partners, directors, officers or employees of the foregoing, may give rise to additional conflicts of interest that could disadvantage the Master Fund, the Offshore Fund, a Fund and, ultimately, each Fund's Partners.

Advisers or their affiliates may from time to time provide investment advisory or other services to private investment funds and other entities or accounts managed by the Adviser or its affiliates. In addition, Advisers or their affiliates may from time to time receive research products and services in connection with the brokerage services that brokers (including, without limitation, affiliates of the Adviser) may provide to one or more Adviser Accounts.

## CERTAIN TAX CONSIDERATIONS

### CORE ALTERNATIVES INSTITUTIONAL FUND

The following summarizes certain additional tax considerations generally affecting the Master Fund, the Core Alternatives Institutional Fund and the Partners that are not described in the Prospectus. No attempt is made to present a detailed explanation of the tax treatment of the Master Fund, the Core Alternatives Institutional Fund or its Partners, and the discussion here and in the Prospectus is not intended as a substitute for careful tax planning. Potential investors should consult their tax advisers with specific reference to their own tax situation.

### TAX TREATMENT OF MASTER FUND INVESTMENTS

In general, the Master Fund expects to act as a trader or investor, and not as a dealer, with respect to its securities transactions. A trader or investor is a person who buys and sells securities for its own account. A dealer, on the other hand, is a person who purchases securities for resale to customers rather than for investment or speculation. The Core Alternatives Institutional Fund expects to take the position that its securities trading activity constitutes a trade or business for federal income tax purposes.

Generally, the gains and losses recognized by a trader or investor on the sale of securities are capital gains and losses. Unless a "mark to market" election under Section 475 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") is made, the Fund does not intend to make such an election, but Adviser Funds may make such an election. Thus, subject to the treatment of certain currency exchange gains as ordinary income (see "Currency Fluctuations — 'Section 988' Gains or Losses" below) and certain other transactions described below, the Master Fund expects that its gains and losses from its securities transactions typically will be capital gains and capital losses. These capital gains and losses may be long-term or short-term depending, in general, upon the length of time the Master Fund maintains a particular investment position and, in some cases, upon the nature of the transaction. Property held for more than one year generally will be eligible for long-term capital gain or loss treatment. The application of certain rules relating to short sales, to so-called "straddle" and "wash sale" transactions and to Section 1256 Contracts (defined below) may serve to alter the manner in which the Master Fund's holding period for a security is determined or may otherwise affect the characterization as short-term or long-term, and also the timing of the recognition, of certain gains or losses. Moreover, the straddle rules and short sale rules may require the capitalization of certain related expenses of the Master Fund.

The maximum federal ordinary income tax rate for individuals is 37% and, in general, the maximum individual federal income tax rate for long-term capital gains and qualified dividend income is 20% (unless the taxpayer elects to be taxed at ordinary rates in certain circumstances - see "Limitation on Deductibility of Interest and Short Sale Expenses" below), although in all cases the actual rates may be higher due to the phase-out of certain tax deductions, exemptions and credits. The excess of capital losses over capital gains may be offset against the ordinary income of an individual taxpayer, subject to an annual deduction limitation of \$3,000. For corporate taxpayers, the maximum federal income tax rate is 21%. Capital losses of a corporate taxpayer may be offset only against capital gains, but unused capital losses generally may be carried back three years (subject to certain limitations) and carried forward five years.

In addition, U.S. individuals with modified adjusted gross income exceeding \$200,000 (\$250,000 for married individuals filing jointly) and trusts and estates with income above certain thresholds are subject to a 3.8% "Medicare Contribution Tax" on their net investment income. Net investment income includes dividends, interest and capital gains.

The Master Fund may realize ordinary income from dividends and the receipt or accruals of interest on securities. The Master Fund may hold debt obligations with "original issue discount." In such case, the Master Fund will be required to include amounts in taxable income on a current basis even though receipt of those amounts may occur in a subsequent year. The Master Fund may also acquire debt obligations with "market discount." Upon disposition of such an obligation, the Master Fund generally will be required to treat gain realized as interest income to the extent of the market discount that accrued during the period the debt obligation was held by the Master Fund. The Master Fund may realize ordinary income or loss with respect to its investments in partnerships engaged in a trade or business, if any. Income or loss from transactions involving certain derivative instruments, such as swap transactions, will also generally constitute ordinary income or loss. Moreover, any gain recognized from certain "conversion transactions" will be treated as ordinary income.<sup>1</sup>

Currency Fluctuations - "Section 988" Gains or Losses. To the extent that the Master Fund's investments are made in securities denominated in a foreign currency, gain or loss realized by the Master Fund frequently will be affected by the fluctuation in the value of such foreign currencies relative to the value of the dollar. Generally, gains or losses with respect to the Master Fund's investments in common stock of foreign issuers will be treated as capital gains or losses at the time of the disposition of the stock. However, under Section 988 of the Code, gains and losses of the Master Fund on the acquisition and disposition of foreign currency (e.g., the purchase of foreign currency and subsequent use of the currency to acquire stock) generally will be treated as ordinary income or loss. Moreover, under Section 988, gains or losses on disposition of debt securities denominated in a foreign currency to the extent attributable to fluctuation in the value of the foreign currency between the date of acquisition of the debt security and the date of disposition will be treated as ordinary income or loss. Similarly, gains or losses attributable to fluctuations in exchange rates that occur between the time the Master Fund accrues interest or other receivables or accrues expenses or other liabilities denominated in a foreign currency and the time the Master Fund actually collects such receivables or pays such liabilities may be treated as ordinary income or ordinary loss.

As indicated above (see "INVESTMENT POLICIES AND PRACTICES"), the Master Fund may acquire foreign currency forward contracts, enter into foreign currency futures contracts and acquire put and call options on foreign currencies. Generally, foreign currency regulated futures contracts and option contracts that qualify as "Section 1256 Contracts" (see "Section 1256 Contracts" below), will not be subject to ordinary income or loss treatment under Section 988. However, if the Master Fund acquires currency futures contracts or option contracts that are not Section 1256 Contracts, or any currency forward contracts, any gain or loss realized by the Core Alternatives Institutional Fund with respect to such instruments will be ordinary, unless (i) the contract is a capital asset in the hands of the Master Fund and is not a part of a straddle transaction and (ii) the Master Fund makes an election (by the close of the day the transaction is entered into) to treat the gain or loss attributable to such contract as capital gain or loss.

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<sup>1</sup> Generally, a conversion transaction is one of several enumerated transactions where substantially all of the taxpayer's return is attributable to the time value of the net investment in the transaction. The enumerated transactions are (1) the holding of any property (whether or not actively traded) and entering into a contract to sell such property (or substantially identical property) at a price determined in accordance with such contract, but only if such property was acquired and such contract was entered into on a substantially contemporaneous basis, (2) certain straddles, (3) generally any other transaction that is marketed or sold on the basis that it will have the economic characteristics of a loan but the interest-like return would otherwise be taxed as capital gain or (4) any other transaction specified in Regulations.

Section 1256 Contracts. In the case of Section 1256 Contracts, the Code generally applies a “mark to market” system of taxing unrealized gains and losses on such contracts and otherwise provides for special rules of taxation. A Section 1256 Contract includes certain regulated futures contracts, certain foreign currency forward contracts, and certain options contracts. Under these rules, Section 1256 Contracts held by the Master Fund at the end of each taxable year of the Master Fund are treated for federal income tax purposes as if they were sold by the Master Fund for their fair market value on the last business day of the taxable year. The net gain or loss, if any, resulting from such deemed sales (known as “marking to market”), together with any gain or loss resulting from actual sales of Section 1256 Contracts, must be taken into account by the Master Fund in computing its taxable income for such year. If a Section 1256 Contract held by the Master Fund at the end of a taxable year is sold in the following year, the amount of any gain or loss realized on such sale will be adjusted to reflect the gain or loss previously taken into account under the “mark to market” rules.

Capital gains and losses from such Section 1256 Contracts generally are characterized as short-term capital gains or losses to the extent of 40% thereof and as long-term capital gains or losses to the extent of 60% thereof. Such gains and losses will be taxed under the general rules described above. Gains and losses from certain foreign currency transactions will be treated as ordinary income and losses. (See “Currency Fluctuations — ‘Section 988’ Gains or Losses” above.) If an individual taxpayer incurs a net capital loss for a year, the portion thereof, if any, that consists of a net loss on Section 1256 Contracts may, at the election of the taxpayer, be carried back three years. Losses so carried back may be deducted only against net capital gain to the extent that such gain includes gains on Section 1256 Contracts.

Mixed Straddle Election. The Code allows a taxpayer to elect to offset gains and losses from positions that are part of a “mixed straddle.” A “mixed straddle” is any straddle in which one or more but not all positions are Section 1256 Contracts. Pursuant to Temporary Regulations, the Master Fund may be eligible to elect to establish one or more mixed straddle accounts for certain of its mixed straddle trading positions. The mixed straddle account rules require a daily “marking to market” of all open positions in the account and a daily netting of gains and losses from positions in the account. At the end of a taxable year, the annual net gains or losses from the mixed straddle account are recognized for tax purposes. The application of the Temporary Regulations’ mixed straddle account rules is not entirely clear. Therefore, there is no assurance that a mixed straddle account election by the Master Fund will be accepted by the Service.

Short Sales. Gain or loss from a short sale of property is generally considered as capital gain or loss to the extent the property used to close the short sale constitutes a capital asset in the Master Fund’s hands. Except with respect to certain situations where the property used to close a short sale has a long-term holding period on the date the short sale is entered into, gains on short sales generally are short-term capital gains. A loss on a short sale will be treated as a long-term capital loss if, on the date of the short sale, “substantially identical property” has been held by the Master Fund for more than one year. In addition, these rules may also terminate the running of the holding period of “substantially identical property” held by the Master Fund.

Gain or loss on a short sale will generally not be realized until such time that the short sale is closed. However, if the Master Fund takes a short sale position with respect to stock, certain debt obligations or partnership units that have appreciated in value and thereafter acquires property that is the same as or substantially identical to the property sold short, the Core Alternatives Institutional Fund generally will recognize gain on the date of that acquisition as if the short sale were closed on such date with such property. Similarly, if the Master Fund holds an appreciated financial position with respect to stock, certain debt obligations, or partnership units and then enters into a short sale with respect to the same or substantially identical property, the Master Fund generally will recognize gain as if the appreciated financial position were sold at its fair market value on the date the Master Fund enters into the short sale. The subsequent holding period for any appreciated financial position that is subject to these constructive sale rules will be determined as if the position were acquired on the date of the constructive sale.

Effect of Straddle Rules on Partners' Securities Positions. The Service may treat certain positions in securities held (directly or indirectly) by a Partner and his indirect interest in similar securities held by the Master Fund as "straddles" for federal income tax purposes. The application of the "straddle" rules in such a case could affect a Partner's holding period for the securities involved and may defer the recognition of losses with respect to such securities.

Limitation on Deductibility of Interest and Short Sale Expenses. For noncorporate taxpayers, Section 163(d) of the Code limits the deduction for "investment interest" (i.e., interest or short sale expenses for "indebtedness properly allocable to property held for investment"). Investment interest is not deductible in the current year to the extent that it exceeds the taxpayer's "net investment income," consisting of net gain and ordinary income derived from investments in the current year less certain directly connected expenses (other than interest or short sale expenses). For this purpose, any long-term capital gain is excluded from net investment income unless the taxpayer elects to pay tax on such amount at ordinary income tax rates.

For purposes of this provision, the Core Alternatives Institutional Fund's and Master Fund's activities will generally be treated as giving rise to investment income for a Partner, and the investment interest limitation will apply to a noncorporate Partner's share of the interest and short sale expenses attributable to the Master Fund's operation. In such case, a noncorporate Partner will be denied a deduction for all or part of that portion of his allocable share of the Core Alternatives Institutional Fund's ordinary losses attributable to interest and short sale expenses unless he has sufficient investment income from all sources including the Core Alternatives Institutional Fund and Master Fund. A Partner who cannot deduct losses currently as a result of the application of Section 163(d) will be entitled to carry forward those losses to future years, subject to the same limitation. The investment interest limitation will also apply to interest paid by a noncorporate Partner on money borrowed to finance his investment in the Core Alternatives Institutional Fund. Potential investors are advised to consult with their own tax advisers with respect to the application of the investment interest limitation in their particular tax situations.

Notwithstanding the foregoing, to the extent the amount of any interest expense of the Core Alternatives Institutional Fund or the Master Fund is treated as properly allocable to the conduct of a trade or business, the ability of the Core Alternatives Institutional Fund and, correspondingly, the Partners, to deduct any such business interest would generally be limited to 30% of its "adjusted taxable income," which generally is the Core Alternatives Institutional Fund's taxable income for the current year determined without taking into account any non-business income, business interest income or net operating loss and, until 2023, any depreciation and amortization deductions. To the extent such limitation applies, the portion of any business interest expense that is not allowed as a deduction in the current taxable year is generally carried forward and treated as business interest expense in the succeeding taxable year, in which case certain limitations at the level of the Partner may apply. The limitation on deductibility of business interest does not apply, however, to the extent the Core Alternatives Institutional Fund's interest expense does not exceed any business interest income of the Core Alternatives Institutional Fund. There is some uncertainty as to how the business interest limitations should be applied in a partnership context. Potential investors are advised to consult with their own tax advisers with respect to the application of the investment interest and business interest limitations in their particular circumstances.

Deductibility of the Core Alternatives Institutional Fund Investment Expenditures and Certain Other Expenditures. Investment expenses (e.g., investment advisory fees) of an individual, trust or estate are miscellaneous itemized deductions. For taxable years beginning before January 1, 2026, miscellaneous itemized deductions are not deductible by non-corporate investors.

These limitations on deductibility should not apply to a noncorporate Partner's share of the expenses of the Master Fund to the extent that the Master Fund is engaged, as it expects to be, in a trade or business within the meaning of the Code. Although the Master Fund intends to treat its expenses as not being subject to the foregoing limitations on deductibility, there can be no assurance that the Service may not treat such expenses as investment expenses that are subject to the limitations. The IRS has issued a ruling indicating that it intends to treat the expenses of upper-tier partnerships in a master-feeder structure, such as the expenses of the Core Alternatives Institutional Fund, as investment expenses that Partners must treat as subject to the limitations on miscellaneous itemized deductions.

The consequences of these limitations will vary depending upon the particular tax situation of each taxpayer. Accordingly, noncorporate Partners should consult their tax advisers with respect to the application of these limitations.

No deduction is allowed for any placement fees paid by a Partner to acquire a Unit or Units, and no deduction will be allowed for any Partner for other Core Alternatives Institutional Fund expenditures attributable to placement services. Instead any such fees will be included in the Partner's adjusted tax basis for his Unit or Units.

**Application of Rules for Income and Losses from Passive Activities.** The Code restricts the deductibility of losses from a "passive activity" against certain income which is not derived from a passive activity. This restriction applies to individuals, personal service corporations and certain closely held corporations. Pursuant to Temporary Regulations issued by the Treasury Department, income or loss from the Master Fund's securities investment and trading activity generally will not constitute income or loss from a passive activity. Therefore, passive activity losses from other sources generally will not be deductible against a Partner's share of such income and gain from the Core

Alternatives Institutional Fund. However, income or loss attributable to the Master Fund's investments in partnerships engaged in certain trades or businesses may constitute passive activity income or loss.

"Phantom Income" from Core Alternatives Institutional Fund Investments. Pursuant to various "anti-deferral" provisions of the Code (the "subpart F" and "passive foreign investment company" provisions), investments (if any) by the Master Fund in certain foreign corporations may cause a Partner to (i) recognize taxable income prior to the Master Fund's receipt of distributable proceeds, (ii) pay an interest charge on receipts that are deemed as having been deferred or (iii) recognize ordinary income that, but for the "anti-deferral" provisions, would have been treated as long-term or short-term capital gain.

## ERISA AND RELATED CONSIDERATIONS

### CORE ALTERNATIVES INSTITUTIONAL FUND

No plans or accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or to Section 4975 of the Code will be permitted to purchase or otherwise acquire Units in the Core Alternatives Institutional Fund (except to the extent such a plan or account is an investor in a Partner, provided such Partner is not an entity the underlying assets of which constitute the assets of a plan(s) subject to ERISA and/or Section 4975 of the Code).

### TEI INSTITUTIONAL FUND

ERISA and the Code impose certain requirements on employee benefit plans to which ERISA applies ("ERISA Plans"), certain other plans (such as individual retirement accounts and non-ERISA-covered Keogh plans) that, although not subject to ERISA, are subject to certain similar rules under Section 4975 of the Code (such ERISA Plans and such other plans, collectively, "Plans") and those persons who are fiduciaries with respect to such Plans. In accordance with ERISA's general fiduciary standards, before investing in the TEI Institutional Fund, an ERISA Plan fiduciary should determine whether such an investment is permitted under the governing ERISA Plan instruments and is appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio.

In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor regulations provide that a fiduciary of an ERISA Plan must also give appropriate consideration to, among other things, an examination of the risk and return factors, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan and the proposed investment in the TEI Institutional Fund, and the projected return of the total portfolio relative to the ERISA Plan's funding objectives.

A Plan fiduciary considering an investment in the TEI Institutional Fund should consult with its legal counsel concerning all the legal implications of investing in the TEI Institutional Fund, especially the issues discussed in the following paragraphs.

Because the TEI Institutional Fund will be registered as an investment company under the 1940 Act, the underlying assets of the TEI Institutional Fund will not be considered “plan assets” of the Plans investing in the TEI Institutional Fund for purposes of the fiduciary responsibility and prohibited transaction rules in ERISA or the Code. Thus, neither the Investment Managers, the General Partner, nor the Advisers will, solely as a result of the Plan’s investment in the TEI Institutional Fund, become fiduciaries within the meaning of ERISA or the Code with respect to the assets of any Plan that becomes a Partner in the TEI Institutional Fund.

Certain prospective investors may currently maintain relationships with the Investment Managers or one or more Advisers or with other entities that are affiliated with the Investment Managers or Advisers. Each of such persons may be deemed to be a “party in interest” (as defined in Section 3(14) of ERISA) or a “disqualified person” (as defined in Section 4975(e)(2) of the Code) with respect to, and/or a fiduciary of, any Plan to which it (or an affiliate) provides investment management, investment advisory, or other services. ERISA and Section 4975 of the Code prohibit Plan assets from being used for the benefit of a party in interest or disqualified person and also prohibit a Plan fiduciary from using its fiduciary authority, control or responsibility to cause the Plan to make an investment from which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. Plan investors should consult with legal counsel to determine if participation in the TEI Institutional Fund is a transaction that is prohibited by ERISA or the Code, and fiduciaries of Plans should not permit an investment in the TEI Institutional Fund with Plan assets if the General Partner, the Investment Managers or the Advisers, or their affiliates perform or have investment powers over such assets, unless an exemption from the prohibited transaction rules applies with respect to such investment. The TEI Institutional Fund will require Plan fiduciaries proposing to invest in the TEI Institutional Fund to certify that the purchase, holding and disposition of the interest in the TEI Institutional Fund will not result in a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code for which an exemption is not available and, in the case of an ERISA Plan, that (a) the investment by such ERISA Plan in the TEI Institutional Fund is prudent for the ERISA Plan (taking into account any applicable liquidity and diversification requirements of ERISA), (b) the investment in the TEI Institutional Fund is permitted under ERISA, the Code, and the ERISA Plan’s governing plan documents, (c) neither the General Partner, the Investment Managers, the Advisers nor any of their respective affiliates, directors, trustees, managers, members, partners, officers, or employees (collectively, the “Related Parties”) has acted as a fiduciary under ERISA with respect to such purchase, and (d) no advice provided by the Investment Managers or any of their affiliates (including, without limitation, any of the Related Parties) has formed a primary basis for any investment decision by such ERISA Plan interest holder in connection with such purchase.

The provisions of ERISA and the Code are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA and the Code contained herein is, of necessity, general and may be affected by future publication of final regulations and rulings or by future legislation. Potential investors should consult with their legal counsel regarding the consequences under ERISA and the Code of the acquisition and ownership of an investment in the TEI Institutional Fund.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to the requirements of ERISA and Section 4975 of the Code discussed above but may be subject to materially similar provisions of other applicable federal or state law or may be subject to other legal restrictions on their ability to invest in the TEI Institutional Fund. Accordingly, any such governmental plans and church plans and the fiduciaries of such plans should consult with their legal counsel concerning all the legal implications of investing in the TEI Institutional Fund.

THE TEI INSTITUTIONAL FUND’S SALE OF INTERESTS TO PLANS IS IN NO RESPECT A REPRESENTATION OR WARRANTY BY THE TEI INSTITUTIONAL FUND, THE INVESTMENT MANAGERS OR ANY OF THEIR AFFILIATES (INCLUDING, WITHOUT LIMITATION, ANY OF THE RELATED PARTIES), OR BY ANY OTHER PERSON ASSOCIATED WITH THE SALE OF THE INTERESTS, THAT SUCH INVESTMENT BY PLANS MEETS ALL RELEVANT LEGAL REQUIREMENTS APPLICABLE TO PLANS GENERALLY OR TO ANY PARTICULAR PLAN, OR THAT SUCH INVESTMENT IS OTHERWISE APPROPRIATE FOR PLANS GENERALLY OR FOR ANY PARTICULAR PLAN.



