

Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSBE: Class A (EUR) Dis.) - A sub-fund of Blackstone Alternative Investment Funds plc, an umbrella fund established as a UCITS with segregated liability between sub funds
For Reporting Purposes Only

As of September 30, 2019

Investment approach

The Fund's investment objective is to seek capital appreciation. The Fund seeks this objective by allocating its assets among a variety of discretionary sub-advisers with experience managing non-traditional or "alternative" investment strategies. Blackstone is responsible for selecting the strategies, for identifying and retaining sub-advisers, and for determining the amount of Fund assets to allocate to each strategy and to each sub-adviser. Blackstone may also manage a portion of the Fund's assets directly.

Fund highlights

Fund Assets (Mn)	\$2,112.08
NAV per Share	€9.73
Currency	EUR
Fund Inception Date	August 11, 2014
Share Class Inception Date	July 31, 2017
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Distributing
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSBE ID
ISIN	IE00BYXDW410

Fund terms – share class A (EUR) dis. (2)

Minimum Initial Investment	€1,000
Management Fee	1.95%
Performance Fee ⁽³⁾	15.00%
Other Expenses ⁽⁴⁾	Capped 0.45%

Investment committee

Name	Years at Blackstone
Gideon Berger	17 Years
Raymond Chan	< 1 Year
Min Htoo	2 Years
Robert Jordan	8 Years
Ian Morris	9 Years
Alberto Santulin	16 Years
Stephen Sullens	18 Years

Fund net performance⁽¹⁾

Fund Net Performance ⁽¹⁾⁽²⁾	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St. Dev.	Beta	Alpha	Sharpe
BXDMSBE	(0.21%)	(1.02%)	3.79%	(0.98%)	2.68%	-	-	(0.13)
HFRX Global HF Index (EUR-hedged)	0.24%	0.94%	3.70%	(1.98%)	3.14%	0.36	0.15%	(0.43)
Barclays Gbl Agg (EUR-hedged)	(1.22%)	0.05%	4.11%	0.50%	3.48%	0.03	(0.34%)	0.33
MSCI World TR (EUR-hedged)	1.97%	(0.00%)	15.69%	4.91%	11.02%	0.11	(0.96%)	0.50

12 month performance periods – to last quarter end⁽¹⁾

	9/30/18 - 9/30/19	9/30/17 - 9/30/18	9/30/16 - 9/30/17	9/30/15 - 9/30/16	9/30/14 - 9/30/15
BXDMSBE	0.48%	(2.31%)	N/A	N/A	N/A
HFRX Global HF Index (EUR-hedged)	(2.80%)	(2.08%)	N/A	N/A	N/A
Barclays Gbl Agg (EUR-hedged)	4.57%	(3.60%)	N/A	N/A	N/A
MSCI World TR (EUR-hedged)	(0.46%)	9.25%	N/A	N/A	N/A

Alternative strategies cumulative net performance



- (1) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Certain recent performance is estimated and unaudited. Net performance for the Fund as well as indices is from 7/31/2017 to 9/30/2019 and is annualized. The indices presented are indicative and for illustrative purposes only. The volatility of the indices presented may be materially different from that of the performance of the Fund. In addition, these indices employ different investment guidelines and criteria than the Fund; as a result, the holdings in the Fund may differ significantly from the securities that comprise the indices. The performance of these indices has not been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of Fund performance to that of well-known and widely recognized indices. A summary of the investment guidelines for these indices is available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Beta and Alpha represents BXDMSBE compared to the specific indices. Standard deviation and Sharpe calculations are annualized. All Inception to Date Statistics are calculated using daily performance since Inception and uses the local currency rate.
- (2) The above terms are summarised and qualified in their entirety by the more detailed information set forth in the BXDMS prospectus and supplement.
- (3) The Fund will pay to Blackstone a performance fee equal to 15% of any returns the relevant class achieves above any losses carried forward from previous periods. The Fund may also pay to Blackstone an additional performance fee equal to the amount of any performance fees owed by Blackstone to the sub-advisers. Any such additional performance fee will be deducted from Blackstone's performance fee before it is paid in subsequent quarterly performance periods. The performance fee together with any additional performance fee are subject to a cap of 4.95% of the NAV of the class.
- (4) Blackstone has agreed to reimburse the Fund so that certain of the Fund's "Other Expenses" will not exceed 0.45% annually. Please see important disclosure information at the end of this document for further explanation.

None of the indices presented are benchmarks or targets for the Fund. Indices are unmanaged and investors cannot invest in an index. Please see end of document for additional disclosures regarding indices presented.

