

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 November 30, 2018

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)	\$1,920.05
NAV per Share	€9.51
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) acc.⁽²⁾

Minimum Initial Investment (Mn)	€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
Min Htoo	1 Year
Robert Jordan	7 Years
Ian Morris	9 Years
Alberto Santulin	16 Years
Stephen Sullens	17 Years

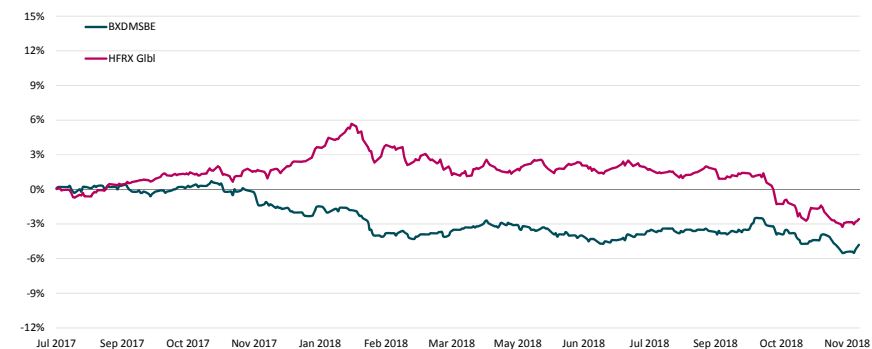
Fund net performance⁽¹⁾

Fund Net Performance	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSBE	(0.31%)	(2.36%)	(2.56%)	(3.70%)	2.74%	-	-	(1.10)
MSCI World TR Index (EUR-Hedged)	0.94%	(6.69%)	(3.06%)	3.11%	10.22%	0.14	(4.07%)	0.37
Barclays Gbl Agg Index (EUR-Hedged)	0.07%	(1.30%)	(5.46%)	(3.82%)	3.57%	(0.01)	(3.63%)	(0.88)

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

	9/30/2013 - 9/30/2014	9/30/2014 - 9/30/2015	9/30/2015 - 9/30/2016	9/30/2016 - 9/29/2017	9/29/2017 - 9/28/2018
MSCI World TR Index (EUR-Hedged)	N/A	N/A	N/A	N/A	9.23%
Barclays Gbl Agg Index (EUR-Hedged)	N/A	N/A	N/A	N/A	(3.62%)
0.00%	N/A	N/A	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. Performance is estimated and unaudited for 2018. Net performance for the Fund as well as indices is from 7/31/17 to 11/30/18 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 BXDMSIU 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.

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.

- (2) The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS 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.

Sub-adviser allocations⁽⁴⁾⁽⁵⁾

Manager	Strategy	Sub-Strategy	Classification
Active Managers			
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
EJF	Relative Value	Fixed Income - Asset Backed	
Good Hill	Relative Value	Fixed Income - Asset Backed	
Sorin	Relative Value	Fixed Income - Asset Backed	
Caspian	Event Driven	Distressed/Restructuring	
Magnetar ⁽¹⁾	Event Driven	Risk Arbitrage	Multi-Asset
Emso	Macro	Discretionary Thematic	
NWI ⁽¹⁾	Macro	Discretionary Thematic	
IPM	Macro	Systematic Diversified	
D.E. Shaw	Multi-Strategy	N/A	
BAIA-Direct ⁽²⁾	Multi-Strategy	N/A	
Inactive Managers⁽³⁾			
Cerberus	Relative Value	Fixed Income - Asset Backed	Inactive
Waterfall	Relative Value	Fixed Income - Asset Backed	
H2O	Macro	Discretionary Thematic	
GSA	Macro	Systematic Diversified	

Performance summary

Sub-Strategy Performance ⁽¹⁾	Allocation at ⁽⁵⁾		MTD		QTD		YTD		ITD Cumulative Performance	
	11/30/2018		Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	33.75%		0.38%	0.15%	(1.02%)	(0.48%)	3.58%	1.56%	0.76%	0.19%
Credit	30.57%		(0.52%)	(0.20%)	(1.02%)	(0.39%)	3.88%	0.81%	7.53%	1.54%
Multi-Asset	35.68%		0.49%	0.23%	(0.93%)	(0.47%)	(1.30%)	(0.62%)	(0.52%)	(0.30%)
Hedging Expenses				(0.30%)		(0.64%)		(2.23%)		(3.36%)
Expenses and Other				(0.19%)		(0.38%)		(2.07%)		(2.96%)
Net Return ⁽²⁾				(0.31%)		(2.36%)		(2.56%)		(4.90%)