## BROKERAGE

### THE FUNDS

It is the policy of each of the Funds, the Offshore Fund and the Master Fund to obtain the best results in connection with effecting its portfolio transactions taking into account factors similar to those expected to be considered by the Advisers as described below. In most instances, the Master Fund will purchase interests in an Adviser Fund directly from the Adviser Fund, and such purchases by the Master Fund may be, but are generally not, subject to transaction expenses. Nevertheless, the Funds, the Offshore Fund and the Master Fund contemplate that, consistent with the policy of obtaining the best net result, any brokerage transactions of each Fund, the Offshore Fund and the Master Fund may be conducted through affiliates of the Investment Managers. During the fiscal years ended March 31, 2018, March 31, 2019, and March 31, 2020, the Master Fund paid \$6,508, \$0, and \$223 respectively, in brokerage commissions. As of March 31, 2020, the Master Fund held no securities of its regular brokers or dealer (or their parents).

### ADVISER FUNDS

The Adviser Funds incur transaction expenses in the management of their portfolios, which will decrease the value of the Master Fund's investment in the Adviser Funds. In view of the fact that the investment program of certain of the Adviser Funds may include trading as well as investments, short-term market considerations will frequently be involved, and it is anticipated that the turnover rates of the Adviser Funds may be substantially greater than the turnover rates of other types of investment vehicles. In addition, the order execution practices of the Adviser Funds may not be transparent to the Investment Managers. Each Adviser Fund is responsible for placing orders for the execution of its portfolio transactions and for the allocation of its brokerage. The Investment Managers will have no direct or indirect control over the brokerage or portfolio trading policies employed by the Advisers. The Investment Managers expect that each Adviser Fund will generally select broker-dealers to effect transactions on the Adviser Fund's behalf substantially in the manner set forth below.

In selecting brokers and dealers to execute transactions on behalf of an Adviser Fund or Adviser Account, the Investment Managers expect each Adviser will generally seek to obtain the best price and execution for the transactions, taking into account factors such as price, size of order, difficulty of execution and operational facilities of a brokerage firm, the scope and quality of brokerage services provided, and the firm's risk in positioning a block of securities. Although it is expected that each Adviser generally will seek reasonably competitive commission rates, an Adviser may not necessarily pay the lowest commission available on each transaction. The Advisers may typically have no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities. Brokerage practices adopted by Advisers with respect to Adviser Funds may vary and will be governed by each Adviser Fund's organizational documents.

Consistent with the principle of seeking best price and execution, an Adviser may place orders for an Adviser Fund or Adviser Account with brokers that provide the Adviser and its affiliates with supplemental research, market and statistical information, including advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. The expenses of the Advisers are not necessarily reduced as a result of the receipt of this supplemental information, which may be useful to the Advisers or their affiliates in providing services to clients other than the Adviser Funds and the Adviser Accounts they manage. In addition, not all of the supplemental information is necessarily used by an Adviser in connection with the Adviser Fund or Adviser Account it manages. Conversely, the information provided to an Adviser by brokers and dealers through which other clients of the Adviser or its affiliates effect securities transactions may be useful to the Adviser in providing services to the Adviser Fund or an Adviser Account.

No guarantee or assurance can be made that an Adviser Fund's brokerage transaction practices will be transparent or that the Adviser Fund will establish, adhere to, or comply with its stated practices. However, as the Adviser Funds may not be investment companies registered under the 1940 Act, they may select brokers on a basis other than as outlined above and may receive benefits other than research or that benefit the Adviser or its affiliates rather than the Adviser Fund. Each Fund will indirectly bear the commissions or spreads in connection with the portfolio transactions of the Adviser Funds.

Adviser Funds may make investments directly in the issuers of their underlying securities, and in some instances may not be subject to transaction expenses.

#### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND LEGAL COUNSEL

Cohen & Company, Ltd. serves as each Fund's independent registered public accounting firm. Its principal business address is 1350 Euclid Avenue, Suite 800, Cleveland, OH 44115.

Faegre Drinker Biddle & Reath LLP, One Logan Square, Ste. 2000, Philadelphia, Pennsylvania 19103, acts as Fund counsel.

#### CUSTODIAN

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

#### FUND SERVICING FEE

Each Fund intends to pay compensation to Hatteras Investment Partners (in such capacity, the "Servicing Agent") for fund services in accordance with a fund servicing agreement between each Fund and the Servicing Agent. The Servicing Agent receives a monthly fund servicing fee equal to 1/12th of 0.65% (0.65% on an annualized basis) of the aggregate value of each Fund's net assets as of the end of each month. The fund servicing fees payable to the Servicing Agent will be borne pro rata by all Partners of each corresponding Fund before giving effect to any repurchase of Units in a Fund effective as of that date, and will decrease the net profits or increase the net losses of the Fund that are credited to its Partners. The Servicing Agent may waive (to all investors on a pro rata basis) or pay to third parties all or a portion of any such fees in its sole discretion. The Servicing Agent may delegate some or all of its servicing responsibilities to one or more service providers. The Servicing Agent may delegate and any such service provider will provide customary services, including some or all of the following: (1) assisting in the maintenance of the Funds' records containing information relating to Partners; (2) providing each Fund and its Partners with personnel to perform such executive, administrative and clerical services as are reasonably necessary to provide effective administration of the Fund and Partner services; (3) as agreed from time to time with the Board in accordance with Rule 38a-1 under the 1940 Act, making available the services of appropriate compliance personnel and resources relating to compliance policies and procedures of the Funds; (4) providing the Funds with office space and office equipment and services including telephone service, heat, utilities, stationery supplies and similar items; (5) assisting in the administration of meetings of the Board and its committees; (6) periodically reviewing the services performed by the Funds' service providers, and making such reports and recommendations to the Board concerning the performance of such services as the Board reasonably requests; (7) assisting the Funds in providing or procuring accounting services for the Fund and Partner account balances; (8) providing assistance in connection with the preparation of the Funds' periodic financial statements and annual audit as reasonably requested by the Board or officers of the Funds or the Funds' independent accountants; (9) assisting in communicating with Partners and providing information about the Funds, units owned by Partners, repurchase offers and other activities of the Funds; (10) arrange for, at each Fund's expense, the preparation of all required tax returns; assisting Partners and their individual service providers with questions pertaining to any tax documents received from the Funds; (11) establishment and enhancement of relationships and communications between Partners and the Funds, and the handling of Partners' inquiries and calls relating to administrative matters; (12) assisting in the establishment of Partner accounts and providing ongoing account maintenance services to Partners, including handling inquiries from Partners regarding the Funds; (13) administering subscriptions and tender offers, including assistance in the preparation of regulatory filings and the transmission of cash between Partners and the Funds, and the Funds and the Master Fund (or any successor thereto designated by the Funds); (14) assisting in the periodic updating of the Funds' prospectus and statement of additional information, the preparation of proxy statements to Partners, and the preparation of reports filed with regulatory authorities; (15) to the extent requested by the Board or officers of the Funds, negotiating changes to the terms and provisions of the Funds' custody, administration and escrow agreements; (16) providing information and assistance as requested in connection with the registration of the Funds' interests in accordance with state securities requirements; and (17) supervising other aspects of the Funds' operations and providing other administrative services to the Funds.

Each Fund's servicing fee for the last three fiscal years was as follows:

FUND SERVICING FEE

FUND	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
Core Alternatives Institutional Fund	\$ 439,592	\$ 514,753	\$ 609,204
TEI Institutional Fund	\$ 1,184,241	\$ 1,392,261	\$ 1,649,007

SUMMARY OF AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENTS

An investor in each Fund will be a Partner of that Fund and his or her rights in such Fund will be established and governed by that Fund's Amended and Restated Limited Partnership Agreement ("Limited Partnership Agreement"). A prospective investor and his or her advisors should carefully review the Limited Partnership Agreement of the applicable Fund as each Partner will agree to be bound by its terms and conditions. The following is a summary description of additional items and of select provisions of each Limited Partnership Agreement that may not be described elsewhere in this SAI. The description of such items and provisions is not definitive and reference should be made to the complete text of the Limited Partnership Agreement of the applicable Fund.

PARTNERS; ADDITIONAL CLASSES OF UNITS

Persons who purchase Units of a Fund will be Partners of that Fund. In addition, to the extent permitted by the 1940 Act or any required exemptive relief, each Fund reserves the right to issue additional classes of Units in the future subject to fees, charges, repurchase rights and other characteristics different from those of the Units offered in this SAI.

LIABILITY OF PARTNERS

Under Delaware law and the Limited Partnership Agreement, each Partner will be liable for the debts and obligations of a Fund only to the extent of the value of such Partner's Units in that Fund. A Partner, in the sole discretion of the Board, may be obligated to return to a Fund amounts distributed to the Partner in accordance with the Limited Partnership Agreement in certain circumstances where, after giving effect to the distribution, certain liabilities of that Fund exceed the fair market value of that Fund's assets.

LIMITATION OF LIABILITY; INDEMNIFICATION

Each Limited Partnership Agreement provides that the members of each Board and the General Partner (including certain of its affiliates, among others) shall not be liable to such Fund or any of the Partners of that Fund for any loss or damage occasioned by any act or omission in the performance of their services as such in the absence of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office or as otherwise required by applicable law. Each Limited Partnership Agreement also contains provisions for the indemnification, to the extent permitted by law, of the General Partner, the members and former members of the Board and the Investment Managers (including certain of their affiliates, among others) by each Fund (but not by the Partners individually) against any liability and expense to which any of them may be liable that arise in connection with the performance of their activities on behalf of a Fund. None of these persons shall be personally liable to any Partner for the repayment of any positive balance in the Partner's capital account or for contributions by the Partner to the capital of the applicable Fund or by reason of any change in the federal or state income tax laws applicable to each Fund or its investors. The rights of indemnification and exculpation provided under the Limited Partnership Agreement shall not be construed so as to limit liability or provide for indemnification of the members and former members of the Board and the Investment Managers (including certain of their affiliates, among others) for any liability (including liability under applicable federal or state securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification or limitation on liability would be in violation of applicable law, but shall be construed so as to effectuate the applicable provisions of the Limited Partnership Agreement to the fullest extent permitted by law.

## POWER OF ATTORNEY

In subscribing for a Unit or Units, a Partner will appoint the General Partner as his, her or its attorney-in-fact and in the name, place and stead of, the Partner, with the power from time to time to make, execute, sign, acknowledge, swear to, verify, deliver, record, file and/or publish: (i) any amendment to a Fund's Limited Partnership Agreement; (ii) any amendment to a Fund's Certificate of Limited Partnership, including, without limitation, any such amendment required to reflect any amendments to the Limited Partnership Agreement, and including, without limitation, an amendment to effectuate any change in the membership of the Partnership; and (iii) all other such instruments, documents and certificates that, in the view of legal counsel to the Funds, from time to time may be required by the law. This power of attorney, which will be contained in the Subscription Agreement, is a special power of attorney and is coupled with an interest in favor of the General Partner and as such will be irrevocable and will continue in full force and effect notwithstanding the subsequent death or incapacity of any Partner granting the power of attorney. In addition, the power of attorney will survive the delivery of a transfer by a Partner of all or any portion of the Partner's Units, except that when the transferee of the Units or any portion of a Unit has been approved by a Fund for admission to a Fund as a substitute Partner, or upon the withdrawal of a Partner from a Fund pursuant to a repurchase of Units or otherwise, the power of attorney given by the transferor will terminate.

## AMENDMENT OF THE LIMITED PARTNERSHIP AGREEMENTS

Each Limited Partnership Agreement may generally be amended, in whole or in part, with the approval of a majority of the Directors (including a majority of the Independent Directors, if required by the 1940 Act) of the applicable Fund and without the approval of the Partners of that Fund unless the approval of Partners is required under the 1940 Act. However, certain amendments to a Limited Partnership Agreement involving capital accounts and allocations thereto may not be made without the written consent of each Partner of such Fund materially adversely affected thereby or unless each Partner of that Fund has received written notice of the amendment and any Partner of such Fund objecting to the amendment has been allowed a reasonable opportunity (pursuant to any procedures as may be prescribed by the Board) to have all of its Units repurchased by the applicable Fund.

## TERM, DISSOLUTION AND LIQUIDATION

Each Fund shall be dissolved (i) upon the affirmative vote to dissolve such Fund by a majority of the Directors and Partners of that Fund holding at least two-thirds (2/3) of the total number of votes eligible to be cast by all Partners of that Fund, (ii) upon an election by the General Partner to dissolve that Fund or upon the withdrawal of the General Partner, unless (a) at such time there remains at least one general partner who elects to continue the business of that Fund or (b) both the Directors and Partners of that Fund holding not less than two-thirds (2/3) of the total number of votes eligible to be cast by all Partners of that Fund elect (within 60 days of the event giving rise to the dissolution occurs) to continue that Fund or (iii) as otherwise required by operation of law.

In the event of the dissolution of the Master Fund, the Board of each Fund will seek to act in the best interests of the Fund and the Partners of that Fund in determining whether, for example, to invest its assets directly, rather than through the Master Fund, or to dissolve that Fund. The Master Fund shall be dissolved (i) upon the affirmative vote to dissolve the Master Fund by a majority of the Directors and Partners holding at least two-thirds (2/3) of the total number of votes eligible to be cast by all Partners, (ii) upon an election by the General Partner to dissolve the Master Fund or upon the withdrawal of the General Partner, unless (a) at such time there remains at least one general partner who elects to continue the business of the Master Fund or (b) both the Directors and Partners holding not less than two-thirds (2/3) of the total number of votes eligible to be cast by all Partners elect (within 60 days of the event giving rise to the dissolution occurs) to continue the Master Fund or (iii) as otherwise required by operation of law.

Any investor in the Master Fund, including each Fund or other feeder funds that invest in the Master Fund, also may, in connection with the dissolution and liquidation of such investor in the Master Fund, tender to the Master Fund for redemption all of such investor's interest in the Master Fund. In the event of such a tender for redemption, the Master Fund, subject always to the terms of its limited partnership agreement and the Master Fund's ability to liquidate sufficient Master Fund investments in an orderly fashion determined by the Master Fund's directors to be fair and reasonable to the Master Fund and all of its limited partners (including the Fund), shall pay to such redeeming limited partner within 90 days the proceeds of such redemption, provided that such proceeds may be paid in cash, by means of in-kind distribution of Master Fund investments, or as a combination of cash and in-kind distribution of Master Fund investments.

Upon the occurrence of any event of dissolution of a Fund, the Board of that Fund or the Investment Manager, acting as liquidator under appointment by the Board of that Fund (or another liquidator, if the Board does not appoint the Investment Manager to act as liquidator or is unable to perform this function) is charged with winding up the affairs of such Fund and liquidating its assets. Net profits or net loss during the fiscal period including the period of liquidation will be allocated as described in the Prospectus under the section titled "CAPITAL ACCOUNTS AND ALLOCATIONS."

Upon the liquidation of a Fund, its assets will be distributed: (i) first to satisfy the debts, liabilities, and obligations of that Fund (other than debts to Partners) including actual or anticipated liquidation expenses; (ii) next to repay debts, liabilities and obligations owing to the Partners; and (iii) finally to the Partners proportionately in accordance with the balances in their respective capital accounts. Assets may be distributed in-kind on a pro rata basis if the Board of that Fund or liquidator determines that such a distribution would be in the interests of the Partners of that Fund in facilitating an orderly liquidation.

The Board of the dissolving Fund may, in its sole discretion, and if determined to be in the best interests of the Partners of that Fund, distribute the assets of the Fund into and through a liquidating trust to effect the liquidation of that Fund. The use of a liquidating trust would be subject to the regulatory requirements of the 1940 Act and applicable Delaware law, and could result in additional expenses to the Partners of that Fund.

#### REPORTS TO PARTNERS

Each Fund will furnish to its Partners as soon as practicable after the end of each taxable year such information as is necessary for Partners to complete U.S. federal, state and local income tax or information returns, including a copy of Schedule K-1 of the applicable Fund's federal income tax return for the calendar year most recently ended, along with any other tax information required by law. In the event that the 1940 Act or the SEC in the future requires more frequent reporting, each Fund will comply with such additional reporting requirements.

Each Fund will send to its Partners a semi-annual and an audited annual report within 60 days after the close of the period for which it is being made, or as otherwise required by the 1940 Act. Other reports from the Investment Managers regarding a Fund's operations may be sent to a Fund's Partners as the Investment Managers deem necessary or appropriate. In the event that the 1940 Act or the SEC in the future requires more frequent reporting, each Fund will comply with such additional reporting requirements.

The reports described above may be delayed to some extent as the preparation of such reports is dependent upon the completion of the reports of each Adviser Fund in which the Fund invests, and, as a result, Partners may be forced to file an extension for their income tax returns.

#### ANTI-MONEY LAUNDERING CONSIDERATIONS

The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), signed into law on and effective as of October 26, 2001, requires that financial institutions establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act requires the Secretary of the Treasury ("Treasury") to prescribe regulations in connection with anti-money laundering policies of financial institutions. The Financial Crimes Enforcement Network ("FinCEN"), an agency of the Treasury, has announced that it is likely that such regulations would subject pooled investment vehicles such as the Funds to enact anti-money laundering policies. It is possible that there could be promulgated legislation or regulations that would require the Investment Managers or other service providers to each Fund, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to its Partners. Such legislation and/or regulations could require each Fund to implement additional restrictions on the transfer of the Units. The Investment Managers reserve the right to request such information as is necessary to verify the identity of a Partner and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by FinCEN and/or the SEC. Each Fund may, in the event of delay or failure by the applicant to produce any information required for verification purposes, or for any other reason, in its sole and absolute discretion, refuse an investment in or transfer of Units by any person or entity.

Each Fund may require a detailed verification of each prospective investor's identity and the source of the payment of the subscription amount. Each Fund may also require that this information be supplied by a prospective investor who did not supply such information when it subscribed for Units. This information, and any other information supplied by a prospective investor or a Partner (each, an "Investor") of a Fund, may be transmitted to any governmental agency that the applicable Fund reasonably believes has jurisdiction (each, a "Governmental Authority"), without prior notice to the Investor, in order to satisfy any applicable anti-money laundering laws, rules or regulations to which each Fund is or may become subject, notwithstanding any confidentiality agreement to the contrary.

Depending on the circumstances of each Investor, a detailed verification might not be required where:

(1) the applicant is a recognized financial institution which is regulated by a recognized regulatory authority and carries on business in a country listed in Schedule 3 Money Laundering Regulations (2009 Revision); or

(2) the application is made through a recognized intermediary which is regulated by a recognized regulatory authority and carries on business in a country listed in Schedule 3, Money Laundering Regulations (2009 Revision). In this situation each Fund may rely on a written assurance from the intermediary that the requisite identification procedures on the applicant for business have been carried out.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognized as having sufficient anti-money laundering regulations.

In attempting to verify an Investor's identity, the General Partner of a Fund may request any information it deems necessary including, but not limited to, the Investor's legal name, current address, date of birth or date of formation (as applicable), information regarding the nature of the Investor's business, the locations in which the Investor transacts its business, proof as to the current good standing of the Investor in its jurisdiction of formation (if an entity), proof of identity (e.g., a driver's license, social security number or taxpayer identification number), and any other information the General Partner of a Fund believes is reasonably necessary to verify the identity of the Investor. The General Partner of a Fund may also request information regarding the source of the subscription amount including, but not limited to, letters from financial institutions, bank statements, tax records, audited financial statements and other information the General Partner believes is reasonably necessary to verify the source of the subscription amount.

Each Fund may request that an Investor supply updated information regarding its identity or business at any time. Each Fund may also request additional information regarding the source of any funds used to make additional contributions to the Fund. In the event of delay or failure by an Investor to produce any information required for verification purposes, the General Partner of a Fund may refuse to accept a new or additional contribution. The General Partner may refuse a redemption of a Partner's Units, or any portion thereof, in the Fund or other transfer of funds if it believes such action is necessary in order to comply with its responsibilities under applicable law.

