

# Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSAS: Class A (SEK) Acc.) – 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 April 30, 2018

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSAS	0.52%	0.52%	(0.81%)	(0.31%)	2.40%	-	-	0.16
MSCI World TR Index	1.21%	1.21%	(0.78%)	14.80%	8.30%	0.12	(2.01%)	1.87
Barclays Gbl Agg Index	(1.60%)	(1.60%)	(0.08%)	(0.64%)	5.00%	0.06	(0.25%)	0.01

## 1 Month Performance Periods – To Last Month End<sup>(1)</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-	-	-	-	-	-	-	-	-	(0.11%)	(1.72%)	0.33%	(1.51%)
2017	1.44%	0.57%	0.56%	0.80%	0.65%	(0.98%)	0.82%	0.18%	(0.41%)	0.60%	(1.41%)	(0.91%)	1.88%
2018	(0.04%)	(1.50%)	0.22%	0.52%	-	-	-	-	-	-	-	-	(0.81%)

## 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)	\$2,287.04
NAV per Share	SEK 99.53
Currency	SEK
Fund Inception Date	August 11, 2014
Share Class Inception Date	October 25, 2016
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSAS ID
ISIN	IE00BYXDVF52

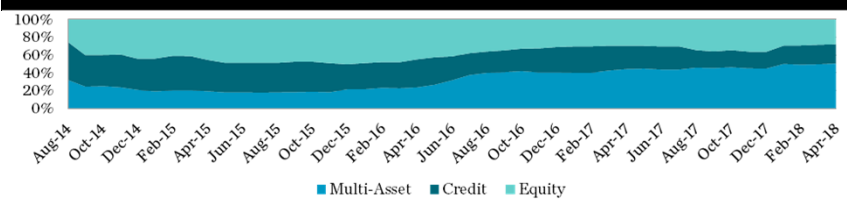
## Fund Terms – Share Class A (SEK) Acc.<sup>(4)</sup>

Minimum Initial Investment	SEK 1,000
Management Fee	1.95%
Performance Fee <sup>(5)</sup>	15.00%
Other Expenses <sup>(6)</sup>	Capped 0.45%

## 12 Month Performance Periods – To Last Quarter End<sup>(1)(2)</sup>

	3/30/2013-3/30/2014	3/30/2014-3/30/2015	3/30/2015-3/30/2016	3/30/2016-3/30/2017	3/30/2017-3/30/2018
BXDMSAS	N/A	N/A	N/A	N/A	(2.00%)
MSCI World TR	N/A	N/A	N/A	N/A	14.20%
Barclays Gbl Agg Index	N/A	N/A	N/A	N/A	6.97%

## Asset Allocation by Sub-Strategy<sup>(3)</sup>



## Portfolio Allocation<sup>(3)(9)</sup>

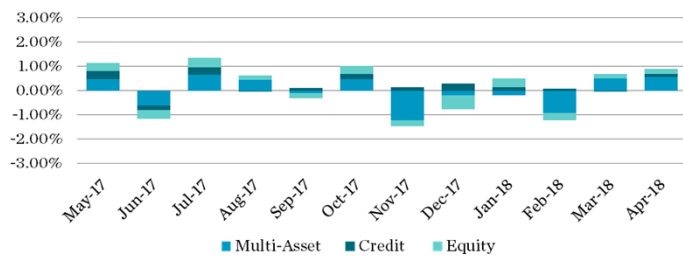
SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
HealthCor	Fundamental	Equity (Long/Short)	30%
Endeavour	Fundamental	Equity (Market Neutral)	
Cerebellum <sup>(7)</sup>	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	51%
IPM	Quantitative	Multi-Asset (Macro Systematic)	
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
GSA	Global Macro	Multi-Asset (Macro Systematic)	
H20	Global Macro	Multi-Asset (Discretionary Thematic)	
NWI	Global Macro	Multi-Asset (Discretionary Thematic)	
BAIA-Direct <sup>(8)</sup>	Multi-Strategy	Multi-Asset (Multi-Strategy)	
DE Shaw	Multi-Strategy	Multi-Asset (Multi-Strategy)	19%
Magnetar	Event Driven	Risk Arbitrage	
Cerberus <sup>(7)</sup>	Opportunistic Trading	Credit (MBS/ABS)	
Bayview	Fundamental	Credit (MBS/ABS)	
Caspian	Fundamental	Credit	
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall <sup>(7)</sup>	Fundamental	Credit (MBS/ABS)	