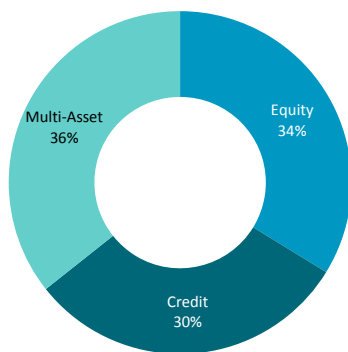
Monthly net performance⁽²⁾

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HFRX BXDMS	Barclays Gibl	MSCI Gibl	MSCI World
2017	-	-	-	-	-	-	-	0.20%	(0.50%)	0.60%	(1.60%)	(1.11%)	(2.40%)	2.40%	1.16%	8.24%
2018	0.00%	(1.54%)	0.31%	0.41%	(1.03%)	(0.42%)	0.94%	-	1.14%	(2.05%)	(0.31%)	-	(2.56%)	(4.89%)	(3.16%)	(0.69%)

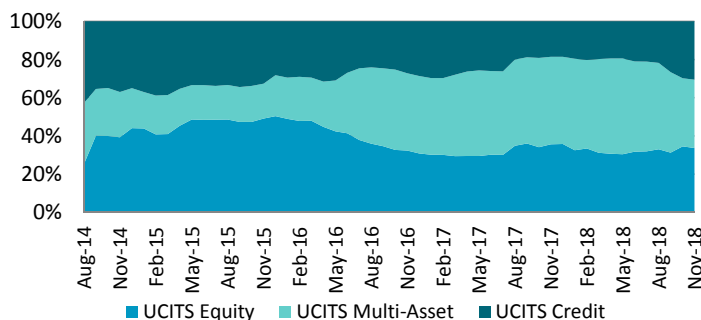
- (1) Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
- (2) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2018. Net performance for the Fund as well as indices is from 7/31/17 to 11/30/18 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. BXDMSBE launched July 31, 2017, prior allocations are for the share class with the longest track record, BXDMSKE.
- (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 L.P. and any redemption or reduction of such allocation would be detrimental to The Blackstone Group L.P., 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) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.
- (7) BAIA manages a portion of the Fund's assets directly. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.

Blackstone Diversified Multi-Strategy Fund (BXDMS)