An Investor may be asked to indemnify and hold harmless each Fund, the General Partner, the Investment Managers and their respective Affiliates, including their officers, directors, members, partners, shareholders, managers, employees and agents (collectively, each "Fund and its Affiliates") from and against any loss, liability, cost or expense (including, but not limited to, attorneys' fees, taxes and penalties) which may result, directly or indirectly, from any misrepresentation or breach of any warranty, condition, covenant or agreement set forth in the Subscription Documents or any other document delivered by the Investor to the applicable Fund or as a result of any violations of law committed by the Investor. Such Subscription Documents will further provide that each Fund and its Affiliates are not and shall not be liable for any loss, liability, cost or expense to the Investor resulting, directly or indirectly, from any action taken by a Fund and its Affiliates in making a good faith attempt to comply with the laws of any jurisdiction to which a Fund and its Affiliates are or become subject, including loss resulting from a failure to process any application for withdrawal if such information that has been required by a Fund and its Affiliates has not been provided by the Investor or if a Fund and its Affiliates believe in good faith that the processing thereof would violate applicable law. This indemnification provision shall be in addition to, and not in limitation of, any other indemnification provision applicable to each Fund and its Affiliates.

Each Fund and its Affiliates hereby disclaim any and all responsibility for any action taken by them in a good faith attempt to comply with the applicable laws of any jurisdiction or at the direction of any Governmental Authority. Any and all losses incurred by an Investor in a Fund as a direct or indirect result of any action taken by such Fund and its Affiliates in a good faith attempt to comply with the applicable laws of any jurisdiction or at the direction of any Governmental Authority shall be the sole responsibility of the Investor without recourse to a Fund and its Affiliates.

#### FISCAL YEARS

For accounting purposes, each Fund's fiscal year is the 12-month period ending on March 31. For tax purposes, each Fund adopted the 12-month period ending December 31 of each year as its taxable year.

#### FUND ADVERTISING AND SALES MATERIAL

Advertisements and sales literature relating to a Fund and reports to Partners may include quotations of investment performance. In these materials, a Fund's performance will normally be portrayed as the net return to an investor in the Fund during each month or quarter of the period for which investment performance is being shown. Cumulative performance and year-to-date performance computed by aggregating quarterly or monthly return data may also be used. Investment returns will be reported on a net basis, after all fees and expenses. Other methods may also be used to portray a Fund's investment performance.

A Fund's investment performance will vary from time to time, and past results are not necessarily representative of future results.

Comparative performance information, as well as any published ratings, rankings and analyses, reports and articles discussing a Fund, may also be used to advertise or market the applicable Fund, including data and materials prepared by recognized sources of such information. Such information may include comparisons of a Fund's investment performance to the performance of recognized market indices and indices. Comparisons may also be made to economic and financial trends and data that may be relevant for investors to consider in determining whether to invest in a Fund.

#### FINANCIAL STATEMENTS

Financial statements for each Fund and the Master Fund as well as a report by the Funds' Independent Registered Public Accounting Firm are available in each Fund's annual report to Partners dated March 31, 2020 and are attached as Appendix B to this SAI.

## Appendix A

### Industry Classifications

#### A) BASIC MATERIALS

- 1) Chemicals
- 2) Forest Products & Paper
- 3) Iron/Steel
- 4) Mining

#### B) COMMUNICATIONS

- 5) Advertising
- 6) Internet
- 7) Media
- 8) Telecommunications

#### C) CONSUMER, (CYCLICAL)

- 9) Airlines
- 10) Apparel
- 11) Auto Manufacturers
- 12) Auto Parts & Equipment
- 13) Distribution/Wholesale
- 14) Entertainment
- 15) Food Service
- 16) Home Builders
- 17) Home Furnishings
- 18) Housewares
- 19) Leisure Time
- 20) Lodging
- 21) Office Furnishings
- 22) Retail



23) Storage/Warehousing

24) Textiles

25) Toys/Games/Hobbies

D) CONSUMER, (NON-CYCLICAL)

26) Agriculture

27) Beverages

28) Biotechnology

29) Commercial Services

30) Cosmetics/Personal Care

31) Food

32) Healthcare-Products

33) Healthcare-Services

34) Household Products/Wares

35) Pharmaceuticals

E) DIVERSIFIED

36) Holding Companies-Divers

F) ENERGY

37) Coal

38) Energy-alternate Sources

39) Oil & Gas

40) Oil & Gas Services

41) Pipelines

G) FINANCIAL

42) Banks

43) Closed-end Funds

44) Country Funds-Closed-end

45) Diversified Financial Service

46) Insurance

47) Investment Companies

48) REITS

49) Real Estate

50) Savings & Loans

51) Venture Capital

H) INDUSTRIAL

52) Aerospace/Defense

53) Building Materials

54) Electrical Company & Equipment

55) Electronics

56) Engineering & construction

57) Environmental Control

58) Hand/Machine Tools

59) Machinery - Construction & mining

60) Machinery - Diversified

61) Metal Fabricates/Hardware

62) Miscellaneous Manufacture

63) Packaging & Containers

64) Shipbuilding

65) Transportation

66) Trucking & Leasing

I) TECHNOLOGY

67) Computers

68) Office/Business Equipment

69) Semiconductors

70) Software

J) UTILITIES

71) Electric

72) Gas

73) Water



**HATTERAS**  
*Investment Partners*

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**ANNUAL REPORT**  
MARCH 31, 2020

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

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

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

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

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

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

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

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## ANNUAL REVIEW (UNAUDITED)

For the fiscal year ended March 31, 2020, on a net basis, the Core Alternatives Institutional Fund, L.P. returned -10.08%, the Core Alternatives Fund, L.P. returned -10.36%, the Core Alternatives TEI Fund, L.P. returned -10.13%, and the Core Alternatives TEI Institutional Fund, L.P. returned -10.40%. Each Fund invests substantially all of its assets, directly or indirectly, in Hatteras Master Fund, L.P. (the "Master Fund"). Returns of the Funds will differ since the Funds have different expenses. Fund performance underperformed its benchmark, the HFRX Global Hedge Index, which returned -1.39% for the period.

Description of the Funds' annual performance as follows is based on information prior to finalization of March 31 valuations. The period that was not included resulted in a significant unrealized loss of approximately -7.0% as a result of the COVID-19 pandemic's impact on the market. Actual results presented in the audited financial statements include the unrealized losses for this period.

Within the Core Alternatives Institutional Fund, Private Investments drove performance for the year, with gains of +8.53% (Gross), while Hedged Investments returned -5.76% (Gross). The Private Investments portfolio's gains were led by the Buyout, Growth Capital and Venture Capital categories. Within Hedged Investments, losses were driven by the Event Driven and Relative Value categories. At the end of the fiscal year, Private Investment exposure was 76% and Hedged Investments comprised 23% of the Fund.

### Private Investments

Private Investments returned + 8.53% (Gross) for the period. Buyout was the top performer for the year, followed by the Growth Capital and Venture Capital categories. Private Debt funds were flat, while Real Estate and Energy & Natural Resources category were detractors for the period.

Buyout was the Fund's top performing category for the fiscal year. The top contributor was a 2008 vintage technology fund which restructured mid-year and provided full liquidity at a 123% premium to the March 2019 balance. The largest remaining investment was an electronic bill payment company that had shown a strong growth trajectory in recent years. The restructuring terms and associated premium were attractive relative to further term extensions. Another strong contributor was a fund which targets direct investments and fund restructurings within the secondary market. Gains were driven by write-ups following transactions that were closed during the period, including investments in a peer-to-peer lending company, an internet content management company and a portfolio of private equity funds, all of which were purchased at attractive discounts. Smaller contributors within the Buyout category included a group of sector specialist funds focused on investments in the financials, technology and health care sectors.

The Growth Capital category was the second largest contributor, driven by several funds that focus on expansion stage investments in China. The top performer was a fund that had a successful IPO in 2018 in the cloud computing and network security industry which continued to hold shares after the lock-up period due to the fund's sizable stake in the company. Outside of China, another contributor was a global growth capital fund where gains were driven by a U.S.-based enterprise software company with large operations in India that was marked up following a new funding round in November.

Venture Capital also contributed to annual performance with gains in biotech investments, a mobile banking company, and an online payment processing company. A biotech focused fund generated strong annual gains as two of its private positions were acquired by large pharmaceutical companies at material premiums, another portfolio company had a successful IPO in April, and a 2018 IPO position rallied with the release of positive clinical trial results. A technology-focused fund's gains were driven by a mobile banking company which continued to show strong growth and raised additional capital at a higher valuation late in the year. Two venture capital funds from the same general partner similarly had gains in a rapidly growing online payment processing company which completed a new funding round in September.

A detractor for the period was a secondary transaction executed at the end of the second quarter that reduced the Fund's exposure to the Venture Capital, Growth Capital and Credit categories. Specifically, this transaction reduced exposure to private funds that held public equity positions, reduced volatile Venture Capital positions, and trimmed the overweight to investments in Asia. These sales were matched with an increase to domestic Buyout exposure and, in aggregate, contributed to quarterly performance while upgrading the overall quality of the Private Investments portfolio.

Energy & Natural Resources was the largest detractor for the year. Losses bookended the year, with declines during the Fund's first and fourth quarters. Two funds which focus on investments in metals and mining companies, and are managed by the same general partner, were also among the largest detractors for the period. Losses in these funds were driven by a markdown in the valuation of a lithium mining company. Several funds and related co-investments with a focus on oil and gas investments had unrealized losses in underlying portfolio companies with markdowns in valuations in response to commodity price volatility.

The Fund received approximately \$81 million in net cash flows during the 12-month period. Distribution activity was led by a fund restructuring within Buyout and the expiration of the lock-up period for an IPO in the ridesharing industry within the Venture Capital category.

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**ANNUAL REVIEW (UNAUDITED) (CONTINUED)**

**Hedged Investments**

Hedged Investments returned -5.76% (Gross) for the period. All four categories posted negative performance for the year. Losses were driven by the Event Driven and Relative Value categories, while the Long/Short Equity and Macro categories were modest detractors.

Event Driven was the largest detractor in Hedged Investments portfolio during the year. A multi-strategy event driven manager with an activist focus detracted as losses during the first quarter of 2020 more than offset gains in prior quarters with losses in long equity positions in response to the COVID-19 pandemic. Similarly, a distressed credit focused manager was down for the year due to losses in long credit and equity positions tied to the coronavirus crisis. Two related side pocket positions, comprised of the remaining assets from distressed debt funds sold in 2012 and 2013, were also detractors for the annual period. A common asset held within each position is a satellite communications company which was marked down to reflect a declining financial status as the company.

Relative Value was the second largest detractor during the year with the Hedged Investments portfolio. A risk premia strategy was added in the second half of 2019 and posted declines during the first quarter of 2020 with losses driven by U.S. and Emerging Markets equity positions. A multi-strategy manager stayed true to their mandate and maintained a low beta, market neutral stance, but still had losses across their sub-strategies as relative value broadly dislocated as the COVID-19 pandemic rattled markets. The manager had losses across within relative value Corporate Credit, Emerging Markets and Event Driven sub-strategies.

Long/Short Equity was a small detractor and the allocation was actively reduced during the year. Losses were driven by a global generalist manager who maintained an Asia focused portfolio and had losses in Chinese and Indian long positions during the third quarter. The manager was partially redeemed during the year, with a full redemption occurring at the end of 2019. Entering 2020, no active investments were held within the category. While legacy side pocket exposure will remain, it is modest and represents approximately one percent of the Fund. It should be noted that equity risk remains in the Fund, most notably through the mature private equity portfolio, but also through active Event Driven managers which have the ability to dynamically trade across the capital structure.

The Macro category was also a small detractor as losses from the first quarter of 2020 offset gains in prior quarters. A contributor for the period was a systematic manager that generated the bulk of its gains from long positions in global bonds derived from trend following models. A discretionary trading manager had losses during the first quarter of 2020 more than offset gains in prior quarters with losses in equity volatility and corporate credit trades in response to the COVID-19 pandemic.

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**FUND OUTLOOK (UNAUDITED)**

Looking ahead, markets face a great deal of uncertainty amidst the COVID-19 pandemic. Unprecedented stimulus measures from global central banks and governments have provided some stability across markets, but the unknown duration of the pandemic and related restrictions on economies could spur pockets of elevated volatility during the remainder of 2020, and potentially longer. Much will depend on the development of a coronavirus vaccine, the re-opening of economies across the global, and the ability to avoid a second wave of the virus. Short-term impacts on consumers and unemployment as well as corporate deal making and earnings will be material, while the long-term implications will be questioned in the coming quarters. We believe positioning in the Fund, diversified across private and hedged investment strategies, offers investors immediate access to a mature, evergreen private investments program for growth and a multi-manager hedge fund portfolio for potential volatility management.

We believe the portfolio construction efforts completed over the last three years, across both the Private Investments and Hedged Investments portfolios, have left the Fund better positioned to navigate the current market environment. Within Private Investments, transactions were completed during each of the last two years to reduce exposure to more volatile areas such as Energy, Venture Capital, Asia and private funds that held public equity positions. These sales were matched with additions to Domestic Buyout, and specifically via a relationship sourced by the Fund's Sub-advisor, Portfolio Advisors, which was able to purchase what we consider to be high quality assets at attractive discounts and mitigate the short-term impact of the corresponding secondary sales. We believe the Fund's mature Private Investment portfolio, which is now largely in harvest phase, is well positioned to provide both liquidity and performance as underlying positions are exited. Within Hedged Investments, the portfolio has been repositioned to better complement the Private Investment portfolio and provide diversification and volatility management for the Fund. To achieve this, the Long/Short Equity category has been actively reduced and no active Long/Short Equity managers will be held in the Fund entering 2020. New managers have been hired within the Event Driven, Macro and Relative Value categories, focusing on larger organizations with proven track records and multi-strategy characteristics. We believe the use of multi-strategy funds that can invest across sectors and asset classes will allow the Hedged Investment portfolio to be more dynamic in an environment with uncertainties abound.

**PERFORMANCE SUMMARY<sup>1</sup> (UNAUDITED)**

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year <sup>2</sup>
2020	-0.52%	-0.83%	-9.20%										-10.42%
2019	0.44%	0.49%	5.30%	-3.32%	2.25%	0.39%	-0.18%	0.93%	-0.90%	-0.64%	0.34%	1.02%	6.09%
2018	0.78%	-0.12%	3.10%	-1.31%	0.34%	-0.08%	1.27%	2.93%	-0.05%	0.25%	-0.97%	-0.02%	6.20%
2017	0.14%	0.02%	1.96%	0.46%	0.58%	-0.44%	0.87%	0.57%	-0.40%	0.01%	0.52%	0.22%	4.57%
2016	-2.16%	-2.72%	-1.21%	-0.29%	-0.22%	-0.19%	1.58%	1.21%	0.47%	0.04%	-0.09%	0.16%	-3.44%
2015	0.08%	1.84%	-0.11%	0.53%	1.39%	-0.24%	1.87%	-1.25%	-1.59%	-1.46%	-0.11%	0.14%	1.02%
2014	0.60%	1.54%	-0.64%	-1.38%	1.39%	2.07%	0.16%	1.47%	0.34%	0.57%	0.67%	-0.94%	5.92%
2013	1.16%	-0.03%	0.54%	-0.39%	0.59%	-0.53%	0.94%	-0.50%	1.81%	1.88%	1.50%	2.94%	10.31%
2012	1.96%	0.89%	-0.18%	0.07%	-0.58%	0.01%	0.50%	0.74%	0.64%	-0.04%	0.08%	0.94%	5.10%
2011	0.41%	1.09%	0.69%	0.83%	-0.22%	-0.79%	0.19%	-2.37%	-3.27%	1.02%	-0.96%	-0.56%	-3.97%
2010	-0.30%	0.06%	1.72%	0.94%	-2.63%	-1.13%	0.34%	-0.11%	2.29%	1.30%	0.28%	2.31%	5.06%
2009	0.17%	-0.43%	-0.50%	0.49%	3.69%	0.79%	2.20%	1.20%	2.39%	0.11%	0.85%	0.95%	12.50%
2008	-2.89%	1.86%	-2.88%	1.57%	2.10%	-0.48%	-2.84%	-1.53%	-8.28%	-7.54%	-4.29%	-1.01%	-23.79%
2007	0.97%	0.67%	1.60%	1.86%	2.01%	0.78%	-0.05%	-1.85%	1.93%	2.71%	-1.72%	0.92%	10.16%
2006	2.80%	-0.20%	1.74%	1.10%	-1.97%	-0.75%	0.37%	0.76%	0.26%	1.60%	2.09%	0.93%	8.98%
2005	-1.54%	0.26%	1.46%	2.16%	0.48%	1.39%	-1.46%	1.35%	1.85%	6.04%			

Returns	Fund	S&P 500 <sup>3</sup>	HFRXGL <sup>3</sup>	Historical Data (since inception)	Fund	S&P 500 <sup>3</sup>	HFRXGL <sup>3</sup>
Year-to-date	-10.42%	-19.60%	-6.85%	Cumulative Return	49.86%	199.24%	7.01%
1-Year	-10.08%	-6.98%	-1.39%	Standard Deviation <sup>4</sup>	5.44%	14.36%	5.60%
3-Year (average annual)	3.84%	5.10%	-0.54%	Largest Drawdown <sup>5</sup>	-24.98%	-50.95%	-25.21%
5-Year (average annual)	1.71%	6.73%	-0.65%	Drawdown — # of months <sup>6</sup>	17	16	14
10-Year (average annual)	3.07%	10.53%	0.23%				
Annualized Since Inception	2.73%	7.58%	0.45%				

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year <sup>2</sup>
2020	-0.56%	-0.87%	-9.25%										-10.54%
2019	0.42%	0.47%	5.35%	-3.35%	2.24%	0.40%	-0.19%	0.92%	-0.94%	-0.67%	0.30%	0.98%	5.89%
2018	0.72%	-0.09%	3.00%	-1.33%	0.32%	-0.10%	1.25%	2.92%	-0.07%	0.23%	-0.99%	-0.04%	5.90%
2017	0.13%	0.01%	1.96%	0.45%	0.58%	-0.46%	0.85%	0.56%	-0.41%	0.00%	0.50%	0.01%	4.29%
2016	-2.17%	-2.73%	-1.28%	-0.31%	-0.22%	0.00%	1.57%	1.21%	0.48%	0.04%	-0.09%	0.17%	-3.55%
2015	0.08%	1.83%	-0.12%	0.52%	1.28%	0.29%	1.68%	-1.14%	-1.47%	-1.48%	-0.13%	0.12%	0.90%
2014	0.59%	1.52%	-0.65%	-1.40%	1.39%	2.06%	0.14%	1.48%	0.35%	0.57%	0.67%	-0.94%	5.89%
2013	1.15%	-0.04%	0.48%	-0.39%	0.59%	0.00%	0.92%	-0.52%	1.77%	1.85%	1.47%	2.92%	10.02%
2012	1.94%	0.88%	-0.20%	0.06%	-0.59%	0.00%	0.49%	0.73%	0.63%	-0.05%	0.08%	0.93%	4.99%
2011	0.41%	1.09%	0.68%	0.83%	-0.22%	-0.79%	0.19%	-2.37%	-3.28%	1.01%	-0.96%	-0.59%	-4.02%
2010	-0.34%	0.06%	1.72%	0.94%	-2.63%	-1.12%	0.35%	-0.12%	2.27%	1.28%	0.26%	2.29%	4.95%
2009	0.16%	-0.44%	-0.50%	0.47%	3.71%	0.79%	2.19%	1.20%	2.39%	0.11%	0.85%	0.95%	12.48%
2008	-2.95%	1.82%	-2.92%	1.53%	2.08%	-0.52%	-2.88%	-1.57%	-8.33%	-7.56%	-4.31%	-0.86%	-23.98%
2007	0.94%	0.64%	1.58%	1.83%	1.99%	0.75%	-0.07%	-1.88%	1.89%	2.68%	-1.74%	0.87%	9.79%
2006	2.77%	-0.20%	1.72%	1.09%	-1.98%	-0.75%	0.37%	0.72%	0.23%	1.57%	2.05%	0.90%	8.73%
2005	-1.54%	0.26%	1.46%	2.16%	0.48%	1.39%	-1.46%	1.32%	1.82%	5.97%			

Returns	Fund	S&P 500 <sup>3</sup>	HFRXGL <sup>3</sup>	Historical Data (since inception)	Fund	S&P 500 <sup>3</sup>	HFRXGL <sup>3</sup>
Year-to-date	-10.54%	-19.60%	-6.85%	Cumulative Return	46.02%	199.24%	7.01%
1-Year	-10.36%	-6.98%	-1.39%	Standard Deviation <sup>4</sup>	5.44%	14.36%	5.60%
3-Year (average annual)	3.53%	5.10%	-0.54%	Largest Drawdown <sup>5</sup>	-25.23%	-50.95%	-25.21%
5-Year (average annual)	1.48%	6.73%	-0.65%	Drawdown — # of months <sup>6</sup>	17	16	14
10-Year (average annual)	2.90%	10.53%	0.23%				
Annualized Since Inception	2.56%	7.58%	0.45%				

1. Performance results and calculations after the Funds' most recent fiscal year are unaudited. The principal value of the Funds will fluctuate so that an



investor's units, when redeemed, may be worth more or less than the original cost. Returns are net of all expenses of the Funds, including the management fee and incentive allocations, and reflect reinvestment of all distributions, if applicable. Returns do not reflect payment of the 2% redemption fee, which would reduce returns shown above. Past performance does not guarantee future results and current performance may be lower or higher than the figures shown. The net expense ratio and total expense ratio for the Hatteras Core Alternatives Fund, L.P. are 2.30% and 5.61%, respectively. The net expense ratio and total expense ratio for the Hatteras Core Alternatives TEI Fund, L.P. are 2.49% and 5.80%, respectively. The total expense ratio for both funds includes Acquired Fund Fees and Expenses of 3.31%. Please see the current Prospectus for detailed information regarding the expenses of the Funds.