Sub-adviser allocations⁽⁴⁾⁽⁵⁾

Manager	Strategy	Sub-strategy	Classification
Active Sub-Advisers			
HealthCor	Equity Hedge	Equity Long Short	Equity
Endeavour	Equity Hedge	Equity Market Neutral	
Two Sigma Advisers	Equity Hedge	Equity Market Neutral	
Bayview	Relative Value	Fixed Income - Asset Backed	Credit
BRESSA ⁽⁵⁾	Relative Value	Fixed Income - Asset Backed	
EJF	Relative Value	Fixed Income - Asset Backed	
Good Hill	Relative Value	Fixed Income - Asset Backed	
GSO DFM ⁽⁵⁾	Relative Value	Fixed Income - Asset Backed	
Sorin	Relative Value	Fixed Income - Asset Backed	
Caspian	Event Driven	Distressed/Restructuring	
Sage Rock	Event Driven	Multi-Strategy	Multi-Asset
Magnetar ⁽⁵⁾	Event Driven	Risk Arbitrage	
Emso	Macro	Discretionary Thematic	
NWI	Macro	Discretionary Thematic	
D.E. Shaw	Multi-Strategy	N/A	
BAIA-Direct ⁽⁶⁾	Multi-Strategy	N/A	
Inactive Sub-Advisers⁽⁷⁾			
Cerberus	Relative Value	Fixed Income - Asset Backed	Inactive
Waterfall	Relative Value	Fixed Income - Asset Backed	
H2O	Macro	Discretionary Thematic	
GSA	Macro	Systematic Diversified	
IPM	Macro	Systematic Diversified	

Performance summary⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Sub-Strategy Performance	Allocation at 9/30/2019		MTD		QTD		YTD		ITD Cumulative Performance	
	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	31.85%	(1.05%)	(0.42%)	0.26%	0.09%	3.25%	1.39%	5.52%	2.08%	
Credit	43.04%	0.62%	0.32%	1.85%	0.91%	9.64%	4.42%	15.71%	5.03%	
Multi-Asset	25.11%	1.14%	0.33%	(2.11%)	(0.80%)	5.91%	2.41%	4.95%	1.81%	
Hedging Expenses			(0.26%)		(0.80%)		(2.72%)		(6.18%)	
Cash, Expenses & Other			(0.17%)		(0.41%)		(1.72%)		(4.87%)	
Net Return			(0.21%)		(1.02%)		3.79%		(2.13%)	

Monthly net performance⁽²⁾

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	(0.00%)	0.20%	(0.50%)	0.60%	(1.60%)	(1.11%)	(2.40%)
2018	(0.00%)	(1.54%)	0.31%	0.41%	(1.03%)	(0.42%)	0.94%	0.00%	1.14%	(2.05%)	(0.31%)	(0.84%)	(3.38%)
2019	2.55%	0.93%	0.31%	0.49%	(0.41%)	0.92%	0.20%	(1.02%)	(0.21%)	-	-	-	3.79%

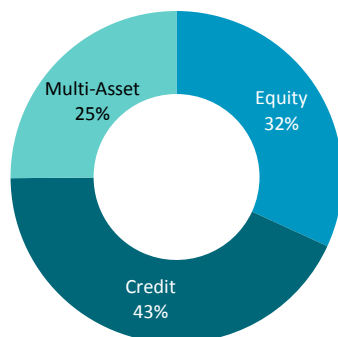
- (1) Sub-strategy performance is shown gross of all fees and expenses. Certain recent performance is estimated and unaudited.
- (2) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Certain recent performance is estimated and unaudited. Net performance for the Fund as well as indices is from 7/31/2017 to 9/30/2019 and is annualized. ITD net return is cumulative not annualized.
- (3) Performance contribution represents the contribution of each strategy or sub-strategy to the Fund's total return. Performance contribution is shown gross of all fees and expenses.
- (4) The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced sub-advisers, strategies or sub-strategies. Blackstone may also add new sub-advisers, strategies or sub-strategies. Accordingly, the allocations are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time.
- (5) Blackstone and its affiliates have financial interests in asset managers. Any allocation by Blackstone to a subsidiary or other affiliate benefits The Blackstone Group Inc. and any redemption or reduction of such allocation would be detrimental to The Blackstone Group Inc., creating potential conflicts of interest in allocation decisions. For a discussion of this and other conflicts, please see the Additional Disclosure section at the end of this document.
- (6) BAIA manages a portion of the Fund's assets directly. Such investments presently include opportunistic trades and hedging. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.
- (7) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

Blackstone Diversified Multi-Strategy Fund (BXDMS)