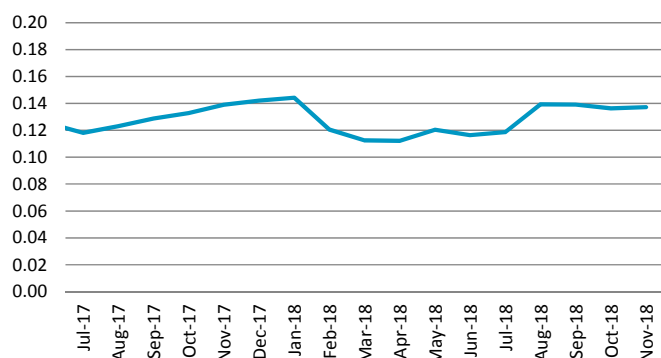
Portfolio allocations⁽¹⁾



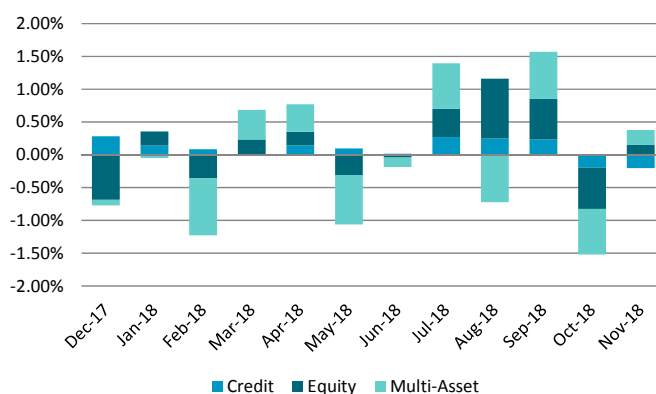
Asset allocation by sub-strategy⁽¹⁾



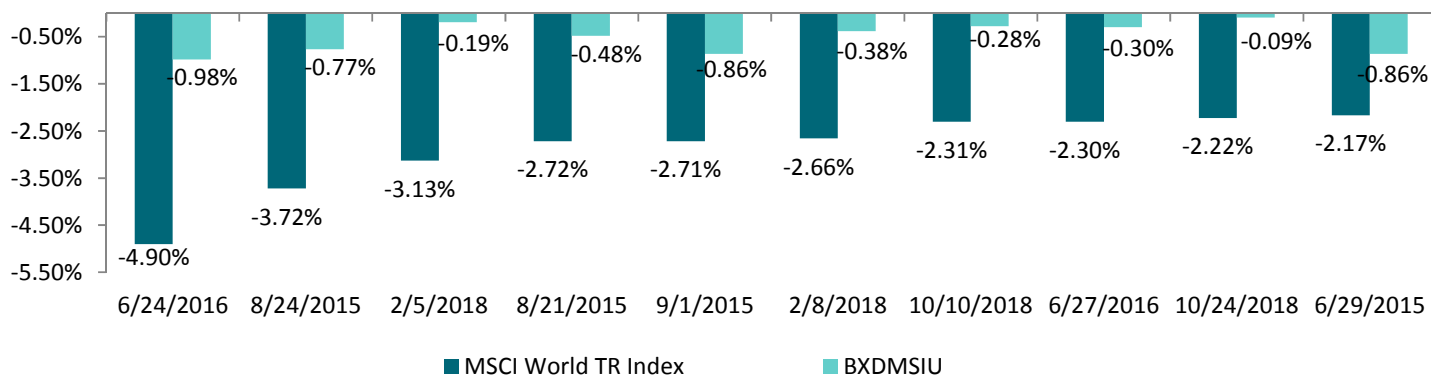
12 months rolling beta against MSCI World⁽²⁾



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

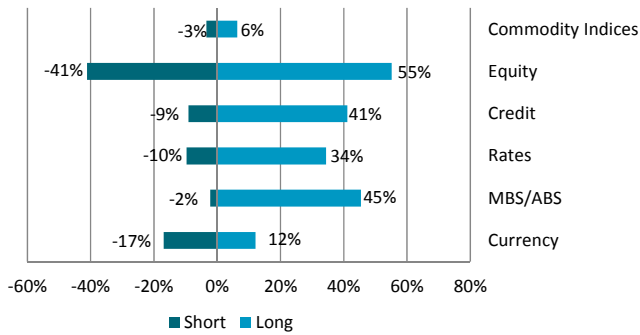


BXDMS performance on worst 10 days for MSCI World since inception⁽³⁾

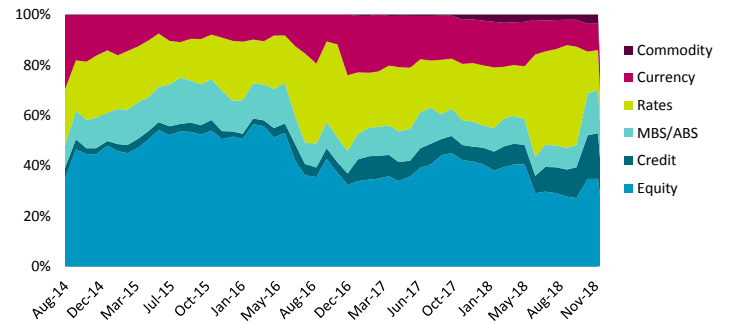


- (1) The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced 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.
- (2) 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.
- (3) The indices presented are indicative and for illustrative purposes only. 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 well-known and widely recognized index. A summary of the investment guidelines for the index presented is available upon request. Performance of the index reflects the reinvestment of dividends. Please see glossary of terms at the end of this presentation for index definitions. Please see the additional disclosure on the last page for additional index definitions. The average daily return for BXDMSIU for the 10 best MSCI World TR days is 0.34%, while the average return of MSCI World TR for the 10 best MSCI World TR days was 2.12%.