2. Cumulative return. Returns are net of all expenses of the Funds, including the management fee and incentive allocations, and reflect reinvestment of all distributions, if applicable. Returns do not reflect payment of placement fees, if applicable, which would reduce returns noted above.
3. S&P 500 Index and HFRX Global Hedge Fund Index (HFRXGL) data are sourced from Bloomberg. The indices are unmanaged portfolios of securities. Their performance results do not reflect the deduction of management fees, incentive compensation, commissions or other expenses. An investor cannot invest directly in an index. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index, with each stock's weight in the Index proportionate to its market value. HFRXGL is designed to be representative of the overall composition of the hedge fund universe. It is comprised of eight strategies: convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.
4. Measurement of the investment's volatility.
5. The peak to trough decline of an investment.
6. Number of months of a peak to trough decline of an investment.

**PERFORMANCE SUMMARY<sup>1</sup> (UNAUDITED)**

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year <sup>2</sup>
2020	-0.52%	-0.83%	-9.17%										-10.38%
2019	0.44%	0.51%	5.33%	-3.32%	2.25%	0.39%	-0.18%	0.93%	-0.90%	-0.64%	0.34%	1.02%	6.14%
2018	0.72%	-0.07%	3.01%	-1.30%	0.35%	-0.08%	1.27%	2.94%	-0.04%	0.25%	-0.97%	-0.02%	6.12%
2017	0.14%	0.04%	1.97%	0.45%	0.59%	-0.44%	0.87%	0.58%	-0.40%	0.01%	0.53%	0.21%	4.65%
2016	-2.09%	-2.65%	-1.20%	-0.22%	-0.14%	-0.11%	1.65%	1.21%	0.47%	0.04%	-0.09%	0.17%	-3.00%
2015	0.14%	1.72%	-0.05%	0.54%	1.32%	-0.15%	1.76%	-1.07%	-1.38%	-1.26%	-0.04%	0.19%	1.66%
2014	0.60%	1.44%	-0.52%	-1.19%	1.31%	1.93%	0.20%	1.39%	0.37%	0.58%	0.66%	-0.79%	6.09%
2013	1.23%	0.03%	0.59%	-0.32%	0.65%	-0.46%	1.00%	-0.43%	1.87%	1.94%	1.57%	2.75%	10.87%
2012	2.03%	0.96%	-0.12%	0.13%	-0.52%	0.07%	0.56%	0.80%	0.70%	0.02%	0.15%	1.00%	5.92%
2011	0.47%	1.15%	0.75%	0.89%	-0.16%	-0.72%	0.25%	-2.31%	-3.20%	1.09%	-0.89%	-0.50%	-3.23%
2010	-0.24%	0.12%	1.78%	1.01%	-2.57%	-1.06%	0.41%	-0.04%	2.36%	1.36%	0.34%	2.37%	5.89%
2009	0.24%	-0.36%	-0.45%	0.55%	3.75%	0.86%	2.27%	1.27%	2.46%	0.17%	0.91%	1.01%	13.35%
2008	-2.85%	1.91%	-2.81%	1.63%	2.14%	-0.42%	-2.78%	-1.47%	-8.22%	-7.50%	-4.23%	-0.94%	-23.27%
2007	1.12%	0.73%	1.65%	1.89%	2.06%	0.82%	0.00%	-1.89%	2.00%	2.75%	-1.71%	0.97%	10.76%

Returns	Fund	S&P 500 <sup>3</sup>	HFRXGL <sup>3</sup>	Historical Data (since inception)	Fund	S&P 500 <sup>3</sup>	HFRXGL <sup>3</sup>
Year-to-date	-10.38%	-19.60%	-6.85%	Cumulative Return	37.81%	141.03%	-5.64%
1-Year	-10.13%	-6.98%	-1.39%	Standard Deviation <sup>4</sup>	5.48%	15.00%	5.72%
3-Year (average annual)	3.84%	5.10%	-0.54%	Largest Drawdown <sup>5</sup>	-24.29%	-50.95%	-25.21%
5-Year (average annual)	1.93%	6.73%	-0.65%	Drawdown — # of months <sup>6</sup>	17	16	14
10-Year (average annual)	3.47%	10.53%	0.23%				
Annualized Since Inception	2.45%	6.86%	-0.44%				

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year <sup>2</sup>
2020	-0.56%	-0.87%	-9.23%										-10.52%
2019	0.42%	0.48%	5.31%	-3.34%	2.25%	0.40%	-0.19%	0.92%	-0.94%	-0.67%	0.30%	0.99%	5.90%
2018	0.72%	-0.07%	3.01%	-1.32%	0.33%	-0.09%	1.26%	2.93%	-0.06%	0.24%	-0.98%	-0.03%	6.02%
2017	0.14%	0.03%	1.98%	0.46%	0.59%	-0.44%	0.87%	0.57%	-0.40%	0.01%	0.52%	0.20%	4.63%
2016	-2.09%	-2.65%	-1.24%	-0.24%	-0.14%	-0.11%	1.64%	1.22%	0.49%	0.04%	-0.08%	0.18%	-3.03%
2015	0.14%	1.72%	-0.04%	0.54%	1.32%	-0.15%	1.75%	-1.08%	-1.39%	-1.27%	-0.05%	0.18%	1.62%
2014	0.59%	1.44%	-0.52%	-1.20%	1.30%	1.93%	0.19%	1.40%	0.38%	0.58%	0.67%	-0.79%	6.10%
2013	1.10%	0.03%	0.47%	-0.29%	0.59%	-0.43%	0.90%	-0.41%	1.67%	1.73%	1.40%	2.71%	9.84%
2012	2.01%	0.94%	-0.13%	0.13%	-0.52%	0.07%	0.56%	0.80%	0.70%	0.02%	0.14%	1.00%	5.85%
2011	0.48%	1.16%	0.69%	0.81%	-0.14%	-0.65%	0.23%	-2.24%	-3.21%	1.07%	-0.91%	-0.51%	-3.26%
2010	-0.23%	0.13%	1.79%	1.01%	-2.56%	-1.06%	0.42%	-0.05%	2.34%	1.35%	0.33%	2.36%	5.88%
2009	0.24%	-0.36%	-0.43%	0.54%	3.74%	0.85%	2.26%	1.27%	2.46%	0.18%	0.92%	1.02%	13.37%
2008	-2.87%	1.87%	-2.83%	1.59%	2.09%	-0.44%	-2.82%	-1.50%	-8.26%	-7.51%	-4.24%	-0.91%	-23.48%
2007	0.71%	1.62%	1.87%	2.03%	0.80%	-0.04%	-1.95%	2.01%	2.72%	-1.76%	0.96%	9.23%	

Returns	Fund	S&P 500 <sup>3</sup>	HFRXGL <sup>3</sup>	Historical Data (since inception)	Fund	S&P 500 <sup>3</sup>	HFRXGL <sup>3</sup>
Year-to-date	-10.52%	-19.60%	-6.85%	Cumulative Return	33.43%	137.44%	-7.03%
1-Year	-10.40%	-6.98%	-1.39%	Standard Deviation <sup>4</sup>	5.48%	15.15%	5.72%
3-Year (average annual)	3.68%	5.10%	-0.54%	Largest Drawdown <sup>5</sup>	-24.53%	-50.95%	-25.21%
5-Year (average annual)	1.82%	6.73%	-0.65%	Drawdown — # of months <sup>6</sup>	17	16	14
10-Year (average annual)	3.31%	10.53%	0.23%				
Annualized Since Inception	2.21%	6.79%	-0.55%				

**1** Performance results and calculations after the Funds' most recent fiscal year are unaudited. The principal value of the Funds will fluctuate so that an investor's units, when redeemed, may be worth more or less than the original cost. Returns are net of all expenses of the Funds, including the management fee and incentive allocations, and reflect reinvestment of all distributions, if applicable. Returns do not reflect payment of the 2% redemption fee or up-front placement fees, which would reduce returns shown above. Past performance does not guarantee future results and current performance may be lower or higher than the figures shown. The net expense ratio and total expense ratio for the Hatteras Core Alternatives Institutional Fund, L.P. are 2.24% and 5.55%, respectively. The net expense ratio and total expense ratio for the Hatteras Core Alternatives TEI Institutional Fund, L.P. are 2.43% and 5.74%, respectively.

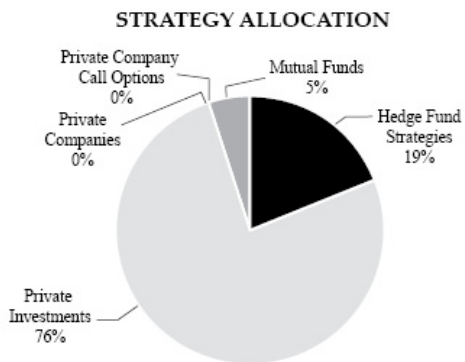
**The total expense ratio for both funds includes Acquired Fund Fees and Expenses of 3.31%. Please see the current Prospectus for detailed information regarding the expenses of the Funds.**

2. Cumulative return. Returns are net of all expenses of the Funds, including the management fee and incentive allocations, and reflect reinvestment of all distributions, if applicable. Returns do not reflect payment of placement fees, if applicable, which would reduce returns noted above.
3. S&P 500 Index and HFRX Global Hedge Fund Index (HFRXGL) data are sourced from Bloomberg. The indices are unmanaged portfolios of securities. Their performance results do not reflect the deduction of management fees, incentive compensation, commissions or other expenses. An investor cannot invest directly in an index. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index, with each stock's weight in the Index proportionate to its market value. HFRXGL is designed to be representative of the overall composition of the hedge fund universe. It is comprised of eight strategies: convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.
4. Measurement of the investment's volatility.
5. The peak to trough decline of an investment.
6. Number of months of a peak to trough decline of an investment.

**PERFORMANCE SUMMARY (UNAUDITED)**

**ALLOCATION AS A PERCENTAGE OF TOTAL INVESTMENTS**

Strategies	Target Allocation	Allocation Actual	# of Funds
Hedge Fund Strategies	50%	19%	23
Private Investments	50%	76%	113
Private Companies	0%	0%	1
Private Company Call Options	0%	0%	1
Mutual Funds	0%	5%	1
Total	100%	100%	139



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**TOP 10 HOLDINGS (UNAUDITED)**

	Capital Balance March 31, 2020	Percent of Partners' Capital
Sweetwater Secondaries Fund II LP	\$ 21,536,120	7.20%
Orchid Asia IV, L.P.	18,537,380	6.19%
The Founders Fund III, L.P.	17,098,080	5.71%
Goldman Sachs Absolute Return Tracker Fund - Institutional Class	14,703,072	4.91%
ECP IHS (Mauritius) Limited	11,936,737	3.99%
The Founders Fund IV, L.P.	9,811,082	3.28%
Third Point Partners Qualified, L.P.	9,700,940	3.24%
HBK Multi-Strategy Fund, L.P.	9,657,224	3.23%
BDCM Partners I, L.P.	9,565,544	3.20%
Senator Global Opportunity Fund	8,083,827	2.70%

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

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**DEFINITIONS (UNAUDITED)**

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

**HFRX Global Hedge Fund Index:** Index data, sourced from Hedge Funds Research, Inc., is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. You cannot invest directly in an index. Benchmark performance should not be considered reflective of performance of the Funds.

**HFRX Equity Hedge Index:** Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50%, or almost all, invested in equities, long and short. You cannot invest directly in an index. Benchmark performance should not be considered reflective of performance of the Funds.

**S&P 500 Total Return Index:** The Index consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index, with each stock's weight in the Index proportionate to its market value. You cannot invest directly in an index. Benchmark performance should not be considered reflective of performance of the Funds.

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## STRATEGY DEFINITIONS (UNAUDITED)

**Private Investments:** Investing in equity-oriented securities through a privately negotiated process. The majority of private investment transactions involve companies that are not publicly traded. Private investments are used by companies that have achieved various stages of development. Most investors access this strategy by investing in private equity funds or private equity funds of funds.

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

**Long/Short Equity:** Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.

**Event-Driven:** Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

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

**Relative Value:** Investment Managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.

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## SAFE HARBOR AND FORWARD-LOOKING STATEMENTS DISCLOSURE (UNAUDITED)

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

***Please carefully consider the investment objectives, risks, and charges and expenses of the Funds before investing. Please read the Prospectus carefully before investing as it contains important information on the investment objectives, composition, fees, charges and expenses, risks, suitability, and tax obligations of investing in the Funds. Copies of the Prospectus and performance data current to the most recent month-end may be obtained online at [hatterasfunds.com](http://hatterasfunds.com) or by contacting Hatteras at 866.388.6292. Past performance does not guarantee future results.***

*The Hatteras Core Alternatives Fund, L.P.; the Hatteras Core Alternatives TEI Fund, L.P.; the Hatteras Core Alternatives Institutional Fund, L.P.; and the Hatteras Core Alternatives TEI Institutional Fund, L.P. (collectively referred to herein as the “Hatteras Core Alternatives Fund” or the “Fund”) are Delaware limited partnerships that are registered under the Investment Company Act of 1940 (the “1940 Act”), as amended, as non-diversified, closed-end management investment companies whose units are registered under the Securities Act of 1933, as amended. The Hatteras Core Alternatives Fund is a fund of alternative investments. As such, the Fund invests in private hedge funds and private equity investments. Hedge funds are speculative investments and are not suitable for all investors, nor do they represent a complete investment program. A hedge fund can be described generally as a private and unregistered investment pool that accepts investors’ money and employs hedging and arbitrage techniques using long and short positions, leverage and derivatives, and investments in many markets.*

**Key Risk Factors:** *The Fund, through an investment in the Master Fund, will invest substantially all of its assets in underlying funds that are generally not registered as investment companies under the 1940 Act and, therefore, the Fund will not have the benefit of various protections provided under the 1940 Act with respect to an investment in those underlying funds. The Fund can be highly volatile, carry substantial fees, and involve complex tax structures. Investments in the Fund involve a high degree of risk, including loss of entire capital. The underlying funds may engage in speculative investment strategies and practices, such as the use of leverage, short sales, and derivatives transactions, which can increase the risk of investment loss. The Fund provides limited liquidity, and units in the Fund are not transferable. Liquidity will be provided only through repurchase offers made by the Fund from time to time, generally on a quarterly basis upon prior written notice. The success of the Fund is highly dependent on the financial and managerial expertise of its principals and key personnel of the Fund’s investment manager. Although the investment manager for the Fund expects to receive detailed information from each underlying fund on a regular basis regarding its valuation, investment performance, and strategy, in most cases the investment manager has little or no means of independently verifying this information. The underlying funds are not required to provide transparency with respect to their respective investments. By investing in the underlying funds indirectly through the Fund, investors will be subject to a dual layer of fees, both at the Fund and underlying fund levels. Certain underlying funds will not provide final Schedule K-1s for any fiscal year before April 15th of the following year. Those funds, however, will endeavor to provide estimates of taxable income or losses with respect to their investments. Please see the Prospectus for a detailed discussion of the specific risks disclosed here and other important risks and considerations.*

Securities offered through Hatteras Capital Distributors, LLC, member FINRA/SIPC. Hatteras Capital Distributors, LLC is affiliated with Hatteras Funds, LP, doing business as Hatteras Investments Partners, by virtue of common control/ownership.



**HATTERAS CORE ALTERNATIVES FUND**

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

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

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

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

**Financial Statements**

As of and for the year ended March 31, 2020

**HATTERAS CORE ALTERNATIVES FUND**  
*As of and for the year ended March 31, 2020*

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

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**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**STATEMENTS OF ASSETS, LIABILITIES AND PARTNERS' CAPITAL**  
*March 31, 2020*

	Hatteras Core Alternatives Fund, L.P.	Hatteras Core Alternatives TEI Fund, L.P.*	Hatteras Core Alternatives Institutional Fund, L.P.	Hatteras Core Alternatives TEI Institutional Fund, L.P.*
<b>Assets</b>				
Investment in Hatteras Master Fund, L.P., at fair value	\$ 45,761,664	\$ 58,110,592	\$ 53,046,919	\$ 142,398,491
Cash and cash equivalents	200,000	205,000	200,000	205,000
Receivable for withdrawals from Hatteras Master Fund, L.P.	3,808,663	5,094,545	3,478,805	9,853,277
Other receivables	286	29,125	140	134
Prepaid assets	15,867	20,508	17,892	48,638
<b>Total assets</b>	<b>\$ 49,786,480</b>	<b>\$ 63,459,770</b>	<b>\$ 56,743,756</b>	<b>\$ 152,505,540</b>
<b>Liabilities and partners' capital</b>				
Withdrawals payable	\$ 3,808,663	\$ 5,094,545	\$ 3,478,805	\$ 9,853,277
Servicing fees payable	28,788	36,701	32,854	88,320
Professional fees payable	51,600	31,900	49,100	32,300
Printing fees payable	4,645	4,782	4,782	4,781
Accounting, administration and transfer agency fees payable	18,382	27,770	17,329	35,376
Custodian fees payable	817	1,664	812	1,668
Withholding tax payable	—	—	—	69,665
Other payables	91	88	—	—
<b>Total liabilities</b>	<b>3,912,986</b>	<b>5,197,450</b>	<b>3,583,682</b>	<b>10,085,387</b>
<b>Partners' capital</b>	<b>45,873,494</b>	<b>58,262,320</b>	<b>53,160,074</b>	<b>142,420,153</b>
<b>Total liabilities and partners' capital</b>	<b>\$ 49,786,480</b>	<b>\$ 63,459,770</b>	<b>\$ 56,743,756</b>	<b>\$ 152,505,540</b>
<b>Components of partners' capital</b>				
Paid-in capital	\$ 21,412,642	\$ 32,389,175	\$ 22,934,454	\$ 36,297,220
Total distributable earnings	24,460,852	25,873,145	30,225,620	106,122,933
<b>Partners' capital</b>	<b>\$ 45,873,494</b>	<b>\$ 58,262,320</b>	<b>\$ 53,160,074</b>	<b>\$ 142,420,153</b>
Net asset value per unit	\$ 110.47	\$ 108.57	\$ 116.39	\$ 114.47
Maximum offering price per unit**	\$ 112.72	\$ 110.79	\$ 116.39	\$ 114.47
Number of authorized units	7,500,000.00	7,500,000.00	7,500,000.00	7,500,000.00
Number of outstanding units	415,269.62	536,628.64	456,745.02	1,244,215.26

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

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

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**STATEMENTS OF OPERATIONS**  
For the year ended March 31, 2020

	Hatteras Core Alternatives Fund, L.P.	Hatteras Core Alternatives TEI Fund, L.P.*	Hatteras Core Alternatives Institutional Fund, L.P.	Hatteras Core Alternatives TEI Institutional Fund, L.P.*
<b>Net investment income/(loss) allocated from Hatteras Master Fund, L.P.</b>				
Investment income	\$ 576,048	\$ 742,516	\$ 656,046	\$ 1,771,756
Operating expenses	(888,157)	(1,141,464)	(1,012,082)	(2,730,337)
<b>Net investment income/(loss) allocated from Hatteras Master Fund, L.P.</b>	<b>(312,109)</b>	<b>(398,948)</b>	<b>(356,036)</b>	<b>(958,581)</b>
<b>Feeder Fund investment income</b>				
Interest	3,329	3,392	3,314	3,146
<b>Total Feeder Fund investment income</b>	<b>3,329</b>	<b>3,392</b>	<b>3,314</b>	<b>3,146</b>
<b>Feeder Fund expenses</b>				
Servicing fee	385,767	498,860	439,592	1,184,241
Accounting, administration and transfer agency fees	77,882	112,888	84,456	153,092
Insurance fees	37,668	48,684	42,273	114,278
Professional fees	57,215	19,099	77,291	44,534
Printing fees	8,811	9,084	8,936	8,936
Custodian fees	5,649	7,480	5,645	7,498
Withholding tax	—	323,083	—	836,222
Other expenses	21,580	4,043	17,846	3,994
<b>Total Feeder Fund expenses</b>	<b>594,572</b>	<b>1,023,221</b>	<b>676,039</b>	<b>2,352,795</b>
<b>Net investment income/(loss)</b>	<b>(903,352)</b>	<b>(1,418,777)</b>	<b>(1,028,761)</b>	<b>(3,308,230)</b>
<b>Net realized gain/(loss) and change in unrealized appreciation/depreciation on investments allocated from Hatteras Master Fund, L.P.</b>				
Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions	4,967,423	6,413,637	5,655,788	15,284,392
<b>Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations</b>	<b>(9,615,439)</b>	<b>(12,324,201)</b>	<b>(11,020,430)</b>	<b>(29,707,044)</b>
<b>Net realized gain/(loss) and change in unrealized appreciation/depreciation on investments allocated from Hatteras Master Fund, L.P.</b>	<b>(4,648,016)</b>	<b>(5,910,564)</b>	<b>(5,364,642)</b>	<b>(14,422,652)</b>
<b>Net increase/(decrease) in partners' capital resulting from operations</b>	<b>\$ (5,551,368)</b>	<b>\$ (7,329,341)</b>	<b>\$ (6,393,403)</b>	<b>\$ (17,730,882)</b>