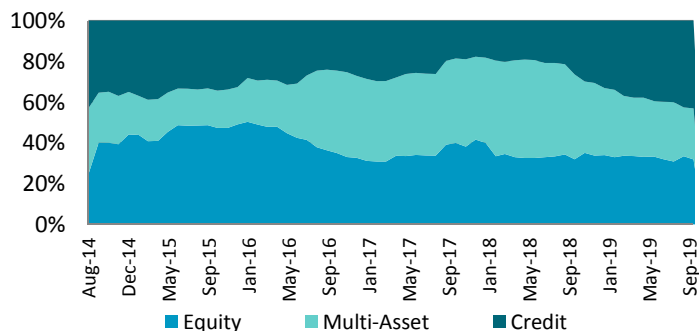
Blackstone

As of September 30, 2019

Portfolio allocations⁽¹⁾



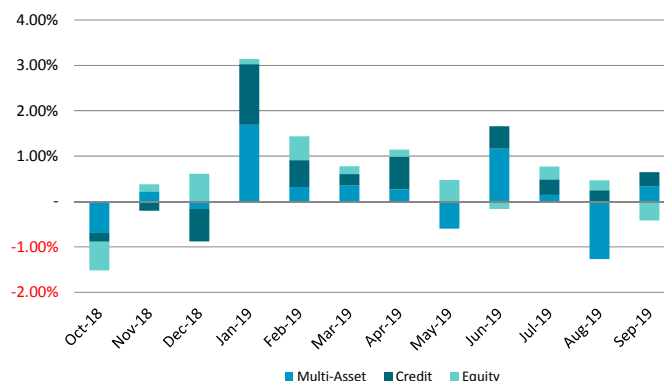
Asset allocation by sub-strategy⁽¹⁾



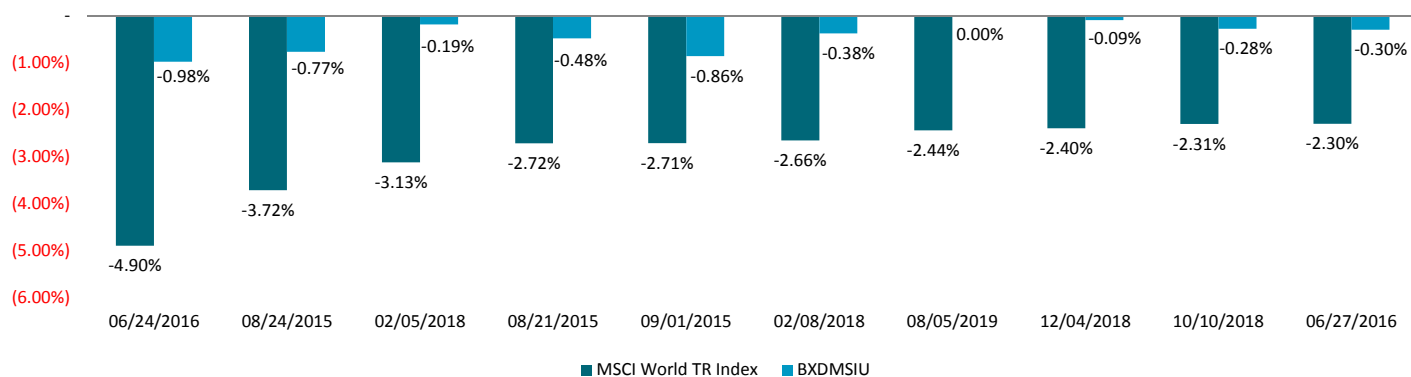
12 months rolling beta against MSCI World⁽³⁾⁽⁴⁾



Trailing 12 months performance contribution by sub-strategy⁽²⁾

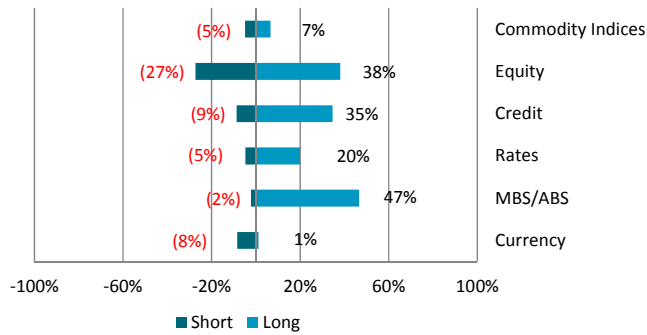


BXDMS performance on worst 10 days for MSCI World since inception⁽³⁾

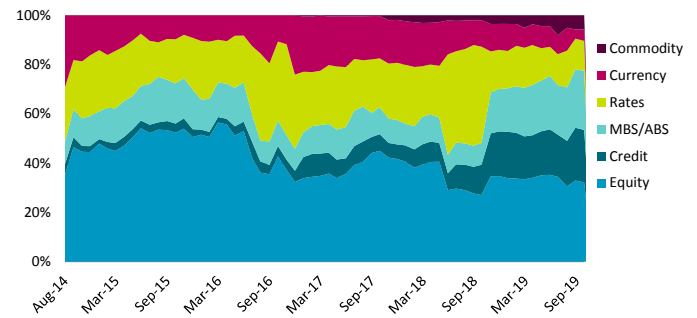


- The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced sub-advisers, strategies or sub-strategies. Blackstone may also add new sub-advisers, strategies or sub-strategies. Accordingly, the allocations are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time.
- Performance contribution represents the contribution of each strategy or sub-strategy to the Fund's total return. Performance contribution is shown gross of all fees and expenses.
- Because of the broadly diversified and low beta nature of the portfolio, BXDMS is not expected to participate in the full upside of broader equity markets. The average daily return for BXDMSIU for the 10 best MSCI World TR days is 0.35%, while the average return of MSCI World TR for the 10 best MSCI World TR days was 2.28%. **The indices presented MSCI World is indicative and presented for illustrative purposes only. The MSCI World is not benchmark or target for the Fund. Please see Important Disclosure Information.**
- Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/11/2014-9/30/2019. The volatility of the index presented may be materially different from that of the performance of the fund. In addition, the index employs different investment guidelines and criteria than the fund; as a result, the holdings in the fund may differ significantly from the securities that comprise the index. The performance of the index has not been selected to represent an appropriate benchmark to compare to the performance of the fund, but rather is disclosed to allow for comparison of the fund's performance to that of a well-known and widely recognized index. A summary of the investment guidelines for the index presented is available upon request.