- Fund performance is shown net of all fees and expenses. Performance is estimated and unaudited for 2018. 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. Net performance for the Fund as well as indices is from 10/25/16 to 4/30/18 and is cumulative.
- 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 BXDMSAS 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.
- 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. BXDMSAS launched on 10/25/16, prior allocations are for the share class with the longest track record, BXDMSKE.
- The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS prospectus and supplement.
- 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.
- 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 is not currently managing any Fund assets. Allocations may change at any time without notice.
- BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic a risk premia trading strategy, a short-only fundamental equity strategy (advised by Gracian Capital on a non-discretionary basis), and may also include opportunistic trades. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.
- 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.

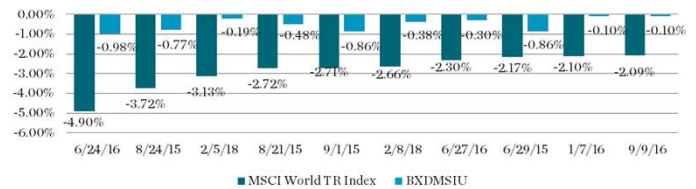
## Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(5)</sup> 4/30/2018		MTD		QTD		YTD		ITD Cumulative Performance	
	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	30.30%	0.49%	0.20%	0.49%	0.20%	1.25%	0.45%	13.07%	2.25%	
Credit	19.15%	0.65%	0.14%	0.65%	0.14%	1.63%	0.35%	26.14%	4.93%	
Multi-Asset	50.55%	1.05%	0.55%	1.05%	0.55%	(0.26%)	(0.09%)	7.54%	(0.27%)	
Hedging Expenses			(0.19%)			(0.19%)	(0.77%)		(3.65%)	
Expenses and Other			(0.19%)			(0.19%)	(0.75%)		(3.73%)	
Net Return <sup>(2)</sup>			0.52%			0.52%	(0.81%)		(0.47%)	

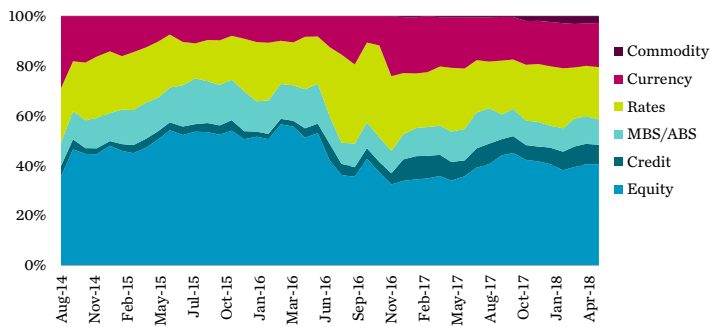
### Performance Contribution by Sub-Strategy<sup>(3)</sup>



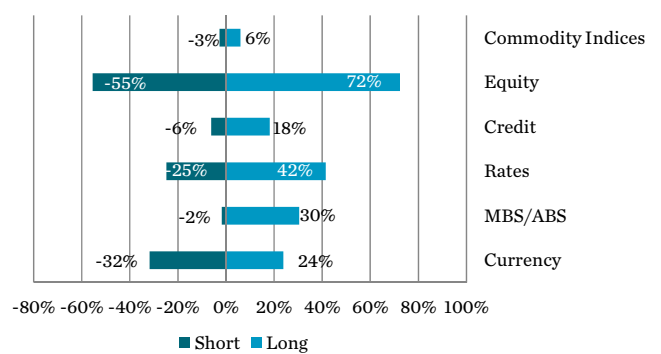
### Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception<sup>(6)(8)</sup>