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

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**  
*For the years ended March 31, 2019 and 2020*

	Hatteras Core Alternatives Fund, L.P. Limited Partners	Hatteras Core Alternatives TEI Fund, L.P.* Limited Partners	Hatteras Core Alternatives Institutional Fund, L.P. Limited Partners	Hatteras Core Alternatives TEI Institutional Fund, L.P.* Limited Partners
<b>Partners' Capital, at March 31, 2018**</b>	\$ 74,911,498	\$ 96,872,481	\$ 83,811,671	\$ 226,756,049
Capital contributions	—	—	—	—
Capital withdrawals	(15,812,237)	(20,360,630)	(16,544,149)	(44,980,987)
Performance allocation	(483,827)	(608,724)	(552,981)	(1,455,562)
Net investment income/(loss)	(1,074,865)	(1,559,961)	(1,153,741)	(3,543,120)
Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions	8,061,216	10,473,113	9,077,404	24,593,550
Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations	(994,356)	(1,318,157)	(1,086,210)	(2,965,258)
<b>Partners' Capital, at March 31, 2019</b>	\$ 64,607,429	\$ 83,498,122	\$ 73,551,994	\$ 198,404,672
Capital contributions	—	—	—	—
Capital withdrawals	(13,171,254)	(17,908,434)	(13,987,465)	(38,259,013)
Performance allocation	(11,313)	1,973	(11,052)	5,376
Net investment income/(loss)	\$ (903,352)	\$ (1,418,777)	\$ (1,028,761)	\$ (3,308,230)
Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions	\$ 4,967,423	\$ 6,413,637	\$ 5,655,788	\$ 15,284,392
Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations	\$ (9,615,439)	\$ (12,324,201)	\$ (11,020,430)	\$ (29,707,044)
<b>Partners' Capital, at March 31, 2020</b>	\$ 45,873,494	\$ 58,262,320	\$ 53,160,074	\$ 142,420,153

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

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

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**STATEMENTS OF CASH FLOWS**  
For the year ended March 31, 2020

	Hatteras Core Alternatives Fund, L.P.	Hatteras Core Alternatives TEI Fund, L.P.*	Hatteras Core Alternatives Institutional Fund, L.P.	Hatteras Core Alternatives TEI Institutional Fund, L.P.*
<b>Cash flows from operating activities:</b>				
Net increase/(decrease) in partners' capital resulting from operations	\$ (5,551,368)	\$ (7,329,341)	\$ (6,393,403)	\$ (17,730,882)
Adjustments to reconcile net decrease in partners' capital resulting from operations to net cash provided by operating activities:				
Purchases of interests in Hatteras Master Fund, L.P.	—	—	—	—
Proceeds, net of change in withdrawals receivable, from Hatteras Master Fund, L.P.	13,775,680	19,020,576	14,642,062	40,658,585
Net investment (income)/loss allocated from Hatteras Master Fund, L.P.	312,109	398,948	356,036	958,581
Net realized (gain)/loss from investments in Adviser Funds, securities and foreign exchange transactions allocated from Hatteras Master Fund, L.P.	(4,967,423)	(6,413,637)	(5,655,788)	(15,284,392)
Net change in unrealized (appreciation)/depreciation on investments in Adviser Funds, securities and foreign exchange translations allocated from Hatteras Master Fund, L.P.	9,615,439	12,324,201	11,020,430	29,707,044
(Increase)/Decrease in receivable for withdrawals from Hatteras Master Fund, L.P.	666,304	1,199,039	995,917	2,707,946
(Increase)/Decrease in other receivables	71	(20,150)	215	185
(Increase)/Decrease in prepaid assets	(7,103)	(17,856)	(8,098)	(21,448)
Increase/(Decrease) in servicing fees payable	(6,508)	(9,188)	(6,994)	(19,422)
Increase/(Decrease) in professional fees payable	11,458	(3,961)	32,855	20,900
Increase/(Decrease) in printing fees payable	575	712	712	712
Increase/(Decrease) in accounting, administration and transfer agency fees payable	(428)	(1,109)	10,521	11,995
Increase/(Decrease) in custodian fees payable	(26)	(3,106)	(31)	(3,088)
Increase/(Decrease) in withholding tax payable	—	(39,634)	—	(45,135)
Increase/(Decrease) in other payables	91	6	—	—
<b>Net cash provided by operating activities</b>	<b>13,848,871</b>	<b>19,105,500</b>	<b>14,994,434</b>	<b>40,961,581</b>
<b>Cash flows from financing activities:</b>				
Capital contributions	—	—	—	—
Capital withdrawals, net of change in withdrawals payable and performance allocation	(13,848,871)	(19,105,500)	(14,994,434)	(40,961,581)
<b>Net cash used in financing activities</b>	<b>(13,848,871)</b>	<b>(19,105,500)</b>	<b>(14,994,434)</b>	<b>(40,961,581)</b>
<b>Net change in cash and cash equivalents</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>200,000</b>	<b>205,000</b>	<b>200,000</b>	<b>205,000</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 200,000</b>	<b>\$ 205,000</b>	<b>\$ 200,000</b>	<b>\$ 205,000</b>
<b>Supplemental disclosure of withholding tax paid</b>	<b>\$ —</b>	<b>\$ 323,083</b>	<b>\$ —</b>	<b>\$ 836,222</b>

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

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS**  
*As of and for the year ended March 31, 2020*

**1. ORGANIZATION**

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

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

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

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

Each Feeder Fund is considered an investment company under the 1940 Act, following the accounting principles generally accepted in the United States of America (“GAAP”) and the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 946, *Financial Services — Investment Companies* (“ASC 946”). The financial statements of the Master Fund, including the schedule of investments, are included elsewhere in this report and should be read with the Feeder Funds’ financial statements. The percentages of the Master Fund’s beneficial limited partnership interests owned by the Feeder Funds at March 31, 2020 are:

Hatteras Core Alternatives Fund, L.P.	15.29%
Hatteras Core Alternatives TEI Fund, L.P.	19.41%
Hatteras Core Alternatives Institutional Fund, L.P.	17.72%
Hatteras Core Alternatives TEI Institutional Fund, L.P.	47.58%

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Investment Valuation**

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

**b. Allocations from the Master Fund**

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

**c. Feeder Fund Level Income and Expenses**

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

**d. Tax Basis Reporting**

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

**e. Income Taxes**

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

The Feeder Funds file tax returns as prescribed by the tax laws of the jurisdictions in which they operate. In the normal course of business, the Feeder Funds are subject to examination by federal, state, local and foreign jurisdictions, where applicable. For the Feeder Funds’ tax years ended December 31, 2016 through December 31, 2019, the Feeder Funds are open to examination by major tax jurisdictions under the statute of limitations.

The Feeder Funds have reviewed any potential tax positions as of March 31, 2020 and have determined that they do not have a liability for any unrecognized tax benefits or expense. The Feeder Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statements of Operations. During the year ended March 31, 2020, the Feeder Funds did not incur any interest or penalties.

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



**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**f. Cash and Cash Equivalents**

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

**g. Use of Estimates**

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

**h. Consolidated Financial Statements**

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

**3. ALLOCATION OF LIMITED PARTNERS' CAPITAL**

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

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

	Hatteras Core Alternatives Fund, L.P.	Hatteras Core Alternatives TEI Fund, L.P.	Hatteras Core Alternatives Institutional Fund, L.P.	Hatteras Core Alternatives TEI Institutional Fund, L.P.
Ending Units, March 31, 2018	660,633.90	865,176.41	702,023.36	1,922,285.40
Contributions	—	—	—	—
Withdrawals	(134,783.53)	(175,708.69)	(134,116.28)	(369,163.13)
Ending Units, March 31, 2019	525,850.37	689,467.72	567,907.08	1,553,122.27
Contributions	—	—	—	—
Withdrawals	(110,580.75)	(152,839.08)	(111,162.06)	(308,907.01)
Ending Units, March 31, 2020	415,269.62	536,628.64	456,745.02	1,244,215.26

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**4. RELATED PARTY TRANSACTIONS AND OTHER**

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

The General Partner is allocated a performance allocation payable annually equal to 10% of the amount by which net new profits of the limited partner interests of the Master Fund exceed the “hurdle amount,” which is calculated as of the last day of the preceding calendar year of the Master Fund at a rate equal to the yield-to-maturity of the 90-day U.S. Treasury Bill for the last business day of the preceding calendar year (the “Performance Allocation”). The Performance Allocation is calculated for each Feeder Fund at the Master Fund level. The Performance Allocation is made on a “peak to peak,” or “high watermark” basis, which means that the Performance Allocation is made only with respect to new net profits. If the Master Fund has a net loss in any period followed by a net profit, no Performance Allocation will be made with respect to such subsequent appreciation until such net loss has been recovered. A Performance Allocation of \$11,313, \$(1,973), \$11,052, and \$(5,376) for the year ended March 31, 2020, was allocated to the Hatteras Core Alternatives Fund, L.P., Hatteras Core Alternatives TEI Fund, L.P., Hatteras Core Alternatives Institutional Fund, L.P. and Hatteras Core Alternatives TEI Institutional Fund, L.P., respectively.

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

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

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

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

As of March 31, 2020, Limited Partners who are affiliated with the Investment Manager owned \$1,485,942 (2.80% of partners’ capital) of Hatteras Core Alternatives Institutional Fund, L.P., and \$538,252 (0.38% of partners’ capital) of Hatteras Core Alternatives TEI Institutional Fund, L.P.

**5. RISK FACTORS**

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**6. REPURCHASE OF LIMITED PARTNERS' UNITS**

The Board may, from time to time and in its sole discretion, cause the Feeder Funds to repurchase Units from Limited Partners pursuant to written tenders by Limited Partners at such times and on such terms and conditions as established by the Board. In determining whether the Feeder Funds should offer to repurchase Units, the Board will consider, among other things, the recommendation of the Investment Manager and Sub-Adviser. The Feeder Funds generally expect to offer to repurchase Units from Limited Partners on a quarterly basis as of March 31, June 30, September 30 and December 31 of each year. In no event will more than 20% of the Units of a Feeder Fund be repurchased per quarter. In addition, the Board approved two additional forced repurchases during the year ended March 31, 2020 for Limited Partners with capital balances below a specified minimum of \$25,000 and/or dissolving pension plans. The Feeder Funds do not intend to distribute to the Limited Partners any of the Feeder Funds' income, but generally expect to reinvest substantially all income and gains allocable to the Limited Partners. A Limited Partner may, therefore, be allocated taxable income and gains and not receive any cash distribution. Units repurchased prior to the Limited Partner's one year anniversary of its initial investment may be subject to a maximum 2.00% repurchase fee. There were no repurchase fees charged during the year ended March 31, 2020.

**7. INDEMNIFICATION**

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

**8. FINANCIAL HIGHLIGHTS**

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

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

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

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

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**8. FINANCIAL HIGHLIGHTS (CONTINUED)**

	Hatteras Core Alternatives Fund, L.P.	Hatteras Core Alternatives TEI Fund, L.P.	Hatteras Core Alternatives Institutional Fund, L.P.	Hatteras Core Alternatives TEI Institutional Fund, L.P.
Unit Value, March 31, 2015	\$ 109.09	\$ 108.44	\$ 113.69	\$ 112.44
Income from investment operations:				
Net investment income/(loss)	0.58	0.18	4.48	4.22
Net realized and unrealized gain/(loss) on investment transactions	(7.89)	(7.65)	(11.26)	(11.03)
<b>Total from investment operations</b>	<b>(7.31)</b>	<b>(7.47)</b>	<b>(6.78)</b>	<b>(6.81)</b>
Unit Value, March 31, 2016	101.78	100.97	106.91	105.63
Income from investment operations:				
Net investment income/(loss)	(3.96)	(4.29)	0.31	0.15
Net realized and unrealized gain/(loss) on investment transactions	8.97	9.21	5.31	5.42
<b>Total from investment operations</b>	<b>5.01</b>	<b>4.92</b>	<b>5.62</b>	<b>5.57</b>
Unit Value, March 31, 2017	106.79	105.89	112.53	111.20
Income from investment operations:				
Net investment income/(loss)	(5.97)	(6.59)	(0.54)	(0.71)
Net realized and unrealized gain/(loss) on investment transactions	12.57	12.67	7.40	7.47
<b>Total from investment operations</b>	<b>6.60</b>	<b>6.08</b>	<b>6.86</b>	<b>6.76</b>
Unit Value, March 31, 2018	113.39	111.97	119.39	117.96
Income from investment operations:				
Net investment income/(loss)	(6.80)	(7.44)	(0.45)	(0.89)
Net realized and unrealized gain/(loss) on investment transactions	16.27	16.58	10.57	10.68
<b>Total from investment operations</b>	<b>9.47</b>	<b>9.14</b>	<b>10.12</b>	<b>9.79</b>
Unit Value, March 31, 2019	122.86	121.11	129.51	127.75
Income from investment operations:				
Net investment income/(loss)	(8.93)	(10.55)	(0.74)	(1.43)
Net realized and unrealized gain/(loss) on investment transactions	(3.46)	(1.99)	(12.38)	(11.85)
<b>Total from investment operations</b>	<b>(12.39)</b>	<b>(12.54)</b>	<b>(13.12)</b>	<b>(13.28)</b>
Unit Value, March 31, 2020	110.47	108.57	116.39	114.47

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**8. FINANCIAL HIGHLIGHTS (CONTINUED)**

Hatteras Core Alternatives Fund, L.P.	For the Years Ended March 31,					
	2020	2019	2018	2017	2016	
Total return before Performance Allocation	(10.06)%	9.04%	6.20%	4.92%	(6.70)%	
Performance Allocation	(0.02)%	(0.69)%	(0.02)%	0.00%	0.00%	
Total return after Performance Allocation	(10.08)%	8.35%	6.18%	4.92%	(6.70)%	
Net investment income/(loss) <sup>1</sup>	(1.53)%	(1.53)%	(1.90)%	(1.44)%	2.24%	
Operating expenses, excluding Performance Allocation <sup>1,2,3</sup>	2.51%	2.30%	2.56%	2.42%	2.44%	
Performance Allocation <sup>1</sup>	0.02%	0.69%	0.02%	0.00%	0.00%	
Net expenses <sup>1</sup>	2.53%	2.99%	2.58%	2.42%	2.44%	
Partners' capital, end of year (000's)	\$ 45,873	\$ 64,607	\$ 74,911	\$ 90,373	\$ 108,291	
Portfolio turnover rate (Master Fund)	7.96%	9.62%	18.90%	6.49%	8.20%	

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

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

<sup>3</sup> Ratios include other operating expenses of allocated credit facility fees and interest expense from the Master Fund. For the years ended March 31, 2020 - 2016, the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.04%, 0.05%, 0.02%, 0.09%, and 0.12%, respectively. For the years ended March 31, 2020 - 2016, the ratios of operating expenses excluding allocated credit facility fees and interest expense to average partners' capital were 2.47%, 2.25%, 2.54%, 2.33%, and 2.32%, respectively.

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**8. FINANCIAL HIGHLIGHTS (CONTINUED)**

Hatteras Core Alternatives TEI Fund, L.P.	For the Years Ended March 31,					
	2020	2019	2018	2017	2016	
Total return before Performance Allocation	(10.36)%	8.83%	6.06%	4.88%	(6.89)%	
Performance Allocation	0.00%	(0.67)%	(0.32)%	0.00%	0.00%	
Total return after Performance Allocation	(10.36)%	8.16%	5.74%	4.88%	(6.89)%	
Net investment income/(loss) <sup>1</sup>	(1.87)%	(1.71)%	(2.01)%	(1.50)%	2.05%	
Operating expenses, excluding Performance Allocation <sup>1,2,3</sup>	2.85%	2.49%	2.66%	2.49%	2.63%	
Performance Allocation <sup>1</sup>	0.00%	0.67%	0.32%	0.00%	0.00%	
Net expenses <sup>1</sup>	2.85%	3.16%	2.98%	2.49%	2.63%	
Partners' capital, end of year (000's)	\$ 58,262	\$ 83,498	\$ 96,872	\$ 118,573	\$ 142,886	
Portfolio turnover rate (Master Fund)	7.96%	9.62%	18.90%	6.49%	8.20%	

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

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

<sup>3</sup> Ratios include other operating expenses of allocated credit facility fees and interest expense from the Master Fund. For the years ended March 31, 2020 - 2016, the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.04%, 0.05%, 0.02%, 0.09%, and 0.12%, respectively; and the ratios of withholding tax to average partners' capital were 0.43%, 0.19%, 0.23%, 0.16%, 0.22%, and 0.10%, respectively. For the years ended March 31, 2020 - 2016, the ratios of operating expenses excluding withholding tax, allocated credit facility fees and interest expense to average partners' capital were 2.38%, 2.25%, 2.41%, 2.24%, and 2.29%, respectively.

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**8. FINANCIAL HIGHLIGHTS (CONTINUED)**

Hatteras Core Alternatives Institutional Fund, L.P.	For the Years Ended March 31,					
	2020	2019	2018	2017	2016	
Total return before Performance Allocation	(10.11)%	9.18%	6.27%	5.26%	(5.96)%	
Performance Allocation	(0.02)%	(0.70)%	(0.17)%	0.00%	0.00% <sup>4</sup>	
Total return after Performance Allocation	(10.13)%	8.48%	6.10%	5.26%	(5.96)%	
Net investment income/(loss) <sup>1</sup>	(1.53)%	(1.46)%	(1.83)%	(1.12)%	3.02%	
Operating expenses, excluding Performance Allocation <sup>1,2,3</sup>	2.50%	2.24%	2.48%	2.10%	1.66%	
Performance Allocation <sup>1</sup>	0.02%	0.70%	0.17%	0.00%	0.00% <sup>4</sup>	
Net expenses <sup>1</sup>	2.52%	2.94%	2.65%	2.10%	1.66%	
Partners' capital, end of year (000's)	\$ 53,160	\$ 73,552	\$ 83,812	\$ 99,772	\$ 118,364	
Portfolio turnover rate (Master Fund)	7.96%	9.62%	18.90%	6.49%	8.20%	

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

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

<sup>3</sup> Ratios include other operating expenses of allocated credit facility fees and interest expense from the Master Fund. For the years ended March 31, 2020 - 2016, the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.04%, 0.05%, 0.02%, 0.09%, and 0.12%, respectively. For the years ended March 31, 2020 - 2016, the ratios of operating expenses excluding allocated credit facility fees and interest expense to average partners' capital were 2.46%, 2.19%, 2.46%, 2.01%, and 1.54%, respectively.

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**8. FINANCIAL HIGHLIGHTS (CONCLUDED)**

Hatteras Core Alternatives TEI Institutional Fund, L.P.	For the Years Ended March 31,				
	2020	2019	2018	2017	2016
Total return before Performance Allocation	(10.40)%	8.98%	6.25%	5.28%	(6.07)%
Performance Allocation	0.00%	(0.68)%	(0.17)%	0.00%	0.01% <sup>4</sup>
Total return after Performance Allocation	(10.40)%	8.30%	6.08%	5.28%	(6.06)%
Net investment income/(loss) <sup>1</sup>	(1.82)%	(1.66)%	(1.86)%	(1.11)%	2.92%
Operating expenses, excluding Performance Allocation <sup>1,2,3</sup>	2.80%	2.43%	2.51%	2.09%	1.76%
Performance Allocation <sup>1</sup>	0.00%	0.68%	0.17%	0.00%	(0.01)% <sup>4</sup>
Net expenses <sup>1</sup>	2.80%	3.11%	2.68%	2.09%	1.76%
Partners' capital, end of year (000's)	\$ 142,420	\$ 198,405	\$ 226,756	\$ 270,556	\$ 318,297
Portfolio turnover rate (Master Fund)	7.96%	9.62%	18.90%	6.49%	8.20%

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

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

<sup>3</sup> Ratios include other operating expenses of allocated credit facility fees and interest expense from the Master Fund. For the years ended March 31, 2020 - 2016, the ratios of credit facility fees and interest expense to average partners' capital allocated from the Master Fund were 0.04%, 0.05%, 0.02%, 0.09%, and 0.12%, respectively; and the ratios of withholding tax to average partners' capital were 0.46%, 0.25%, 0.22%, 0.14%, and 0.20%, respectively. For the years ended March 31, 2020 - 2016, the ratios of operating expenses excluding withholding tax, allocated credit facility fees and interest expense to average partners' capital were 2.30%, 2.13%, 2.27%, 1.86%, and 1.44%, respectively.