Asset class exposure⁽¹⁾



Asset class gross historical exposure⁽¹⁾



Fund geographic exposure⁽¹⁾

Region	Long	Short	Net
US/Canada	116.34%	(43.29%)	73.05%
Core Europe	8.74%	(8.25%)	0.49%
Peripheral Europe	5.21%	(0.85%)	4.35%
Lat. Am./Caribbean	9.50%	(0.53%)	8.96%
Middle East/Africa	4.39%	(0.91%)	3.48%
Japan	0.74%	(0.52%)	0.22%
Asia general	1.57%	(0.71%)	0.86%
China/HK/Taiwan	0.83%	(1.10%)	(0.27%)
Total	147.32%	(56.17%)	91.16%

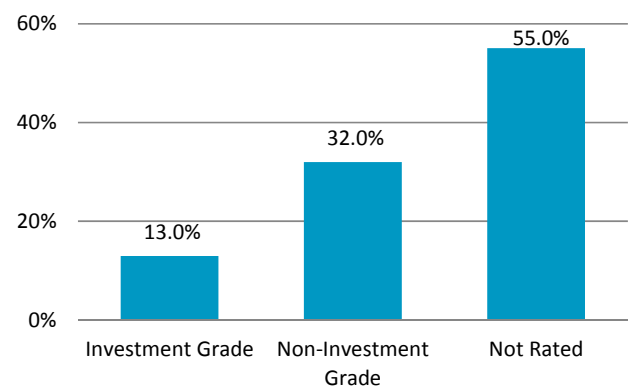
Currency exposure⁽¹⁾⁽²⁾

Region	Long	Short	Net
US/Canada	0.04%	-	0.04%
Core Europe	0.70%	(6.30%)	(5.60%)
Peripheral Europe	0.00%	(0.75%)	(0.75%)
Lat. Am./Caribbean	0.20%	-	0.20%
Middle East/Africa	0.03%	(0.27%)	(0.24%)
Japan	0.04%	(0.36%)	(0.33%)
Asia general	0.19%	(0.57%)	(0.38%)
China/HK/Taiwan	0.00%	(0.10%)	(0.10%)
Total	1.20%	(8.36%)	(7.16%)

Equity exposure – sector breakdown⁽¹⁾

Equity Sector	Long	Short	Net
Energy	1.23%	(1.26%)	(0.02%)
Materials	0.30%	(0.96%)	(0.66%)
Industrials	2.56%	(1.49%)	1.07%
Consumer Discretionary	4.18%	(3.70%)	0.48%
Consumer Staples	0.77%	(0.90%)	(0.14%)
Health Care	10.98%	(5.24%)	5.74%
Financials	4.36%	(5.26%)	(0.90%)
Real Estate	1.09%	(0.08%)	1.01%
Information Technology	6.74%	(2.69%)	4.05%
Communication Services	1.52%	(2.08%)	(0.57%)
Utilities	0.16%	(0.47%)	(0.31%)
Index*	1.71%	(3.16%)	(1.45%)
Unclassified**	2.53%	(0.00%)	2.53%
Total	38.13%	(27.30%)	10.82%

Fixed income ratings⁽¹⁾⁽³⁾



VaR analysis⁽⁴⁾

Date	VaR
9/30/2019	2.64%

- (1) In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. Data is obtained from the Fund's administrator. Blackstone does not guarantee the accuracy of such data. Please see important Disclosure Regarding Exposure at the end of this presentation.
- (2) Exposure figures reflect the aggregate value of the Fund's currency-related derivative instruments. The market value of these instruments will change based on fluctuations in currency exchange rates. Typically, the Fund has other holdings that are also sensitive to currency exchange rates (e.g., physical currency and/or equity and fixed investments that are denominated in a currency). As the value of these other holdings are not reflected in the above exposure figures, the table does not reflect the Fund's total currency exposure.
- (3) Data provided using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings. Investment grade is a rating of a bond that has a relatively low risk of default. Investment grade are bonds rated above BBB- for S&P and Baa3 for Moody's. Non-investment grade is below Investment grade to D.
- (4) Value at Risk ("VaR") is calculated at a 99% confidence level for a one month holding period (20 business days) using a model based on historical Fund data. Please see the Glossary of Terms for a further explanation of VaR.