Asset class exposure⁽¹⁾



Asset class gross historical exposure⁽¹⁾



Fund geographic exposure⁽¹⁾

Region	Long	Short	Net
US/Canada	139.17%	53.10%	86.07%
Latin America/Caribbean	8.96%	1.49%	7.47%
Core Europe	32.15%	16.89%	15.26%
Peripheral Europe	3.30%	0.56%	2.74%
Middle East/Africa	2.89%	1.83%	1.06%
China/HK/Taiwan	0.58%	3.24%	-2.66%
Asia general	3.23%	3.67%	-0.44%
Japan	4.18%	1.72%	2.46%
Total	194.47%	82.50%	111.96%

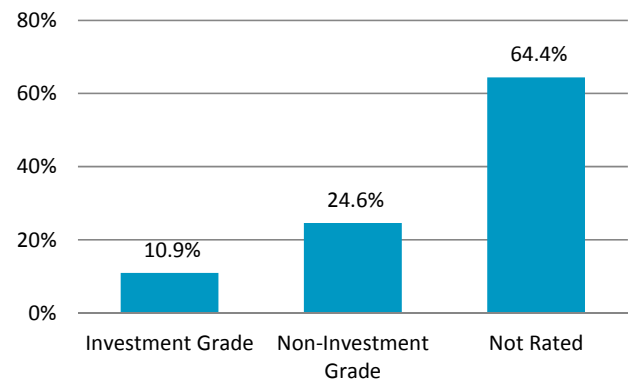
Currency exposure⁽¹⁾

Region	Long	Short	Net
US/Canada	0.01%	1.46%	-1.46%
Latin America	0.45%	0.31%	0.14%
Core Europe	8.11%	13.09%	-4.98%
Peripheral Europe	0.20%	0.16%	0.04%
Middle East/Africa	0.00%	0.65%	-0.65%
China/HK/Taiwan	0.01%	0.38%	-0.37%
Asia general	1.58%	0.32%	1.26%
Japan	1.72%	0.58%	1.14%
Total	12.08%	16.95%	-4.88%

Equity exposure – sector breakdown⁽¹⁾

	Long	Short	Net
Energy	0.98%	-2.74%	-1.76%
Materials	0.75%	-1.21%	-0.46%
Industrials	4.26%	-1.83%	2.43%
Consumer Discretionary	5.46%	-6.38%	-0.92%
Consumer Staples	1.80%	-1.76%	0.05%
Health Care	12.28%	-5.65%	6.62%
Financials	7.49%	-7.10%	0.38%
Real Estate	2.28%	-0.46%	1.83%
Information Technology	9.22%	-4.12%	5.10%
Communication Services	2.28%	-2.45%	-0.17%
Utilities	1.02%	-0.95%	0.07%
Index*	7.08%	-6.46%	0.61%
Unclassified**	0.25%	0.00%	0.25%
Total	55.15%	-41.12%	14.03%

Fixed income ratings⁽¹⁾



VaR analysis⁽³⁾

Date	VaR
11/30/18	2.89%

- 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 State Street Fund Services (Ireland) Limited, the administrator for the Fund. The Fund does not guarantee the accuracy of such data. Using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings.
- Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/10/2014-11/30/2018. 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.
- 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

November Market Commentary

Now that October's financial market turbulence and November's midterm elections are over, the Fed remains committed as ever to its core mission: navigate any unpleasant surprises, but don't take your eyes off the big picture of carefully weaning the U.S. economy off stimulative policies without heading straight into a recession. If successful, it could buy the economy another five years of growth, or so it is hoped.

Can it be done? There are four historical landings pertinent to how things may play out this time: two soft landings (the mid-1990s and the mid-1980s) that were then followed by five more years of prosperity, and two "boom bust" hard landings farther back, but only after two more years of strong growth. These are worth a closer look because they provide potential maps on what to expect in the next two to five years. But as we explain below, we find that the two soft landing episodes are quite different from today's situation. What Chairman Powell is attempting to do will be in a class of its own if he and his Fed colleagues manage to pull this off.