<sup>4</sup> Reversal of accrued Performance Allocation from April 1, 2015 to December 31, 2015.



**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)**  
*As of and for the year ended March 31, 2020*

**9. RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2018, FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. Management has elected not to early adopt the removed or modified disclosures and has elected to delay adoption of the additional disclosures under ASU 2018-13. Management will adopt the changes under ASU 2018-13 for the fiscal year ending March 31, 2021.

**10. SUBSEQUENT EVENTS**

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

The Investment Manager recommended to the Boards that a tender offer in an amount of up to approximately 5.00% of partners’ capital of each of the Feeder Funds be made for the quarter ending June 30, 2020 to those Limited Partners who elect to tender their Units prior to the expiration of the tender offer period. The Boards approved such recommendation and Limited Partners in the Feeder Funds were notified of the tender offer’s expiration date on March 26, 2020, and submitted tender requests from April 1, 2020 through the date of expiration of the tender offer that exceeded the 5.00% of partners’ capital of each of the Feeder Funds. As the Feeder Funds are oversubscribed, Management is estimating the following amounts will be tendered:

Hatteras Core Alternatives Fund, L.P.	\$	2,365,627
Hatteras Core Alternatives TEI Fund, L.P.	\$	3,000,949
Hatteras Core Alternatives Institutional Fund, L.P.	\$	2,742,292
Hatteras Core Alternatives TEI Institutional Fund, L.P.	\$	7,355,327

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**Opinion on the Financial Statements**

We have audited the accompanying statements of assets, liabilities and partners' capital of Hatteras Core Alternatives Fund, L.P. and Hatteras Core Alternatives Institutional Fund, L.P. as of March 31, 2020, and the related statements of operations and cash flows for the year then ended, the statements of changes in partners' capital for each of the two years in the period then ended, including the related notes, and the financial highlights (as presented in Note 8 to the financial statements) for each of the four years in the period then ended.

We have also audited the consolidated statements of assets, liabilities, and partners' capital of Hatteras Core Alternatives TEI Fund, L.P. and Hatteras Core Alternatives TEI Institutional Fund, L.P. (collectively with Hatteras Core Alternatives Fund, L.P. and Hatteras Core Alternatives Institutional Fund, L.P., the "Feeder Funds") as of March 31, 2020, and the related consolidated statements of operations and cash flows for the year then ended, the statements of changes in partners' capital for each of the two years in the period then ended, including the related notes, and the financial highlights (as presented in Note 8 to the financial statements) for each of the four years in the period then ended (collectively with Hatteras Core Alternatives Fund, L.P. and Hatteras Core Alternatives Institutional Fund, L.P. referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Feeder Funds as of March 31, 2020, the results of their operations and their cash flows for the year then ended, the changes in their partners' capital for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

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

**Basis for Opinion**

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2020, by correspondence with the custodian or by other auditing procedures as appropriate in the circumstances. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

/s/ Cohen & Company, Ltd.  
COHEN & COMPANY, LTD.  
Cleveland, Ohio  
June 1, 2020

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**BOARD OF DIRECTORS**  
(Unaudited)

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

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

<sup>1</sup> The “Fund Complex” consists of, as of March 31, 2020, the Feeder Funds, the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

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

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**FUND MANAGEMENT**  
(Unaudited)

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

Name & Date of Birth	Position(s) Held with the Feeder Funds	Length of Time Served	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Officer	Number of Portfolios in Fund Complex <sup>1</sup> Overseen by Officer
<b>OFFICERS</b>				
Andrew P. Chica September, 1975	Chief Compliance Officer	Since 2008	Compliance Director, Cipperran Compliance Services (from 2019 to present); Chief Compliance Officer, Hatteras Investment Partners (from 2014 to 2019); Chief Compliance Officer, Hatteras Investment Partners and Hatteras Capital Investment Management (from 2007 to 2014), Chief Compliance Officer, Hatteras Alternative Mutual Funds, LLC (from 2009 to 2014).	N/A
Allison Zollicoffer <sup>2</sup> March, 1956	Treasurer	Since 2019	Chief Financial Officer, Hatteras Funds, LP (2018 to present); self-employed as Fractional CFO/Financial Consultant with companies in wholesale distribution, real estate, specialty apparel and light manufacturing (since 2012).	N/A
Brittney L. Chick-Reny <sup>3</sup> February, 1993	Secretary	Since 2019	Director of Operations, Hatteras Investment Partners (2019 to present); Operations Associate (2019).	N/A

<sup>1</sup> The "Fund Complex" consists of, as of March 31, 2020, the Feeder Funds, the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

<sup>2</sup> Allison Zollicoffer was appointed Treasurer effective May 1, 2019.

<sup>3</sup> Brittney L. Chick-Reny was appointed Secretary effective December 4, 2019.

**HATTERAS CORE ALTERNATIVES FUND**  
(EACH A DELAWARE LIMITED PARTNERSHIP)

**OTHER INFORMATION**  
*(Unaudited)*

**PROXY VOTING**

For free information regarding how the Master Fund voted proxies during the period ended June 30, 2019 or to obtain a free copy of the Master Fund's complete proxy voting policies and procedures, call 1-800-504-9070 or visit the SEC's website at <http://www.sec.gov>.

**AVAILABILITY OF QUARTERLY PORTFOLIO SCHEDULES**

The Feeder Funds file their complete schedule of portfolio holdings, which includes securities held by the Master Fund, with the SEC for the first and third quarters of each fiscal year on Form N-Q (or as an exhibit to its reports on Form N-Q's successor, Form N-PORT). The Feeder Funds' Form N-Q is available, without charge and upon request, on the SEC's website at <http://www.sec.gov>.

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**Financial Statements**

As of and for the year ended March 31, 2020

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

*As of and for the year ended March 31, 2020*

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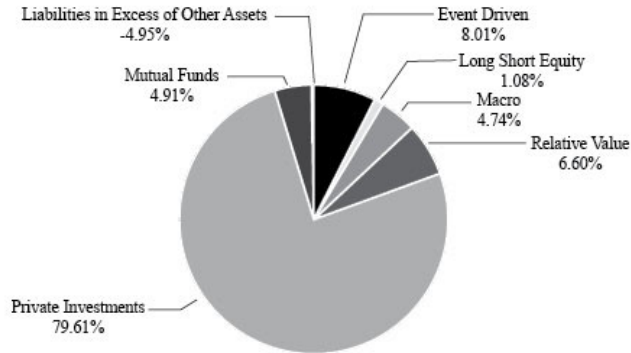
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Other Information (Unaudited)	23-25

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**SCHEDULE OF INVESTMENTS**  
March 31, 2020

**INVESTMENT OBJECTIVE AS A PERCENTAGE OF TOTAL PARTNERS' CAPITAL**

Percentages are as follows:



**Investments in Adviser Funds — (100.04%)**

	Cost	Fair Value
<b>Event Driven — (8.01%)</b>		
Eton Park Fund, L.P. (Acquired 5/1/2008) <sup>(a)(b)(c)</sup>	\$ 48,472	\$ 7,708
Harbinger Capital Partners Fund I, L.P. (Acquired 10/1/2007) <sup>(a)(b)(c)(d)</sup>	11,188,445	381,069
Harbinger Credit Distressed Blue Line Fund, L.P. (Acquired 4/1/2010) <sup>(a)(b)(c)(e)</sup>	12,326,927	913,234
King Street Capital, L.P. (Acquired 12/1/2017) <sup>(a)(b)(c)(e)</sup>	5,486,234	4,801,173
Perry Partners, L.P. (Acquired 10/1/2007) <sup>(a)(b)(c)</sup>	3,859	6,995
Sculptor Asia Domestic Partners, L.P. (Acquired 1/1/2006) <sup>(a)(b)(c)(d)</sup>	207,558	64,725
Senator Global Opportunity Fund (Acquired 2/1/2010) <sup>(a)(b)(c)(e)</sup>	8,000,000	8,083,827
Third Point Partners Qualified, L.P. (Acquired 8/1/2017) <sup>(a)(b)(c)(e)</sup>	10,611,091	9,700,940
<b>Total Event Driven</b>	<b>47,872,586</b>	<b>23,959,671</b>
<b>Long Short Equity — (1.08%)</b>		
Camcap Resources, L.P. (Acquired 6/1/2007) <sup>(a)(b)(c)</sup>	487,559	16,820
PIPE Equity Partners (Acquired 10/1/2004) <sup>(a)(b)(c)</sup>	3,845,244	120,691
PIPE Select Fund, LLC (Acquired 10/1/2004) <sup>(a)(b)(c)</sup>	3,218,604	2,261,784
The Raptor Private Holdings, L.P. (Acquired 11/1/2005) <sup>(a)(b)(c)</sup>	155,648	43,776
Valiant Capital Partners, L.P. (Acquired 9/1/2008) <sup>(a)(b)(c)(e)</sup>	368,192	790,339
<b>Total Long Short Equity</b>	<b>8,075,247</b>	<b>3,233,410</b>
<b>Macro — (4.74%)</b>		
Aspect US Fund LLC - Diversified Class (Acquired 10/10/2017) <sup>(a)(b)(e)</sup>	5,939,110	6,482,490
Graham Absolute Return Trading Ltd. Series D (Acquired 12/1/2017) <sup>(a)(b)(e)</sup>	8,679,089	7,501,987
Touradji Private Equity Onshore Fund, LTD.(Acquired 3/1/2009) <sup>(a)(b)(c)(d)</sup>	1,773,871	197,959
<b>Total Macro</b>	<b>16,392,070</b>	<b>14,182,436</b>

See notes to financial statements.



**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**SCHEDULE OF INVESTMENTS (CONTINUED)**  
March 31, 2020

<b>Relative Value — (6.60%)</b>	Cost	Fair Value
BDCM Partners I, L.P. (Acquired 2/1/2012) <sup>(a)(b)(c)</sup>	\$ 6,500,247	\$ 9,565,544
D.E. Shaw Composite Fund, LLC (Acquired 4/1/2006) <sup>(a)(b)(c)</sup>	156,351	225,478
Drawbridge Special Opportunities Fund, L.P. (Acquired 4/1/2006) <sup>(a)(b)(c)</sup>	172,653	224,040
HBK Multi-Strategy Fund, L.P. (Acquired 7/1/2017) <sup>(a)(b)(c)(e)</sup>	9,834,932	9,657,224
Prospect Harbor Credit Partners, L.P. (Acquired 4/1/2008) <sup>(a)(b)(c)</sup>	13,705	49,478
Stark Investments, L.P. (Acquired 11/1/2010) <sup>(a)(b)(c)</sup>	50,084	17,148
Stark Select Asset Fund, LLC (Acquired 2/1/2010) <sup>(a)(b)(c)</sup>	19,907	20,455
<b>Total Relative Value</b>	<b>16,747,879</b>	<b>19,759,367</b>

**Private Investments — (79.61%)**

ABRY Advanced Securities Fund III, L.P. (Acquired 6/1/2014) <sup>(a)(b)(d)</sup>	3,223,742	1,939,069
ABRY Advanced Securities Fund, L.P. (Acquired 8/1/2008) <sup>(a)(b)(d)</sup>	256,690	118,380
ABRY Partners VI, L.P. (Acquired 3/3/2008) <sup>(a)(b)</sup>	1,447,267	163,679
ABRY Partners VII, L.P. (Acquired 11/8/2011) <sup>(a)(b)</sup>	1,816,101	1,047,408
ABRY Partners VIII, L.P. (Acquired 5/1/2015) <sup>(b)(d)</sup>	2,180,441	2,353,088
Accel-KKR Capital Partners III, L.P. (Acquired 9/30/2008) <sup>(a)(b)</sup>	—	30,231
Accel-KKR Capital Partners IV, L.P. (Acquired 7/1/2013) <sup>(b)</sup>	1,687,042	2,693,227
Angeles Equity Partners I, L.P. (Acquired 1/11/2016) <sup>(b)</sup>	953,982	804,651
Arclight Energy Partners Fund V, L.P. (Acquired 7/1/2006) <sup>(a)(b)</sup>	2,904,135	1,754,046
Ascendent Capital Partners I, L.P. (Acquired 7/1/2012) <sup>(b)(d)</sup>	1,385,007	1,822,743
BDCM Opportunity Fund II, L.P. (Acquired 3/1/2006) <sup>(b)</sup>	2,022,505	4,451,584
Benson Elliot Real Estate Partners II, L.P. (Acquired 6/1/2006) <sup>(a)(b)(g)</sup>	3,448,324	824,878
Cadent Energy Partners II, L.P. (Acquired 2/1/2008) <sup>(b)</sup>	4,797,649	3,293,029
Canaan Natural Gas Fund X, L.P. (Acquired 8/7/2008) <sup>(a)(b)</sup>	6,152,301	532,270
CDH Fund IV, L.P. (Acquired 7/13/2010) <sup>(b)(d)</sup>	1,035,991	1,954,975
China Special Opportunities Fund III, L.P. (Acquired 1/18/2011) <sup>(b)(d)</sup>	4,408,613	6,999,020
Claremont Creek Ventures II, L.P. (Acquired 11/22/2008) <sup>(a)(b)</sup>	2,946,392	1,483,316
Claremont Creek Ventures, L.P. (Acquired 12/1/2005) <sup>(a)(b)</sup>	1,476,005	9,938
Colony Investors VII, L.P. (Acquired 3/1/2006) <sup>(a)(b)</sup>	2,221,355	30,700
Colony Investors VIII, L.P. (Acquired 10/12/2006) <sup>(b)</sup>	6,143,940	160,000
Crosslink Crossover Fund V, L.P. (Acquired 3/1/2007) <sup>(a)(b)</sup>	234,054	345,517
Crosslink Crossover Fund VI, L.P. (Acquired 5/31/2011) <sup>(a)(b)</sup>	2,394,472	4,748,155
CX Partners Fund LTD. (Acquired 4/1/2009) <sup>(b)(d)</sup>	2,447,681	2,069,749
Dace Ventures I, L.P. (Acquired 6/1/2007) <sup>(a)(b)</sup>	2,271,989	920,750
Darwin Private Equity I, L.P. (Acquired 8/1/2007) <sup>(b)(g)</sup>	4,664,569	436,104
ECP IHS (Mauritius) Limited (Acquired 9/1/2014) <sup>(a)(b)(f)</sup>	7,413,981	11,936,737
EMG AE Permian Co-Investment, L.P. (Acquired 7/1/2014) <sup>(a)(b)</sup>	3,000,000	—
EMG Ascent 2016, L.P. (Acquired 12/28/2015) <sup>(a)(b)</sup>	4,203,815	5,192,496
EMG Ascent Secondary Fund, L.P. (Acquired 9/7/2017) <sup>(a)(b)</sup>	116,829	174,321
EMG Investment, LLC (Acquired 12/21/2010) <sup>(b)</sup>	—	127,595
EnerVest Energy Institutional Fund X-A, L.P. (Acquired 6/1/2005) <sup>(a)(b)</sup>	2,155,939	5,466

See notes to financial statements.

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**SCHEDULE OF INVESTMENTS (CONTINUED)**  
March 31, 2020

<b>Private Investments — (79.61%) (continued)</b>	Cost	Fair Value
EnerVest Energy Institutional Fund XI-A, L.P. (Acquired 4/1/2007) <sup>(a)(b)</sup>	\$ 6,143,719	\$ 65,980
Fairhaven Capital Partners, L.P. (Acquired 3/1/2008) <sup>(a)(b)</sup>	4,521,533	2,212,179
Florida Real Estate Value Fund, L.P. (Acquired 11/12/2010) <sup>(b)</sup>	—	407,282
Forum European Realty Income III, L.P. (Acquired 2/1/2008) <sup>(b)(d)</sup>	2,126,354	293,453
Garrison Opportunity Fund, LLC (Acquired 1/12/2010) <sup>(a)(b)</sup>	—	262,262
Garrison Opportunity Fund II A, LLC (Acquired 3/8/2011) <sup>(a)(b)</sup>	—	1,131,714
Gavea Investment Fund II, L.P. (Acquired 5/1/2007) <sup>(a)(b)(d)</sup>	7,831	18,053
Gavea Investment Fund III, L.P. (Acquired 9/18/2008) <sup>(a)(b)(d)</sup>	—	118,277
Glade Brook Private Investors II L.P. (Acquired 1/27/2014) <sup>(a)(b)</sup>	4,302,378	398,688
Glade Brook Private Investors III LLC (Acquired 11/1/2014) <sup>(a)(b)</sup>	3,162,845	2,619,598
Glade Brook Private Opportunities Fund, LLC (Acquired 5/1/2015) <sup>(a)(b)</sup>	1,547,831	1,407,992
Great Point Partners I, L.P. (Acquired 4/1/2006) <sup>(a)(b)</sup>	1,022,288	237,376
Greenfield Acquisition Partners V, L.P. (Acquired 4/1/2008) <sup>(b)</sup>	2,331,807	74,847
GTIS Brazil Real Estate Fund, L.P. (Acquired 7/25/2008) <sup>(b)</sup>	6,529,779	4,537,363
Halifax Capital Partners III, L.P. (Acquired 8/1/2012) <sup>(b)</sup>	3,244,681	1,945,181
Hancock Park Capital III, L.P. (Acquired 3/1/2006) <sup>(a)(b)</sup>	808,899	185,197
Intervale Capital Fund, L.P. (Acquired 2/1/2008) <sup>(a)(b)</sup>	2,410,258	2,733,547
J.C. Flowers II, L.P. (Acquired 12/23/2015) <sup>(b)(d)</sup>	—	44,185
J.C. Flowers III, L.P. (Acquired 10/1/2009) <sup>(b)(d)</sup>	4,061,008	1,610,551
L C Fund V, L.P. (Acquired 7/1/2011) <sup>(b)(d)</sup>	2,936,179	4,351,449
Light Street Argon, L.P. (Acquired 5/1/2014) <sup>(a)(b)</sup>	757,340	1,457,580
Light Street SPVH, L.P. (Acquired 8/25/2015) <sup>(a)(b)</sup>	2,000,000	2,634,827
Lighthouse Capital Partners VI, L.P. (Acquired 2/1/2007) <sup>(a)(b)</sup>	219,968	121,590
Lyfe Capital Fund, L.P. (Acquired 11/6/2015) <sup>(b)(d)</sup>	2,495,481	4,934,121
Merit Energy Partners F-II, L.P. (Acquired 3/1/2006) <sup>(a)(b)</sup>	1,099,281	147,706
Mid Europa Fund III, L.P. (Acquired 10/1/2007) <sup>(b)(h)</sup>	3,410,315	138,705
Monomoy Capital Partners III, L.P. (Acquired 5/6/2011) <sup>(b)</sup>	1,792,880	1,578,900
Natural Gas Partners IX, L.P. (Acquired 12/1/2005) <sup>(b)</sup>	564,297	210,266
New Horizon Capital III, L.P. (Acquired 1/1/2009) <sup>(b)(d)</sup>	1,236,727	2,309,543
NGP Energy Technology Partners II, L.P. (Acquired 1/23/2009) <sup>(b)</sup>	3,487,801	1,377,425
NGP Midstream & Resources Follow-On Fund, L.P. (Acquired 10/7/2007) <sup>(b)</sup>	649,307	896,949
NGP Midstream & Resources, L.P. (Acquired 10/7/2007) <sup>(b)</sup>	2,589,594	362,556
Northstar Equity Partners III Limited (Acquired 6/1/2011) <sup>(b)(d)</sup>	3,309,733	2,395,002
OCM Mezzanine Fund II, L.P. (Acquired 3/1/2006) <sup>(b)</sup>	382,661	5,485
Octave Japan Infrastructure Fund I (Acquired 7/1/2014) <sup>(a)(b)(i)</sup>	1,304,398	1,234,056
ORBIS Real Estate Fund I, L.P. (Acquired 11/1/2006) <sup>(a)(b)(f)</sup>	2,288,670	465,403
Orchid Asia IV, L.P. (Acquired 8/1/2007) <sup>(b)(d)</sup>	2,767,070	18,537,380
Parmenter Realty Fund IV, L.P. (Acquired 5/19/2011) <sup>(b)</sup>	765,963	789
Patron Capital III, L.P. (Acquired 3/1/2007) <sup>(b)(g)</sup>	3,718,296	319,975
Phoenix Asia Real Estate Investments L.P. (Acquired 9/24/2007) <sup>(a)(b)(d)</sup>	2,235,211	2,179,764

See notes to financial statements.