*Comprised of index futures, options on index futures, ETFs, and ETF options

**Underlying instruments do not have a corresponding GICS sector assignment

Blackstone Diversified Multi-Strategy Fund (BXDMS)

Blackstone

As of September 30, 2019

Fund Net Performance^{1,2}

	As of September 30, 2019						Inception to Date Statistics			
	MTD	QTD	YTD	1 Yr	5 Yr	ITD	St. Dev.	Beta	Alpha	Sharpe
BXDMSIU	0.09%	(0.18%)	5.70%	3.67%	2.51%	2.46%	3.16%			0.47
HFRX Global HF Index	0.45%	1.61%	5.90%	0.01%	0.32%	0.15%	3.39%	0.48	1.83%	(0.25)
Barclays Global Agg Index	(1.02%)	0.71%	6.32%	7.60%	1.99%	1.74%	4.69%	(0.06)	1.51%	0.16
MSCI World Index	2.18%	0.66%	18.15%	2.42%	7.79%	7.30%	11.43%	0.14	0.52%	0.55

Q3 2019 Market Commentary

As we enter the eleventh year of recovery after the Global Financial Crisis, risk-adjusted returns on equities have begun to deteriorate. Over the last twelve months ending September 30, 2019, the S&P 500 produced a total return of 4.25%—comprised of 2.15% of price appreciation and 2.10% of dividend yield. The ride has been bumpy with multiple inter-month sell-offs and peak-to-trough declines of -19.4% in December 2018, -6.5% in May 2019, and -6.1% in August 2019, all triggered by increasing economic uncertainty. To make matters worse, the IPO market is underwhelming, the yield curve has inverted, overnight funding markets are stressed, and equity sector rotation has been aggressive. These symptoms both indicate and exacerbate broader risk aversion.

The change in market outlook over the last year has been dramatic. A year ago, the economy was growing at over 3% per year, the market priced in three rate hikes from the Federal Reserve (the “Fed”) through 2020, and the Institute for Supply Management Manufacturing Purchasing Manager’s Index (“ISM Manufacturing PMI”) hit a cycle high of 60%. One year later, the ISM Manufacturing PMI has hit a cycle low of 47%, the Fed has cut rates twice instead of raising twice, and the market is anticipating an additional three cuts through 2020. On the one hand, the 150 basis point re-pricing in central bank behavior has been a reprieve for investors: the S&P 500 hit an all-time high in late July and fixed income investments—including both government and high yield bonds—have appreciated in line with their interest rate sensitivity. On the other hand, a substantial portion of the value of the ‘Fed Put’ (the idea that the Fed can always rescue the economy by lowering interest rates) is now reflected in market prices. With 10-year yields at 150 basis points, investors are right to question both the economic impact of traditional monetary policy as well as the portfolio impact of traditional diversifiers (i.e. bonds) in a future economic downturn.

Should investors be worried? The U.S. economy is still growing strong, unemployment is reaching cycle lows, and real wages are rising. Further, the typical major imbalances that precede a recession (e.g. overinvestment and build-up in private credit) seem manageable. However, the future has become markedly more uncertain. In fact, a combination of fiscal policies has had a significant hand in derailing the globally synchronized growth we experienced in 2017. What happened? In 2018, a retrenchment of Chinese economic policy—designed to favor higher quality growth over the absolute magnitude of growth—combined with the White House’s initiation of the trade war and Brexit negotiations contributed to a slowdown in global and, in particular, European manufacturing. For example, when auto sales in China fall, the German auto supply chain suffers. In 2019, ongoing escalation of the trade war, Brexit worries, and market

Because of the broadly diversified and low beta nature of the portfolio, BXDMS is not expected to participate in the full upside of broader equity and fixed income markets. None of the indices presented are benchmarks or targets for the Fund. Please see end of document for important disclosure information.

¹ Performance is presented through September 30, 2019. Net performance is net of all fees and expenses. Performance data quoted represents past performance and does not guarantee future results. All ITD statistics above are calculated using daily performance and are annualized. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Information is estimated and unaudited. Additional information and performance data current to the most recent month-end is available at www.bxdms.com.

² Inception to Date statistics are as of BXDMS’ inception on Sept. 10, 2014 through Sept. 30, 2019. Measures of beta or alpha of BXDMS are to the respective index.

volatility continue to make it difficult for corporations around the world to plan investments with confidence. Good managers demand higher returns to make an investment under a cloud of uncertainty, and many just delay investment altogether. Less investment slows down the economy as well as the ability of the economy to grow. This leads to lower demand for suppliers' products, which cascades to the suppliers' suppliers. Uncertainty in demand constrains the ability of companies to raise prices, and when combined with simultaneously rising real wages, lowers profits. In fact, we're now seeing pressure on corporate earnings and the outlook for manufacturing. Less confidence in manufacturing ultimately leads to lower job growth and an undercutting of current employment strength. Thus market commentators are focused on the next domino to potentially fall: employment. In an environment where the potential growth of an economy is close to 'stall-speed,' even modest economic shocks can be enough to tip the balance of the economy into more uncertain territory. This uncertainty is what the market is digesting, and investors are right to be worried. After all, markets tend to lead economic cycles.

Yet this economic recovery could also reach its twelfth year before we suffer a recession. Though equity, bond, and commodity markets all currently price a recession in the winter of 2020, this is not a foregone conclusion. A positive economic surprise could contribute to a significant equity rebound and a subsequent 'fear of missing out' rally. Such positive data could, for example, come from economic stimulus or de-escalation of the trade war in a U.S. election year. While the past ten years have seen abnormally high risk-adjusted equity returns, the next several years may bring greater uncertainty. Now is the time for investors to check whether portfolios are appropriately diversified—not for the market of the past ten years, but for the market we may see in the next five.