So how does the Fed plan to achieve this? Despite all the uncertainty that inevitably clouds all forecasts, the basic plan is to raise the Fed funds rate another 125bps to 3.25-3.5% over the next two years. As a result, real GDP growth should slow gradually from 3.1% this year, to 2.5% next year, to 2.0% in 2021, and then settle at 1.8% thereafter. Why would the Fed ideally like growth at 1.8%? Because, right or wrong, that is its best guess of U.S. potential growth—the real GDP growth rate which keeps the unemployment rate steady. Given unemployment is already so low at 3.7%, the Fed has to stop it from going much lower given wage inflation might soar otherwise.

Let's compare the Fed's upcoming soft landing challenge to the only other two U.S. soft landings from recent decades. In 1994, the economy boomed and so the Fed doubled interest rates from 3% to 6%. By early 1995, it was clear that the Fed had done enough and the question was whether it had *overdone* it. Perhaps later in 2019 or 2020, the economy might be in a similar place. Then-Fed Chair, Alan Greenspan, pulled off the coveted soft landing, arguably helped because from 1995:

1. The rise of the new economy and associated productivity gains came through more forcefully
2. Stock valuations were cheap and so equities could rise sharply
3. A few rate cuts were thrown in for good measure
4. The unemployment rate leveled out while it still had some cushion room at around 5.5%

That success bought the economy another five years of prosperity and further declines in unemployment before the next recession came along in the tech bust of 2001.

Perhaps history can be repeated if the Fed were to pause next year, but today's conditions are different. Cyclically-adjusted stock valuations are expensive, there's no sign of a productivity acceleration (it did perk up in the past couple of quarters, but remains weak) and there's little chance of rate cuts. Most glaringly, today's unemployment rate, which is nearly 2 percentage points lower versus the mid-1990s, obviously does not have the same cushion room. The Fed may be able to stabilize it at around 3.5%, but once the landing is achieved, it cannot allow the economy to lift off again the way it did in the second half of the 1990s.

Looking at the mid-1980s, the Fed hiked rates from 8.5% to nearly 12% in the 1983/84 boom, which successfully generated a soft landing in 1985. The mid-1980s success also bought the economy an extra five years of good times until the 1990 recession hit. But again, the stock market was cheap, rates were cut substantially to ensure things didn't tip into recession, and the unemployment rate stabilized at around 7%, providing plenty of room to decline further to 5% before the recession hit. And significantly, the oil price collapsed from \$30 per barrel to \$10 in 1986, providing a large "equivalent tax cut" for U.S. consumers. Once again, conditions are different today—yes, the oil price has recently declined, but it would need to drop to \$25 to be equivalent to the mid-1980s experience.

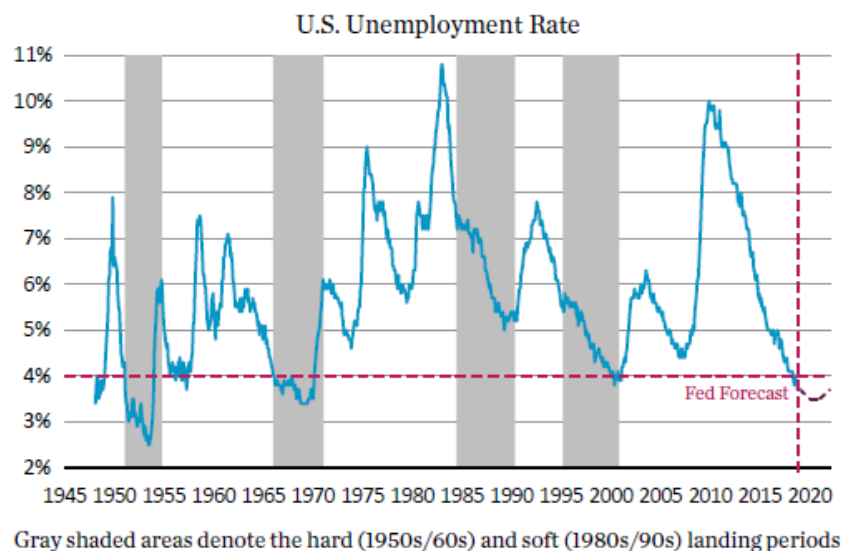
The hard landings of the early 1950s and late 1960s are also worth looking at because they are the only two times in the post-war period where the economy kept rocketing ahead for another 2-2.5 years after the unemployment rate declined

below 4%, a situation we might be in today. Unemployment fell to a low of 2.5% in 1955—but then ran out of luck and recession hit. It caused a bout of deflation which forced the Fed to cut short rates to 1%.