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**SCHEDULE OF INVESTMENTS (CONTINUED)**  
March 31, 2020

<b>Private Investments — (79.61%) (continued)</b>	Cost	Fair Value
Pine Brook Capital Partners, L.P. (Acquired 2/1/2008) <sup>(b)</sup>	\$ 4,596,155	\$ 449,850
Private Equity Investment Fund IV, L.P. (Acquired 3/1/2006) <sup>(a)(b)</sup>	1,331,360	215,028
Private Equity Investment Fund V, L.P. (Acquired 4/1/2009) <sup>(a)(b)</sup>	12,442,343	7,124,751
Rockwood Capital Real Estate Partners Fund VII, L.P. (Acquired 9/1/2006) <sup>(b)</sup>	2,913,547	61,120
Roundtable Healthcare Partners III, L.P. (Acquired 10/29/2010) <sup>(a)(b)</sup>	4,665,459	6,946,749
Saints Capital VI, L.P. (Acquired 4/1/2008) <sup>(b)</sup>	5,391,845	1,371,089
Sanderling Venture Partners VI Co-Investment L.P. (Acquired 5/1/2005) <sup>(a)(b)</sup>	525,136	408,452
Sanderling Venture Partners VI, L.P. (Acquired 5/1/2005) <sup>(b)</sup>	735,999	854,181
SBC U.S. Fund II, L.P. (Acquired 8/30/2011) <sup>(a)(b)</sup>	2,728,106	1,657,960
Sentient Global Fund IV, L.P. (Acquired 6/1/2011) <sup>(a)(b)</sup>	5,527,480	1,796,111
Sentient Global Resources Fund III, L.P. (Acquired 7/21/2008) <sup>(b)(d)</sup>	11,966,779	3,290,666
Singerman Real Estate Opportunity Fund, L.P. (Acquired 5/28/2012) <sup>(b)</sup>	980,621	760,887
Sovereign Capital L.P. III (Acquired 3/22/2010) <sup>(b)(g)</sup>	—	1,203,390
Square Mile Partners III, L.P. (Acquired 7/17/2008) <sup>(a)(b)</sup>	1,791,262	45,912
Sterling Capital Partners Venture Fund II, L.P. (Acquired 8/1/2005) <sup>(a)(b)</sup>	1,375,262	132,922
Sterling Group Partners III, L.P. (Acquired 4/21/2010) <sup>(a)(b)</sup>	3,801,691	1,761,688
Strategic Value Global Opportunities Fund I-A, L.P. (Acquired 11/1/2006) <sup>(a)(b)</sup>	1,836,663	559,781
Sweetwater Secondaries Fund II LP (Acquired 6/12/2018) <sup>(a)(b)(j)</sup>	13,057,004	21,536,120
TDR Capital AS 2013 L.P. (Acquired 12/1/2013) <sup>(a)(b)(g)</sup>	6,184,080	24,953
Tenaya Capital V, L.P. (Acquired 7/1/2007) <sup>(b)</sup>	2,370,489	1,312,147
The Column Group, L.P. (Acquired 7/7/2007) <sup>(a)(b)</sup>	4,234,818	4,619,653
The Energy & Minerals Group Fund II L.P. (Acquired 6/1/2011) <sup>(b)</sup>	3,975,827	4,380,527
The Energy & Minerals Group Fund III L.P. (Acquired 10/8/2015) <sup>(b)</sup>	2,918,996	1,443,348
The Energy & Minerals Group Fund IV L.P. (Acquired 10/8/2015) <sup>(b)</sup>	1,828,936	1,783,159
The Founders Fund III, L.P. (Acquired 5/24/2010) <sup>(a)(b)</sup>	4,277,667	17,098,080
The Founders Fund IV, L.P. (Acquired 1/1/2012) <sup>(a)(b)</sup>	1,811,920	9,811,082
The Founders Fund VI, L.P. (Acquired 9/1/2017) <sup>(a)(b)</sup>	960,000	1,257,860
Tiger Global Private Investments Partners X, L.P. (Acquired 12/31/2016) <sup>(b)(d)</sup>	2,005,944	3,207,984
Tiger Global Private Investments Partners VI, L.P. (Acquired 11/8/2010) <sup>(b)(d)</sup>	2,216,261	3,179,746
Tiger Global Private Investments Partners VII, L.P. (Acquired 2/24/2012) <sup>(b)(d)</sup>	1,577,719	2,243,961
TPF II, L.P. (Acquired 10/1/2008) <sup>(a)(b)</sup>	1,814,310	201,000
Trivest Fund IV, L.P. (Acquired 11/1/2007) <sup>(a)(b)</sup>	900,258	144,128
Trivest Fund V, L.P. (Acquired 5/24/2013) <sup>(b)</sup>	2,194,786	2,839,280
Trivest Growth Investment Fund (Acquired 1/17/2017) <sup>(b)</sup>	1,501,543	2,047,129
Urban Oil and Gas Partners A-1, L.P. (Acquired 4/29/2010) <sup>(a)(b)</sup>	6,874,263	1,400,000
Urban Oil and Gas Partners B-1, L.P. (Acquired 12/1/2012) <sup>(b)</sup>	2,454,487	1,900,000
VCFA Private Equity Partners IV, L.P. (Acquired 3/1/2005) <sup>(b)</sup>	1,055,398	126,290
VCFA Venture Partners V, L.P. (Acquired 9/1/2006) <sup>(b)</sup>	2,798,624	1,091,369

See notes to financial statements.

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**SCHEDULE OF INVESTMENTS (CONCLUDED)**  
March 31, 2020

<b>Private Investments — (79.61%) (continued)</b>	Shares	Cost	Fair Value
Voyager Capital Fund III, L.P. (Acquired 5/1/2007) <sup>(a)(b)</sup>		\$ 1,731,182	\$ 1,200,765
WCP Real Estate Fund I, L.P. (Acquired 4/1/2007) <sup>(a)(b)</sup>		742,933	82,500
Westview Capital Partners II, L.P. (Acquired 8/21/2009) <sup>(a)(b)</sup>		1,828,780	1,483,323
Zero2IPO China Fund II, L.P. (Acquired 8/8/2008) <sup>(a)(b)(d)</sup>		3,141,563	857,310
<b>Total Investments in Private Investments</b>		<b>298,710,690</b>	<b>238,298,569</b>
<b>Total Investments in Adviser Funds</b>		<b>387,798,472</b>	<b>299,433,453</b>
<b>Investments in Private Companies — (0.00%)</b>			
Illumitex, Inc., Common Stock (Acquired 6/1/2011) <sup>(a)(b)(i)</sup>	12,278	1,499,369	—
<b>Total Investments in Private Companies</b>		<b>1,499,369</b>	<b>—</b>
<b>Investments in Private Company Call Options - (0.00%)</b>			
Illumitex, Inc., Exercise Price \$0.03, 10/24/2022 (Acquired 6/1/2011) <sup>(a)(b)(i)</sup>	1,106	—	—
<b>Total Investments in Private Company Call Options</b>		<b>—</b>	<b>—</b>
<b>Mutual Funds — (4.91%)</b>			
Goldman Sachs Absolute Return Tracker Fund - Institutional Class <sup>(e)</sup>	1,672,704	16,430,265	14,703,072
<b>Total Mutual Funds (Cost \$16,430,265)</b>		<b>16,430,265</b>	<b>14,703,072</b>
<b>Total Investments (cost \$405,728,106) (104.95%)</b>			<b>314,136,525</b>
<b>Liabilities in Excess of Other Assets (-4.95%)</b>			<b>(14,818,859)</b>
<b>Partners' capital — (100.00%)</b>			<b>\$ 299,317,666</b>

(a) Non-income producing.

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

(c) The Adviser Fund has imposed gates on or has limited redemptions. The total cost and fair value of these investments as of March 31, 2020 was \$74,469,583 and \$47,150,407, respectively.

(d) Domiciled in Cayman Islands.

(e) All or a portion of this position is held in custody by U.S Bank N.A., as collateral for a credit facility. The total cost and fair value of these investments as of March 31, 2020 was \$73,675,840 and \$59,020,719, respectively.

(f) Domiciled in Mauritius.

(g) Domiciled in United Kingdom.

(h) Domiciled in Guernsey.

(i) Domiciled in Japan.

(j) Security value is determined using significant unobservable inputs.

See notes to financial statements.

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**STATEMENT OF ASSETS, LIABILITIES AND PARTNERS' CAPITAL**  
*March 31, 2020*

<b>Assets</b>	
Investments in Adviser Funds and securities, at fair value (cost \$405,728,106)	\$ 314,136,525
Cash and cash equivalents	5,189,779
Receivable from redemption of Adviser Funds	2,280,446
Distribution receivable from Adviser Funds	596,587
Dividends and interest receivable	3,904
Prepaid assets	32
<b>Total assets</b>	<b>\$ 322,207,273</b>
<b>Liabilities and partners' capital</b>	
Withdrawals payable	\$ 22,235,290
Management fee payable	286,924
Professional fees payable	248,614
Accounting, administration and transfer agency fees payable	60,801
Risk management fees payable	26,336
Printing fees payable	8,506
Line of credit fees payable	10,667
Custodian fees payable	1,926
Other accrued expenses	10,543
<b>Total liabilities</b>	<b>22,889,607</b>
<b>Partners' capital</b>	<b>299,317,666</b>
<b>Total liabilities and partners' capital</b>	<b>\$ 322,207,273</b>

*See notes to financial statements.*

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**STATEMENT OF OPERATIONS**  
*For the year ended March 31, 2020*

<b>Investment income</b>	
Distributions from Adviser Funds (net of withholding tax of \$472,040)	\$ 2,755,651
Interest	833,785
Dividends	156,930
<b>Total investment income</b>	<b>3,746,366</b>
<b>Operating expenses</b>	
Management fee	3,851,082
Accounting, administration and transfer agency fees	361,662
Risk management expense	308,091
Directors expense	401,808
Line of credit fees	244,000
Professional fees	479,667
Compliance consulting fees	60,546
Interest expense	38,629
Other expenses	26,555
<b>Total operating expenses</b>	<b>5,772,040</b>
<b>Net investment income/(loss)</b>	<b>(2,025,674)</b>
<b>Net realized gain/(loss) and change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange transactions</b>	
Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions	32,321,240
Net change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange translations	(62,667,114)
<b>Net realized gain/(loss) and change in unrealized appreciation/depreciation on investments in Adviser Funds, securities and foreign exchange transactions</b>	<b>(30,345,874)</b>
<b>Net increase/(decrease) in partners' capital resulting from operations</b>	<b>\$ (32,371,548)</b>

*See notes to financial statements.*

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**  
*For the years ended March 31, 2019 and 2020*

	General Partners' Capital	Limited Partners' Capital	Total Partners' Capital
<b>Partners' capital, at March 31, 2018*</b>	\$ —	\$ 482,267,671	\$ 482,267,671
Capital contributions	—	—	—
Capital withdrawals	(3,101,094)	(102,352,959)	(105,454,053)
Net investment income/(loss)	—	(2,868,801)	(2,868,801)
Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions	—	52,205,283	52,205,283
Net change in unrealized appreciation/(depreciation) on investments in Adviser Funds, securities and foreign exchange translations	—	(6,363,981)	(6,363,981)
Performance allocation	3,101,094	(3,101,094)	—
<b>Partners' capital, at March 31, 2019</b>	\$ —	\$ 419,786,119	\$ 419,786,119
Capital contributions	—	—	—
Capital withdrawals	(15,016)	(88,081,889)	(88,096,905)
Net investment income/(loss)	—	(2,025,674)	(2,025,674)
Net realized gain/(loss) from investments in Adviser Funds, securities and foreign exchange transactions	—	32,321,240	32,321,240
Net change in unrealized appreciation/(depreciation) on investments in Adviser Funds, securities and foreign exchange translations	—	(62,667,114)	(62,667,114)
Performance allocation	15,016	(15,016)	—
<b>Partners' capital, at March 31, 2020</b>	\$ —	\$ 299,317,666	\$ 299,317,666

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

See notes to financial statements.

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**STATEMENT OF CASH FLOWS**  
*For the year ended March 31, 2020*

**Cash flows from operating activities:**

Net increase / (decrease) in partners' capital resulting from operations	\$ (32,371,548)
Adjustments to reconcile net increase / (decrease) in partners' capital resulting from operations to net cash provided by operating activities:	
Purchases of Adviser Funds and securities	(30,010,680)
Proceeds from redemptions, sales, or other dispositions of Adviser Funds and securities, net of change in related receivables	114,169,727
Net realized (gain) / loss from investments in Adviser Funds, securities and foreign exchange transactions	(32,321,240)
Net change in unrealized appreciation / depreciation on investments in Adviser Funds, securities and foreign exchange translations	62,667,114
(Increase) / Decrease in distribution receivable from Adviser Funds	(596,587)
(Increase) / Decrease in dividends and interest receivable	21,374
(Increase) / Decrease in prepaid assets	502
Increase / (Decrease) in management fee payable	(64,910)
Increase / (Decrease) in professional fees payable	138,948
Increase / (Decrease) in accounting, administration and transfer agency fees payable	(28,652)
Increase / (Decrease) in risk management fees payable	6,336
Increase / (Decrease) in printing fees payable	(726)
Increase / (Decrease) in line of credit fees payable	(666)
Increase / (Decrease) in custodian fees payable	369
Increase / (Decrease) in compliance consulting fees payable	(6,367)
Increase / (Decrease) in other accrued expenses	10,543
<b>Net cash provided by operating activities</b>	<b>81,613,537</b>
<b>Cash flows from financing activities:</b>	
Capital withdrawals, net of change in withdrawals payable and performance allocation	(93,666,109)
Line of credit borrowings	7,400,000
Line of credit repayments	(7,400,000)
<b>Net cash used in financing activities</b>	<b>(93,666,109)</b>
<b>Net change in cash and cash equivalents</b>	<b>(12,052,572)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>17,242,351</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 5,189,779</b>
<b>Supplemental disclosure of interest expense paid</b>	<b>\$ 38,629</b>
<b>Supplemental disclosure line of credit fees paid</b>	<b>\$ 244,666</b>

See notes to financial statements.



**HATTERAS MASTER FUND, L.P.**  
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**NOTES TO FINANCIAL STATEMENTS**  
*As of and for the year ended March 31, 2020*

**1. ORGANIZATION**

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Basis of Accounting**

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

**b. Cash and Cash Equivalents**

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

**c. Valuation of Investments**

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

Investments held by the Master Fund include:

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

**HATTERAS MASTER FUND, L.P.**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. Valuation of Investments (continued)**

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

The interests of some Adviser Funds, primarily investments in private equity funds, may be valued based on the best information available at the time the Master Fund's partners' capital is calculated. The Investment Manager and Sub-Adviser have established procedures for reviewing the effect on the Master Fund's partners' capital due to the timing of the reported value of interests received for certain Adviser Funds. The Master Fund is not able to obtain complete investment holding details of each of the Adviser Funds held within the Master Fund's portfolio in order to determine whether the Master Fund's proportional share of any investments held by the Adviser Funds exceed 5% of the partners' capital of the Master Fund as of March 31, 2020.

- **Investments in Securities** — Securities traded on one or more of the United States ("U.S.") national securities exchanges or the OTC Bulletin Board will be valued at their last sales price. Securities traded on NASDAQ will be valued at the NASDAQ Official Closing Price, at the close of trading on the exchanges or markets where such securities are traded for the business day as of which such value is being determined. Money market funds are valued daily at their net asset value.
- **Investments in Private Companies** — Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by the Investment Manager. Fair value is based on the best information available and is determined by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), balance sheets, public or private transactions, valuations for publicly traded comparable companies, recent round of financing in the company's stock, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. The amount determined to be fair value may incorporate the Investment Manager's own assumptions (including appropriate risk adjustments for nonperformance and lack of marketability). The methods used to estimate the fair value of private companies include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets — e.g., multiplying a key performance metric of the investee company or asset, such as projected revenue or EBITDA, by a relevant valuation multiple observed in the range of comparable companies or transactions — adjusted by the Investment Manager for differences between the investment and the referenced comparables and in some instances by reference to option pricing models or other similar methods), (2) the income approach (e.g., the discounted cash flow method), and (3) cost for a period of time after an acquisition (where such amount is determined by the Investment Manager to be the best indicator of fair value). These valuation methodologies involve a significant degree of judgment. While these valuations are intended to estimate the value the Master Fund might reasonably expect to receive upon the current sale of investments in private companies in the ordinary course of business, such values may differ from the value that the Master Fund would actually realize if the investments in private companies were sold.
- **Investments in Options** — Options contracts give the Master Fund the right, but not the obligation, to buy or sell the underlying instrument for a specified price upon exercise at any time during the option period. For the year ended March 31, 2020, the Master Fund held options that were granted from one of the Master Fund's private companies. Options are valued by the Investment Manager and Sub-Adviser using an option pricing model. As of March 31, 2020, the fair value of options held by the Master Fund had no effect on the Schedule of Investments. For the year ended March 31, 2020, options had no effect on the change in unrealized appreciation/depreciation in the Master Fund's Statement of Operations. During the year ended March 31, 2020, no other derivatives were held by the Master Fund.

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

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. Valuation of Investments (continued)**

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

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

The following table presents the Master Fund's fair value hierarchy for those assets and liabilities measured at fair value as of March 31, 2020. Assets and liabilities are valued using NAV as practical expedient, an indicator of fair value, and are listed in a separate column to permit reconciliation to the totals in the Statement of Assets, Liabilities and Partners' Capital.

Investments at Value	Level 1	Level 2	Level 3	Investments Valued at NAV	Total
<b>Investments in Adviser Funds</b>					
Event Driven	\$ —	\$ —	\$ —	\$ 23,959,671	\$ 23,959,671
Long Short Equity	—	—	—	3,233,410	3,233,410
Macro	—	—	—	14,182,436	14,182,436
Relative Value	—	—	—	19,759,367	19,759,367
Private Investments	—	—	21,536,120	216,762,449	238,298,569
Mutual Funds	14,703,072	—	—	—	14,703,072
<b>Total</b>	<b>\$ 14,703,072</b>	<b>\$ —</b>	<b>\$ 21,536,120</b>	<b>\$ 277,897,333</b>	<b>\$ 314,136,525</b>

Other Financial Instruments	Level 1	Level 2	Level 3	Investments Valued at NAV	Total
Private Company Call Options	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

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

Level 3 Investments	Balances as of March 31, 2019	Transfers into/ (out of)	Net Realized Gain/(Loss)	Change in Unrealized Appreciation/ Depreciation	Distributions	Gross Purchases	Gross Sales	Balance as of March 31, 2020
Private Investments	\$—	\$30,805,052	\$—	\$(2,325,936)	\$(11,942,996)	\$5,000,000	\$—	\$21,536,120
Private Companies	—	—	—	—	—	—	—	—
<b>Total Level 3 Investments</b>	<b>\$—</b>	<b>\$30,805,052</b>	<b>\$—</b>	<b>\$(2,325,936)</b>	<b>\$(11,942,996)</b>	<b>\$5,000,000</b>	<b>\$—</b>	<b>\$21,536,120</b>

For the year ended March 31, 2020, there were no transfers into or out of Level 1 or Level 2.

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

**HATTERAS MASTER FUND, L.P.**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. Valuation of Investments (continued)**

The net realized gain/(loss) and change in unrealized appreciation/depreciation in the table above are reflected in the accompanying Statement of Operations. The change in unrealized appreciation/depreciation from Level 3 investments held at March 31, 2020 is \$(502,770).

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

The following is a summary of quantitative information about significant unobservable valuation inputs for Level 3 Fair Value Measurements for investments held as of March 31, 2020:

Type of Level 3 Investment	Fair Value as of March 31, 2020	Valuation Techniques	Unobservable Input
Private Investments	\$21,536,120	Dilution estimate	Partner commitment percentage
Private Companies	—	Current value method	Recent round of financing
<b>Total Level 3 Investments</b>	<b>\$21,536,120</b>		

As the inputs noted above increase, the value of the investments increase.

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

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

Investment Category	Investment Strategy	Fair Value (in 000's)	Unfunded Commitments (in 000's)	Remaining Life	Redemptions Frequency	Notice Period (in Days)	Redemption Restrictions Terms
Event Driven <sup>(a)</sup>	Investments which seek to create pricing opportunities that may occur before or after a corporate event and may frequently involve additional derivative securities.	\$23,960	\$—	Indefinite life	Quarterly	60-65	N/A
Long Short Equity <sup>(b)</sup>	A diversified set of investments which include positions both long and short in primarily equity and equity derivative securities.	\$3,233	\$—	Indefinite life	None	N/A	N/A

**HATTERAS MASTER FUND, L.P.**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. Valuation of Investments (concluded)**

Investment Category	Investment Strategy	Fair Value (in 000's)	Unfunded Commitments (in 000's)	Remaining Life	Redemptions Frequency	Notice Period (in Days)	Redemption Restrictions Terms
Macro <sup>(c)</sup>	Investments including a broad range of strategies predicated on movements in underlying economic variables in the equity, fixed income, hard currency and commodity markets.	\$14,182	\$—	Indefinite life	Weekly - Quarterly	2 - 30	N/A
Relative Value <sup>(d)</sup>	Investments predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Security types range broadly across equity, fixed income, and derivatives.	\$19,759	\$—	Indefinite life	Quarterly	90	N/A
Private Investments <sup>(e)</sup>	Investments in Private Equity, Private Real Estate, Private Energy and Natural Resources, generally through private partnerships or direct investments.	\$238,299	\$44,929	Up to 10 years with extensions available after the stated termination date	None Permitted	N/A	N/A

- a This category includes Adviser Funds which currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.
- b This category includes Adviser Funds which maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.
- c This category includes Adviser Funds which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods.
- d This category includes Adviser Funds which maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.
- e This category invests in three sub-strategies (Private Equity, Private Real Estate and Private Energy and Natural Resources). Private Equity investing seeks to generate capital appreciation through investments in private companies in need of capital. Private Equity seeks to profit from, among other things, the inefficiencies inherent in these markets through valuation and due diligence analysis of available business opportunities. Private Real Estate strategy consists generally of investing in Adviser Funds that are private partnerships that make direct investments in (i) existing or newly constructed income-producing properties, including office, industrial, retail, and multi-family residential properties, (ii) raw land, which may be held for development or for the purpose of appreciation, and/or (iii) timber (whether directly or through a REIT or other Adviser Fund). The Private Energy and Natural Resources strategy consists generally of investing in Adviser Funds that are private partnerships that make direct investments in private or (sometimes publicly traded energy companies).