How do we invest the Fund in this environment? BXDMS aims to provide capital appreciation with low volatility and low downside sensitivity to traditional asset classes. We do this by focusing on pursuing alpha—idiosyncratic returns that are less correlated to the broader market—and we believe that greater market uncertainty may provide a greater opportunity to generate alpha. In our top down investment process, our actions this quarter reflect the economic realities discussed above. 1) We continue to lower our correlation to the economic cycle, underweighting risk from investments that have seen outsized gains as a result of monetary policy and a strong U.S. economy. Specifically, in an environment where corporate earnings are eroded by real wage growth but where earners of those real wages have contributed to appreciation in housing prices, we underweight risk in corporates (e.g. equities, corporate credit) in favor of risk in mortgage and structured credit strategies. 2) We note that systematic trading strategies can exhibit tail behavior that is exacerbated by crowding. Increasing inflows into such strategies over the last several years are coincident with a decline in their performance. With the macroeconomic environment becoming less certain, we felt it was prudent to reduce some of our quantitative tail exposure as the market dynamics that many of these strategies monetize can change substantially when market regimes change. We feel that reducing our exposure in the current environment is good stewardship of risk, but we maintain future optionality to re-engage with some of these sub-advisers by retaining them on our roster (on the "inactive" list). In our bottom-up process, we continue to be active in sourcing less-correlated exposures from sub-advisers who have structural advantages in specific markets and from those who can monetize non-economic activity from market participants. We also continue to source ideas from our own proprietary flow of direct investments. Overall, we are focused on building greater flexibility to play offense if the cycle does, in fact, turn.³

Review of Q3 2019 Fund Performance

The investment objective of the Blackstone Diversified Multi-Strategy Fund (the "Fund" or "BXDMS") is to seek capital appreciation. The Fund aims to achieve its objective by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or "alternative" investment strategies and by managing assets directly (via BAIA⁴). In Q3, the Fund's Class I USD accumulating share class returned -0.18%¹ net of fees and expenses versus

³ BXDMS is an actively managed portfolio and investment allocations are subject to ongoing revision. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Accordingly, the current exposures are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time. There can be no assurance that the Fund will achieve its investment objectives or avoid significant losses.

⁴ BAIA manages a portion of the Fund's assets directly. Such investments include allocations to funds managed by Glenview Capital Management LLC, EJP Capital LLC, Aeolus Capital Management Ltd., and opportunistic trades. BAIA allocations are subject to change and BAIA's fees on directly managed assets are not reduced by a payment to a sub-adviser.

1.61% for the HFRX Global Hedge Fund Index, 0.71% for the Barclays Global Aggregate Bond Index and 0.66% for the MSCI World index⁵.

Equity Strategies⁶

Equity strategies have contributed 1.40% to the Fund year-to-date and 0.09% for the quarter. September was a particularly challenging month, with equity strategies combining to deliver -0.42% at the Fund level. While none of our sub-advisers directly transact in basic equity style factors, the market impact of the aggressive five-to-seven standard deviation move in equity momentum and value factors detracted from performance for the month.

In other equity strategies, Health Care names have underperformed as the democratic presidential field narrows and the probability that Elizabeth Warren becomes the democratic nominee increases. Despite gyrations in the yield curve, our financials exposure delivered positive returns on the quarter, with contributions from allocations to alternative asset managers.

Credit Strategies⁶

Credit strategies have contributed 4.44% to the Fund year-to-date and added 0.91% at the Fund level for the quarter. All sub-strategies contributed positively on the quarter, with notable returns from our sovereign lending program and notable gains from our asset backed credit allocations. As discussed in our market commentary, we continue to emphasize mortgage and structured credit exposure over corporate credit exposure. Sub-advisers took selective profits over the quarter as the search for yield has compressed credit spreads and have been generally moving up in quality. Multiple sub-advisers noted that significant and ‘relentless’ selling from one major asset manager moved markets and that they were able to navigate resulting turbulence effectively.

Multi-Asset Strategies⁶

Multi-asset strategies have contributed 2.40% to the Fund year-to-date but detracted -0.80% at the Fund level for the quarter. Five of seven multi-asset strategies contributed to performance this quarter, with notable gains from one quantitative multi-asset sub-adviser and an Emerging Markets (“EM”) focused discretionary thematic sub-adviser. Losses this quarter were concentrated in a systematic trading sub-adviser that has since been moved to “inactive” in the Fund, and in a separate EM-focused discretionary thematic sub-adviser that suffered greater than expected mark-to-market losses after a surprise result in Argentinian presidential primaries and that administration’s subsequent mismanagement of market reactions. Since the initial drawdown, positions have recovered slightly and the sub-adviser maintains conviction in the position which they believe will recover during the October election. We should note that the idiosyncratic mark-to-market loss from Argentina in August was coincident with the broader drawdown in U.S. equity markets, contributing to the Fund’s apparent downside market capture, and hence overstating the broader Fund’s market sensitivity.