In the mid-to-late 1960s, a similar thing happened: the economy kept booming for another two years after unemployment dipped below 4% in 1966 (eventually falling to a trough of 3.4% in 1968/69), and then recession hit. But this time the Great Inflation was unleashed and wreaked havoc, and it was not brought under control until fifteen years later under Paul Volker’s hawkish Fed leadership.

If we apply the observations from the 1950s and 1960s to today, the implication is that trouble will arrive, but not yet. That keeps the good times rolling for maybe another couple of years, causing unemployment to decline further to 2-3%. It’s natural to think the Fed would then get super-hawkish. Less certain is what happens to wages: will they spiral out of control like the late 1960s or stay low like in the early 1950s?

None of the four historical landings are a great comparison for what might happen to the U.S. economy in the next two to five years as conditions in these prior decades were very different. If the “boom/bust” story is the correct one for the next two years, it may rhyme with the general patterns of the 1950s/60s examples. Conversely, if Powell manages to soft land this economy and extend the cycle another five years, it will be very different from the 1980s/90s examples. Then, the economy was allowed to lift off again after a while. This time, there is no unemployment cushion to allow for that, so no reacceleration will last for long, unless a new productivity miracle arrives in the nick of time. Instead, the economy will have to be kept in a relatively slow mode. Enjoy the flight, but investors better keep their seatbelts on!



Review of November 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 BAIA¹). In November, the Fund’s Class I share class returned 0.00%² net of fees and expenses versus -0.62% and 0.31% for

¹ BAIA manages a portion of the Fund’s assets directly. Such investments include allocations to BAIA’s systematic risk premia trading strategy, funds managed by Glenview Capital Management LLC and EJF Capital LLC, opportunistic credit trades and hedging. BAIA allocations are subject to change and BAIA’s fees on directly managed assets are not reduced by a payment to a sub-adviser.

² Performance is shown net of the Gross Expense Ratio less waived expenses for Class I shares. Performance data quoted represents past performance and does not guarantee future results. 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 above.

the HFRX Global Hedge Fund and Barclays Global Aggregate Bond indices, respectively, and versus 2.04% and 1.19% for the S&P 500 and MSCI World indices, respectively³.

Equity Strategies

Equity strategies (+0.38%)⁴ contributed to Fund performance in November with quantitative Equity Market Neutral sub-strategies leading gains. This was due, in part, to the Fund's focus on U.S. exposures (which outperformed relative to European quantitative strategies) as well as a rebound in statistical arbitrage strategies more broadly during the month.

Across other parts of the book, exposure to the Health Care sector was flat on the month. Long exposure to certain medical equipment companies generated gains in anticipation of positive 2019 guidance. These gains were partially offset by long exposure to a pharmaceutical company, which came under pressure due to the belief that rising interest rates tend to negatively impact growth-oriented companies that have a significant portion of their value tied to future cash flow. Equity index hedges detracted as stocks ended the month in positive territory.

The Fund's exposure to Financials detracted in November due to credit fears and continued economic uncertainty. Companies exhibiting high loan growth were hurt disproportionately as investors feared they will be the first impacted by an end to the current credit cycle and a subsequent decrease in overall lending. On a relative basis, savings and thrift institutions outperformed as their slow shifting loan and deposit book means they are less likely to be impacted during periods of volatility like the one we saw in November.

Effective as of November 27, 2018, Cerebellum GP, LLC ("Cerebellum") no longer serves as a sub-adviser to the Fund. Sub-adviser and strategy additions and terminations are normal events in Blackstone's hedge fund investment process and result from our dynamic evaluation of the top down assessment of the opportunity set for hedge fund strategies as well as the bottom up evaluation of a manager's ability to deliver alpha in a given environment.