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**d. Investment Transactions and Income**

Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date, except that certain dividends from private equity investments are recorded as soon as the information is available to the Master Fund. Capital gain distributions received are recorded as capital gains as soon as information is available to the Master Fund. Investments in short-term investments, mutual funds, private companies and exchange traded funds are recorded on a trade date basis. Investments in Adviser Funds are recorded on a subscription effective date basis, which is generally the first day of the calendar month in which the investment is effective. Redemptions in Adviser Funds are recorded on a redemption effective date basis which is generally the last day of the calendar month in which the redemption is effective. Realized gains and losses on Adviser Fund and security redemptions are determined on identified cost basis, when available. For Adviser Funds that are not unitized, the cost relieved to calculate realized gains and losses is based on percentage of capital redeemed. Distributions received from Adviser Funds are recorded on the effective date, based on the character determined by the underlying partnership. Return of capital or security distributions received from Adviser Funds and securities are accounted for as a reduction to cost.

**e. Foreign Currency**

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

**f. Master Fund Expenses**

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

**g. Income Taxes**

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

The Master Fund files tax returns as prescribed by the tax laws of the jurisdiction in which it operates. In the normal course of business, the Master Fund is subject to examination by federal, state, local and foreign jurisdictions, where applicable. For the Master Fund's tax years ended December 31, 2016 through December 31, 2019 the Master Fund is open to examination by major tax jurisdictions under the statute of limitations.

The Master Fund has reviewed any potential tax positions as of March 31, 2020 and has determined that it does not have a liability for any unrecognized tax benefits or expense. The Master Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the Master Fund did not incur any material interest or penalties. Due to the timing of tax information received from the Adviser Funds, tax basis reporting is not available as of the balance sheet date.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**3. ALLOCATION OF PARTNERS' CAPITAL (CONCLUDED)**

**h. Use of Estimates**

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

**3. ALLOCATION OF PARTNERS' CAPITAL**

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

**4. REPURCHASE OF LIMITED PARTNERS' INTERESTS**

The Board may, from time to time and in its sole discretion, cause the Master Fund to repurchase interests from Limited Partners pursuant to written tenders by Limited Partners at such times and on such terms and conditions as established by the Board. In determining whether the Master Fund should offer to repurchase interests, the Board will consider, among other things, the recommendation of the Investment Manager and Sub-Adviser. The Investment Manager and Sub-Adviser generally recommend to the Board that the Master Fund offer to repurchase interests from Limited Partners on a quarterly basis as of the valuation date at the end of each calendar quarter. In addition, the Board approved two additional forced repurchases during the year ended March 31, 2020 for Limited Partners with capital balances below a specified minimum of \$25,000 and/or dissolving pension plans. The Master Fund will not offer repurchases of interests of more than 20% of its Partners' capital in any quarter. The Master Fund does not intend to distribute to the Limited Partners any of the Master Fund's income, but generally expects to reinvest substantially all income and gains allocable to the Limited Partners.

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

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

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

The General Partner is allocated a performance allocation payable annually equal to 10% of the amount by which net new profits of each Limited Partner interests of the Master Fund exceed the non-cumulative "hurdle amount," which is calculated as of the last day of the preceding calendar year of the Master Fund at a rate equal to the yield-to-maturity of the 90-day U.S. Treasury Bill for the last business day of the last calendar year (the "Performance Allocation"). The Performance Allocation is made on a "peak to peak", or "high watermark" basis, which means that no Performance Allocation will be made with respect to such subsequent appreciation until such net loss has been recovered. Pursuant to the Sub-Advisory Agreement,

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

the Sub-Adviser is entitled to a percentage of the Performance Allocation the General Partner receives from the Master Fund. For the year ended March 31, 2020, a Performance Allocation of \$15,016 was accrued or earned for the period from April 1, 2019 to March 31, 2020.

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

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

#### **6. ACCOUNTING, ADMINISTRATION, AND CUSTODIAL AGREEMENT**

In consideration for accounting, administrative, and recordkeeping services, the Master Fund pays U.S. Bancorp Fund Services, LLC, d/b/a U.S. Bank Global Fund Services (“Fund Services”) an administration fee based on the month-end partners’ capital of the Master Fund. Fund Services also provides regulatory administrative services and accounting. UMB Fund Services, Inc. (“UMBFS”) provides transfer agency functions, and shareholder services. For the year ended March 31, 2020, the total accounting, administration and transfer agency fees were \$361,662.

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

#### **7. INVESTMENT TRANSACTIONS**

Total purchases of Adviser Funds and securities for the year ended March 31, 2020 amounted to \$30,010,680. Total proceeds from redemptions, sales, or other dispositions of Adviser Funds and securities for the year ended March 31, 2020 amounted to \$120,614,260. The cost of investments in Adviser Funds for U.S. Federal income tax purposes is adjusted for items of taxable income allocated to the Master Fund from the Adviser Funds. The Master Fund relies upon actual and estimated tax information provided by the Adviser Funds as to the amounts of taxable income allocated to the Master Fund as of March 31, 2020.

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

#### **8. CREDIT FACILITY**

The Master Fund maintains a credit facility, consisting of two separate tranches (“Tranche L” and “Tranche U”, collectively the “Facility”), which is secured by certain interests in Adviser Funds, mutual funds, and cash equivalents, that expires on October 6, 2020. Collateral for the Facility is held by U.S. Bank N.A. as custodian. The maximum borrowing amount available on the Facility is \$40,000,000. A fee of 60 basis points per annum is payable monthly in arrears on the unused portion of the Facility of Tranche L, while the interest rate charged on the borrowings is the 3-month London Interbank Offer Rate (“LIBOR”) plus a spread of 175 basis points. At March 31, 2020, the Master Fund had \$10,667 payable on the unused portion of Tranche L and there were no outstanding payables for interest on borrowings. For the year ended March 31, 2020, there were no borrowings on Tranche L. The weighted average interest rate, the average daily balance, and the maximum balance outstanding for borrowing under the Facility of Tranche U for the year ended March 31, 2020 was 3.67%, \$1,032,240, and \$7,400,000, respectively. The date of maximum borrowing was April 26, 2019. The interest rate charged on the borrowing of Tranche U is the 3-month LIBOR plus a spread of 115 basis points. There were no outstanding borrowing of the Facility at March 31, 2020.



**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
*As of and for the year ended March 31, 2020*

**9. INDEMNIFICATION**

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

**10. COMMITMENTS**

As of March 31, 2020, the Master Fund had outstanding investment commitments to Adviser Funds totaling \$44,929,393. Two Adviser Funds in the Private Investment Strategy have commitments denominated in Euros, and two Adviser Funds have commitments denominated in Pound Sterling. At March 31, 2020, the unfunded commitments for these Adviser Funds totaled €1,410,776 and £905,680, respectively. At March 31, 2020, the exchange rate used for the conversion was 1.10 USD/EUR and 1.24 USD/GBP. The U.S. Dollar equivalent of these commitments is included in the Master Fund's total unfunded commitment amount. Unfunded commitments related to the Adviser Funds represent an obligation to fund commitments made once the amounts are drawn upon or called. Amounts are not recorded as an investment or a liability until they are due.

**11. RISK FACTORS**

An investment in the Master Fund involves significant risks, including leverage risk, interest rate risk, liquidity risk and economic conditions risk, that should be carefully considered prior to investing and should only be considered by persons financially able to maintain their investment and who can afford a loss of a substantial part or all of such investment. The recent global outbreak of COVID-19 has disrupted economic markets and the prolonged economic impact is uncertain. The operational and financial performance of the issuers of securities in which the Master Fund invests depends on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn impact the value of the Master Fund's investments. The Master Fund generally does not employ leverage. However, certain Adviser Funds may employ leverage, either synthetically or through borrowed funds, which can enhance returns or increase losses on smaller changes in the value of an underlying investment. Adviser Funds that invest in fixed income securities may be subject to interest rate risk, where changes in interest rates affect the value of the underlying fixed income investment. The Master Fund intends to invest substantially all of its available capital in securities of private investment companies. These investments will generally be restricted securities that are subject to substantial holding periods or are not traded in public markets at all, so that the Master Fund may not be able to resell some of its securities holdings for extended periods, which may be several years. Investments in the Adviser Funds may be restricted from early redemptions or subject to fees for early redemptions as part of contractual obligations agreed to by the Investment Manager on behalf of the Master Fund. Adviser Funds may have initial lock-up periods, the ability to suspend redemptions, or employ the use of side pockets, all of which may affect the Master Fund's liquidity in the respective Adviser Fund.

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

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

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)**  
*As of and for the year ended March 31, 2020*

**12. FINANCIAL HIGHLIGHTS**

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

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

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

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

	For the Years Ended March 31,					
	2020	2019	2018	2017	2016	
Total return before Performance Allocation	(9.73)%	10.41%	7.69%	6.03%	(5.62)%	
Total return after Performance Allocation	(9.74)%	9.72%	7.51%	6.03%	(5.61)%	
Partners' capital, end of year (000's)	\$ 299,318	\$ 419,786	\$ 482,268	\$ 579,200	\$ 687,882	
Portfolio turnover rate	7.96%	9.62%	18.90%	6.49%	8.20%	
Ratio of net investment income/(loss), excluding Performance Allocation	(0.53)%	(0.64)%	(0.79)%	(0.36)%	3.33%	
Ratio of other operating expenses to average partners' capital	1.43%	1.36%	1.36%	1.25%	1.23%	
Ratio of credit facility fees and interest expense to average partners' capital	0.07%	0.05%	0.08%	0.09%	0.12%	
Operating expenses, excluding Performance Allocation	1.50%	1.41%	1.44%	1.34%	1.35%	
Performance Allocation	0.01%	0.69%	0.18%	0.00%	(0.01)% <sup>1</sup>	
Total Operating expenses and Performance Allocation	1.51%	2.10%	1.62%	1.34%	1.34%	

<sup>1</sup> Reversal of accrued Performance Allocation from April 1, 2015 to December 31, 2015

**13. RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2018, FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. Management has elected not to early adopt the removed or modified disclosures and has elected to delay adoption of the additional disclosures under ASU 2018-13. Management will adopt the changes under ASU 2018-13 for the fiscal year ending March 31, 2021.

**14. SUBSEQUENT EVENTS**

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

The Investment Manager recommended to the Board that a tender offer in an amount of up to approximately 5.00% of the partners' capital of the Master Fund be made for the quarter ending June 30, 2020 to those Limited Partners who elect to tender their interests prior to the expiration of the tender offer period. The Board approved such recommendation and Limited Partners in the Master Fund were notified of the tender offer's expiration date on March 26, 2020, and submitted tender requests from April 1, 2020 through the date of expiration of the tender offer totaling approximately \$15,464,105.

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**Opinion on the Financial Statements**

We have audited the accompanying statement of assets, liabilities, and partners' capital, including the schedule of investments, of Hatteras Master Fund, L.P. (the "Master Fund") as of March 31, 2020, the related statements of operations and cash flows for the year then ended, the statements of changes in partners' capital for each of the two years in the period then ended, including the related notes, and the financial highlights (as presented in Note 12 to the financial statements) for each of the four years in the period then ended (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Master Fund as of March 31, 2020, the results of its operations and its cash flows for the year then ended, the changes in its partners' capital for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

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

**Basis for Opinion**

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2020, by correspondence with the custodian and underlying fund managers or by other appropriate auditing procedures where replies from underlying fund managers were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

COHEN & COMPANY, LTD.  
Cleveland, Ohio  
June 1, 2020

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**BOARD OF DIRECTORS**  
(Unaudited)

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

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

<sup>1</sup> The “Fund Complex” consists of, as of March 31, 2020, the Feeder Funds, the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

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

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**FUND MANAGEMENT**  
(Unaudited)

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

Name & Date of Birth	Position(s) Held with the Feeder Funds	Length of Time Served	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Officer	Number of Portfolios in Fund Complex <sup>1</sup> Overseen by Officer
<b>OFFICERS</b>				
Andrew P. Chica September, 1975	Chief Compliance Officer	Since 2008	Compliance Director, Cipperman Compliance Services (from 2019 to present); Chief Compliance Officer, Hatteras Investment Partners (from 2014 to 2019); Chief Compliance Officer, Hatteras Investment Partners and Hatteras Capital Investment Management (from 2007 to 2014), Chief Compliance Officer, Hatteras Alternative Mutual Funds, LLC (from 2009 to 2014).	N/A
Allison Zollicoffer <sup>2</sup> March, 1956	Treasurer	Since 2019	Chief Financial Officer, Hatteras Investment Partners (2018 to present); self-employed as Fractional CFO/Financial Consultant with companies in wholesale distribution, real estate, specialty apparel and light manufacturing (since 2012).	N/A
Brittney L. Chick-Reny <sup>3</sup> February, 1993	Secretary	Since 2019	Director of Operations, Hatteras Investment Partners (2019 to present); Operations Associate (2019).	N/A

<sup>1</sup> The "Fund Complex" consists of, as of March 31, 2020, the Feeder Funds, the Master Fund, and Hatteras VC Co-Investment Fund II, LLC.

<sup>2</sup> Allison Zollicoffer was appointed Treasurer effective May 1, 2019.

<sup>3</sup> Brittney L. Chick-Reny was appointed Secretary effective December 4, 2019.

**HATTERAS MASTER FUND, L.P.**  
(A DELAWARE LIMITED PARTNERSHIP)

**OTHER INFORMATION**  
(Unaudited)

**PROXY VOTING**

A description of the policies and procedures that the Master Fund uses to determine how to vote proxies relating to portfolio securities and the Master Fund's record of actual proxy votes cast during the period ended June 30, 2019 is available at <http://www.sec.gov> and by calling 1-800-504-9070 and may be obtained at no additional charge.

**AVAILABILITY OF QUARTERLY PORTFOLIO SCHEDULES**

The Master Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q (or as an exhibit to its reports on Form N-Q's successor, Form N-PORT). The Master Fund's Form N-Q is available, without charge and upon request, on the SEC's website at <http://www.sec.gov>.

**APPROVAL OF INVESTMENT ADVISORY AGREEMENT AND SUB-ADVISORY AGREEMENT**

At a meeting of the Master Fund's Board held on March 11, 2020, by a unanimous vote, the Board, including a majority of the Directors who are not "interested persons" within the meaning of Section 2(a)(19) of the 1940 Act, approved the Investment Advisory Agreement and Sub-Advisory Agreement for the Master Fund.

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

The Independent Directors reviewed, and discussed with Hatteras, comparative performance, advisory fee and overall Fund expense information for the Master Fund versus other similar closed-end hedge fund of funds. Management stated that there were few truly comparative funds. Hatteras discussed with the Independent Directors the construction of the comparative fund group. The Independent Directors also compared the Funds' advisory fee and overall Fund expenses versus a universe of comparable closed-end fund of hedge funds, as compiled by Hatteras. Discussion ensued regarding the fee and expense comparisons.

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

The Independent Directors considered information it believed necessary to assess the nature and quality of services to be provided to the Master Fund by Hatteras and Portfolio Advisors. The Independent Directors noted Hatteras will continue to serve in its role as investment adviser to the Master Fund, and that the Master Fund's current portfolio managers will continue to provide services to the Master Fund. The Independent Directors considered the advisory services and other services to be provided by Hatteras, as well as the services to be provided by Portfolio Advisors as sub-adviser, noting that such services are not expected to change. The Independent Directors noted management's explanation about how fees and services were allocated and delegated between Hatteras and Portfolio Advisors. The Independent Directors noted the positive 5-year and 10-year performance numbers. The Independent Directors considered that the Master Fund's investment objective and policies are not expected to change. The Board members considered that Adviser's due diligence process would continue to utilize the same investment team.

*Investment Performance of the Master Fund.*

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

**HATTERAS MASTER FUND, L.P.**  
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**OTHER INFORMATION (CONTINUED)**  
(Unaudited)

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

*Costs of Services Provided and Profits Realized by Hatteras.*

In connection with the Independent Directors' consideration of the level of the advisory services, the Independent Directors considered a number of factors. The Independent Directors noted that Hatteras is not requesting a change to the advisory fee rate or performance allocation rate to be paid under the Advisory Agreement. Based on current Fund asset levels, management indicated that Hatteras earned a small profit margin providing services to the Master Fund. The Independent Directors noted the differing services and responsibilities provided by Hatteras and Portfolio Advisors. The Independent Directors considered the relative profitability of Hatteras. Mr. Zollicoffer indicated that Hatteras has continued efforts to cut internal costs and hoped profitability would improve in the short-term. Mr. Zollicoffer described expenses related to marketing and the Independent Directors discussed and considered the impacts this could have on the Funds. Based on the information provided, the Independent Directors determined that, based on the information provided, Hatteras did not earn excessive profits.

The Independent Directors' analysis of the Master Fund's advisory fee and overall expenses included a discussion of the Master Fund's fees. The Independent Directors also considered the fee and expense information provided by the Adviser, including the Adviser's representations that fees and expenses were reasonable in light of the services rendered and were within the range of fees and expenses charged to similar-managed accounts and funds. In connection with the Independent Directors' consideration of the level of the advisory fees, the Independent Directors considered a number of factors and determined that the fees and expenses were not unreasonable.

*Economies of Scale and Fee Levels Reflecting Those Economies.*

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

*Other Benefits.*

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

**WHEREAS**, the terms of the Investment Advisory Agreement (the "Advisory Agreement") between Hatteras Funds, LP (the "Adviser") and the Master Fund, are found to be fair and reasonable;

**WHEREAS**, the terms of the Investment Sub-Advisory Agreement (the "Sub-Advisory Agreement") among the Adviser, Portfolio Advisors and the Master Fund, are found to be fair and reasonable;

**NOW, THEREFORE, BE IT RESOLVED**, that the Advisory Agreement with respect to the Funds is approved by a majority of the Directors, including a majority of the Directors who are not interested persons of the Funds or the Adviser (as defined in the Investment Company Act of 1940, as amended) for an additional year; and be it further

**HATTERAS MASTER FUND, L.P.**  
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**OTHER INFORMATION** *(CONCLUDED)*  
*(Unaudited)*

**RESOLVED**, that the Sub-Advisory Agreement with respect to the Funds is approved by a majority of the Directors, including a majority of the Directors who are not interested persons of the Funds or the Adviser (as defined in the Investment Company Act of 1940, as amended) for an additional year.



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**HATTERAS CORE ALTERNATIVES FUNDS**

8510 Colonnade Center Drive, Suite 150  
Raleigh, NC 27615

**INVESTMENT MANAGER AND FUND SERVICING AGENT**

Hatteras Funds, LP  
d/b/a Hatteras Investment Partners  
8510 Colonnade Center Drive, Suite 150  
Raleigh, NC 27615

**SUB-ADVISER**

Portfolio Advisors, LLC  
9 Old Kings Highway South  
Darien, CT 06820

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Cohen & Company, Ltd.  
1350 Euclid Avenue, Suite 800  
Cleveland, OH 44115

**FUND COUNSEL**

Faegre Drinker Biddle & Reath LLP  
One Logan Square  
Suite 2000  
Philadelphia, PA 19103

**ADMINISTRATOR AND FUND ACCOUNTANT**

U.S. Bancorp Fund Services, LLC  
d/b/a U.S. Bank Global Fund Services  
811 East Wisconsin Ave.  
Milwaukee WI 53202

**CUSTODIAN**

U.S. Bank, N.A.  
1555 North River Center Drive  
Milwaukee, WI 53212

**DISTRIBUTOR**

Hatteras Capital Distributors, LLC  
8510 Colonnade Center Drive, Suite 150  
Raleigh, NC 27615



**HATTERAS**  
*Investment Partners*

**HATTERASINVESTMENTPARTNERS.COM / T: 919.846.2324 / F: 919.846.3433**  
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