Investment Committee Addition

We also want to make you aware of a change in our Investment Committee line-up – effective as of September 11, 2019, Raymond (“Ray”) Chan has joined the Fund as a Portfolio Manager. Ray demonstrates high-quality, experienced investment talent that will bring a fresh perspective and be additive to our investment process. He will serve alongside the Fund’s six other existing Portfolio Managers. For more information on Ray’s experience, please refer to the “Investment Committee” section on www.bxdms.com.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only and are based on BAIA’s opinions of the current market environment, which is subject to change. Certain information contained in the Materials discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. Certain of the information provided herein has been obtained from or derived from sources outside Blackstone. BAIA does not guarantee the accuracy or completeness of such information.

⁵ Indices are provided for illustrative purposes only. They have not been selected to represent benchmarks or targets for the Fund, but rather are disclosed to allow for comparison of the Fund’s performance to that of well-known and widely recognized indices. Please see end of document for additional disclosures regarding indices presented.

⁶ Past performance may not be a reliable guide to future performance. The value of BXDMS shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Sub-strategy contribution is shown gross of all fees and expenses. Performance is estimated and unaudited.

All investors should consider the investment objectives, risks, charges and expenses of Blackstone Diversified Multi-Strategy Fund (BXDMS) carefully before investing. The Key Investor Information Document ("KIID"), Prospectus and Supplement contain this and other information about BXDMS and are available on the Blackstone website at www.bxdms.com. All KIIDs are available in English, and certain share class specific KIIDs are available in French, German, Dutch, Danish, Finnish, Swedish, Norwegian, Spanish and Italian as indicated on the Blackstone website. All investors are urged to carefully read the Prospectus, Supplement and KIID in their entirety before investing.

Important Disclosure: Blackstone has agreed to waive its fees and/or reimburse expenses of the Fund so that "Other Expenses" will not exceed 0.45% (annualized). For this purpose, "Other Expenses" includes all expenses incurred in the business of the Fund other than (i) establishment expenses relating to the Fund; (ii) investment management fees; (iii) Performance Fees or Additional Performance Fees; (iv) distributor fees; (v) Eligible Collective Investment Scheme fees and expenses, (vi) brokerage and trading costs, (vii) interest payments, (viii) taxes, and (ix) extraordinary expenses. Blackstone may terminate or modify this arrangement at any time in its sole discretion upon 30 days' notice in writing to the Fund's shareholders.

Important Disclosures Regarding Exposure: Exposure data presented herein does not consider the impact of delta on option positions (unless noted otherwise). Instead, exposures represent the market value of each underlying instrument. Positions of unknown type (if any) are excluded from exposure data. There is no attempt in this report to differentiate between or adjust for shorter versus longer duration rates trades. Instead, they are shown only by market value of exposure. Given that exposure data is based on fund holdings, it excludes unsettled trades. Position level data is obtained from the Fund's administrator. Blackstone does not guarantee the accuracy of such data

Important Risks: There can be no assurance that BXDMS will achieve its investment objective. It should be appreciated that the value of Shares may go down as well as up. An investment in a Fund involves investment risks, including possible loss of the entire amount invested. The capital return and income of BXDMS is based on the capital appreciation and income on the investments it holds, less expenses incurred. Therefore, the Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income. The following is a summary description of certain principal risks of investing in BXDMS:

- General economic and market conditions can affect the price and volatility of investments.
- The success of the Fund depends upon BAIA's skill in determining the Fund's allocation to alternative investment strategies and in selecting the best mix of sub-advisers. There can be no guarantee that sub-advisers will stick to the investment strategy for which they were selected, or that these strategies will be successful.
- The Fund's investments will include shares, bonds and FDI. Certain investment techniques and FDI may increase the adverse impact to the Fund. In particular, there is a risk of infinite loss when using an FDI that derives its value from other assets decreasing.
- BAIA and sub-advisers have conflicts of interest that could interfere with their management of the Fund, including the allocation of time and investment opportunities.
- Some of the sub-advisers selected may hold only a small number of investments, or assets that move closely in line with assets held by other sub-advisers. Sub-advisers may make investment or hedging decisions which conflict or offset with other sub-advisers
- Increased legal, tax and other regulatory developments may adversely impact the ability of BAIA and the sub-advisers to utilize certain investment techniques or invest in certain assets.
- The Fund may invest in countries or through over investment funds that are subject to a weak legal or financial framework, as a result of which it can be hard to enforce ownership rights or repatriate funds.
- The Fund may invest in currencies other than its base currency. The success of measures to protect the Fund or a Class against currency movements cannot be certain.
- The Fund is dependent on BAIA, sub-advisers and other service providers for certain investment management, operational and financial support services. A deficiency in any of these services may have an adverse impact on the Fund.
- The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.
- Low trading volumes, lack of buyers, large positions or legal restrictions may limit or prevent the Fund from selling particular assets quickly and/or at desirable prices.

For further information on the risks faced by the Fund, see "Risk Factors" in the Prospectus and Supplement for the Fund, available from www.bxdms.com.