Credit Strategies

Credit strategies (-0.52%)⁴ detracted from November performance. The Fund's exposure to credit risk transfer bonds generated losses as spreads of new issues widened in sympathy with broader high yield markets. In corporate credit, exposure to the energy sector detracted amidst a challenging month for companies with ties to commodities. Lower-than expected Q3 earnings and revised forward-looking guidance for a financial services company also detracted as its senior bonds were negatively impacted.

Elsewhere in structured credit, exposure to CMBS benefitted from positive carry. In fact, the Fund purchased additional CMBS during the month as spreads widened to attractive buying levels due to other investors needing to raise cash before year-end.

Multi-Asset Strategies

Multi-Asset strategies (+0.49%)⁴ contributed to Fund performance for the month. Systematic capital structure arbitrage strategies performed well against a backdrop of increased market volatility. The Fund's Multi-Strategy book also generated gains across nominal rates, FX carry strategies and mortgage-backed securities.

Information is estimated and unaudited. For a summary of Fund performance of other share classes, please refer to the Fund's website:

www.bxdms.com.

³ **Indices are provided for illustrative purposes only. They have not been selected to represent appropriate 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.** The indices may include holdings that are substantially different than investments held by the Fund and do not reflect the strategy of the Fund. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that may differ from the Fund. The indices do not reflect the deduction of fees or expenses. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Indices are unmanaged and investors cannot invest in indices.

⁴ Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.

Certain European market exposures faced headwinds related to European growth, a decline in auto production in Germany and concerns regarding Brexit. While certain European exposures have come under pressure, the sub-adviser maintains conviction in these positions due to perceived strength in underlying fundamentals. Additionally, the sub-adviser maintains a constructive view on Brazil and South Africa, which is expressed via certain quasi-sovereign credit exposures, which fared well during the month. Short exposure to U.S. Treasuries detracted. The portfolio also experienced losses from long exposure to Nigerian credit as weakness in oil prices led to fears about broader fiscal weakness in the country.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only. Past performance may not be a reliable guide to future performance. The value of UCITS 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. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Certain of the information provided herein has been obtained from or derived from the Fund's sub-advisers. BAIA does not guarantee the accuracy or completeness of such information.

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.

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 L.P. or the relevant Sub-Adviser and redemptions from an affiliate (or terminating such entity as a service provider) would be detrimental to The Blackstone Group L.P. or 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.
 - BAAM, an affiliate of BAIA, has entered into a joint venture with NWI to create Blackstone NWI Asset Management L.L.C. ("BNAM"), an emerging markets asset manager. BNAM, BAAM and NWI share certain personnel and infrastructure.
 - 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 BAAM 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 Terms:

Beta: A measure of the volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole.

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.

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.

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.

Delta: The ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative.

Gross Exposure: Reflects the aggregate of long and synthetic short investment positions in relation to the net asset value. For example, if BXDMS has 60% long exposure and 50% synthetic short exposure to a particular asset class, then BXDMS has 110% gross exposure to that asset class. The gross exposure is one indication of the level of leverage in a portfolio.

Net Exposure: This is the difference between long and synthetic short investment positions in relation to the net asset value. For example, if BXDMS has 60% long exposure and 50% synthetic short exposure to a particular asset class, then BXDMS is 10% net exposure to that asset class.

Long: A long position occurs when an individual owns securities.

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.

Glossary of Indices:

Market indices obtained through Bloomberg. 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.

Barclays Global Aggregate Bond Index (USD-Hedged): provides a broad-based measure of the global investment grade fixed-rate debt markets. It is 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: 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; 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. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe.

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 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.
- Sub-advisers may make investment decisions which conflict with each other; for example, sub-advisers may hold economically offsetting positions or may purchase or sell the same security at the same time without aggregating their transactions. This may result in unnecessary brokerage and other expenses and the Fund may incur losses as a result.
- 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.
- The Fund's investments will include shares, bonds and FDI. Each of these will be exposed to the risks specific to the type of asset in question. In particular, the use of FDI may result in substantial gains or losses that are greater in magnitude than the original amount invested.
- The Fund may invest in countries with a weak legal or financial framework where 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.
- Changes in exchange rates may have an adverse effect on the value price or income of the product.
- The Fund may invest in FDI that derive their value from other assets in the expectation of making a profit if the price of the assets falls; theoretically, this could result in an infinite loss.
- 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.