Conflicts of Interest: Blackstone and the Sub-Advisers have conflicts of interest that could interfere with their management of the Fund. These conflicts, which are disclosed in the Fund's Statement of Additional Information, include, without limitation:

- **Selection of Sub-Advisers.** Blackstone compensates the Sub-Advisers out of the management fee it receives from the Fund. This could create an incentive for Blackstone to select Sub-Advisers with lower fee rates.
- **Financial Interests in Sub-Advisers and Service Providers.** Blackstone, the Sub-Advisers, and their affiliates have financial interests in asset managers and financial service providers. Allocating to an affiliate (or hiring such entity as a service provider) benefits The Blackstone Group Inc. and the relevant Sub-Adviser and redemptions from an affiliate (or terminating such entity as a service provider) would be detrimental to The Blackstone Group Inc. and the relevant Sub-Adviser. For example:
 - Blackstone Strategic Capital Advisors L.L.C. ("BSCA"), an affiliate of BAIA, manages certain funds (the "BSCA Funds") that acquire equity interests in established alternative asset managers (the "Strategic Capital Managers"). One of the Strategic Capital Managers in which the BSCA Funds have a minority interest is Magnetar Capital Partners L.P., a control affiliate of Magnetar Asset Management LLC, a sub-adviser for the Fund. The Fund will not participate in any of the economic arrangements between the BSCA Funds and any Strategic Capital Manager with which the Fund invests.
 - Real Estate Special Situations Advisors L.L.C. ("BRESSA"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group Inc., serves as a Sub-Adviser Sub-Adviser. BRESSA invests primarily in liquid, commercial and residential real estate-related debt instruments.
 - GSO / Blackstone Debt Funds Management LLC ("GSO DFM"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group Inc., serves as a Sub-Adviser. GSO DFM invests primarily in below investment grade corporate credit.
 - Blackstone utilizes technology offered by Arcesium LLC ("Arcesium") to provide certain middle- and back-office services and technology to the Fund. The parent company of a Sub-Adviser owns a controlling, majority interest in Arcesium and Blackstone Alternative Asset Management L.P. owns a non-controlling, minority interest in Arcesium.
- **Other Activities of Blackstone or the Sub-Advisers.** The activities in which Blackstone, the Sub-Advisers, or their affiliates are involved in on behalf of other accounts may create conflicts of interest or limit the flexibility that the Fund may otherwise have to participate in certain investments. For example, if Blackstone or a Sub-Adviser comes into possession of material non-public information with respect to a company, then Blackstone or the relevant Sub-Adviser generally will be restricted from investing in securities issued by that company. Further, Blackstone generally will be restricted from investing in portfolio companies of its affiliated private equity business.
- **Allocation of Investment Opportunities.** Blackstone and the Sub-Advisers (or their affiliates) manage other accounts and have other clients with investment objectives and strategies that are similar to, or overlap with, the investment objective and strategy of the fund, creating potential conflicts of interest in investment and allocation decisions. These conflicts of interest are exacerbated to the extent that the other clients are proprietary or pay higher fees or performance-based fees.

Glossary of Indices: Market indices obtained through Bloomberg. HFR Indices obtained through HFR Asset Management. **Barclays Global Aggregate Bond Index (USD-Hedged):** a broad-based measure of the global investment grade fixed-rate debt markets, comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indexes. **MSCI World Index (USD-Hedged):** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI World is maintained by Morgan Stanley Capital International, and is comprised of stocks from 23 developed markets in the world. **HFRX Global Hedge Fund Index:** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies falling within four principal strategies: equity hedge, event driven, macro/CTA, and relative value arbitrage. Strategies are asset weighted based on the distribution of assets in the hedge fund industry.

Indices are presented are indicative and for illustrative purposes only, are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of BXDMS. In addition, the indices employ different investment guidelines and criteria than BXDMS; as a result, the holdings in BXDMS may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of BXDMS, but rather is disclosed to allow for comparison of BXDMS performance to that of well-known and widely recognized indices. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

Glossary of Terms: **Gross Exposure:** Reflects the aggregate of long and short investment positions in relation to the net asset value. The gross exposure is one indication of the level of leverage in a portfolio. **Net Exposure:** This is the difference between long and short investment positions in relation to the net asset value. The gross exposure is one indication of the level of leverage in a portfolio. **Long:** A long position occurs when an individual owns securities. **Short:** Short selling a security not actually owned at the time of sale. Short positions can also generate returns when the price of a security declines. **Alpha:** A risk-adjusted performance measure that represents the average return on a portfolio over and above that predicted by the capital asset pricing model (CAPM), given the portfolio's beta and the average market return. **Beta:** A measure of the volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole. **Sharpe Ratio:** A ratio to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate – such as that of the 10-year U.S. Treasury bond – from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been. **Standard Deviation:** A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. **Delta:** The ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative. **Synthetic Short:** Short selling an underlying security through the use of derivatives. Synthetic Short positions can generate returns when the price of the underlying security declines. **VaR:** A statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. Value at risk is used by risk managers in order to measure and control the level of risk which the firm undertakes. The risk manager's job is to ensure that risks are not taken beyond the level at which the firm can absorb the losses of a probable worst outcome.