### Asset Class Gross Historical Exposure<sup>(4)(5)(7)</sup>



### Asset Class Exposure<sup>(4)</sup>



### Fund Geographic Exposure<sup>(4)</sup>

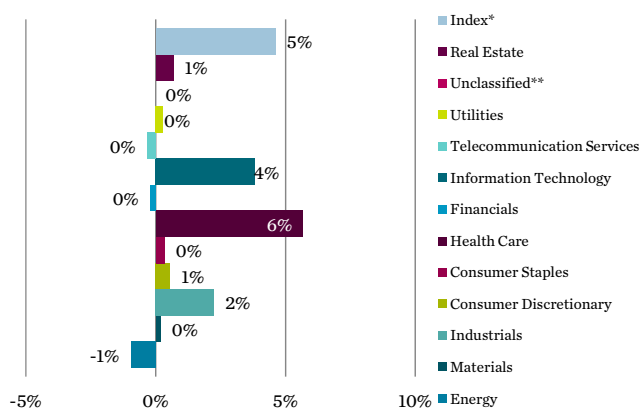
Region	Long	Short	Net
US/Canada	116.81%	74.99%	41.82%
Latin America/Caribbean	6.51%	1.76%	4.75%
Core Europe	37.58%	30.28%	7.31%
Peripheral Europe	5.44%	0.25%	5.18%
Middle East/Africa	3.26%	2.01%	1.25%
China/HK/Taiwan	1.18%	2.83%	-1.65%
Asia general	12.35%	6.59%	5.76%
Japan	9.09%	4.05%	5.04%
<b>Total</b>	<b>192.21%</b>	<b>122.76%</b>	<b>69.45%</b>

### Currency Exposure<sup>(4)</sup>

Region	Long	Short	Net
US/Canada	4.30%	3.42%	0.88%
Latin America	1.04%	1.02%	0.03%
Core Europe	8.09%	21.09%	-13.00%
Peripheral Europe	0.34%	0.13%	0.21%
Middle East/Africa	0.23%	0.99%	-0.76%
China/HK/Taiwan	0.45%	0.87%	-0.43%
Asia general	7.07%	3.40%	3.67%
Japan	2.34%	0.91%	1.44%
<b>Total</b>	<b>23.87%</b>	<b>31.83%</b>	<b>-7.95%</b>

- Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
- 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 10/25/16 to 4/30/18 and is cumulative. ITD net return is cumulative not annualized.
- 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. 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.
- Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.
- 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.
- Information prior to the inception of this share class is for BXDMSKE.
- 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 2.07%.

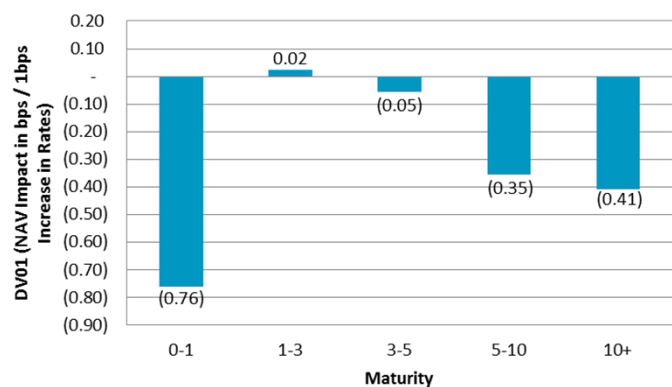
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



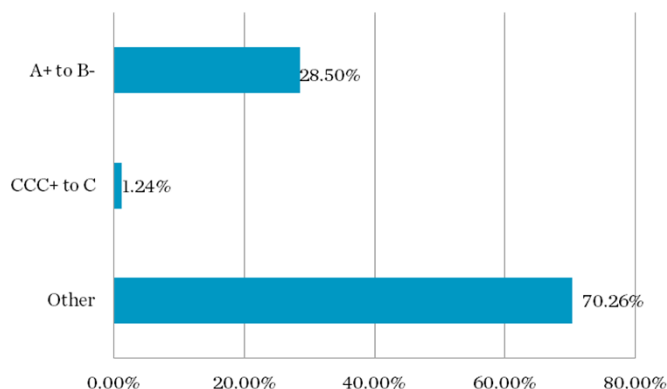
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	2.56%	3.50%	-0.95%
Materials	1.63%	1.45%	0.18%
Industrials	5.17%	2.94%	2.24%
Consumer Discretionary	7.02%	6.47%	0.55%
Consumer Staples	2.38%	2.04%	0.34%
Health Care	13.91%	8.24%	5.66%
Financials	7.27%	7.48%	-0.20%
Real Estate	1.33%	0.64%	0.69%
Information Technology	8.99%	5.17%	3.82%
Telecommunication Services	0.29%	0.61%	-0.32%
Utilities	1.27%	0.98%	0.28%
Index*	20.53%	15.91%	4.62%
Unclassified**	0.00%	0.00%	0.00%
<b>Total</b>	<b>72.35%</b>	<b>55.44%</b>	<b>16.90%</b>

## Fixed Income Interest Rate Sensitivity<sup>(2)</sup>



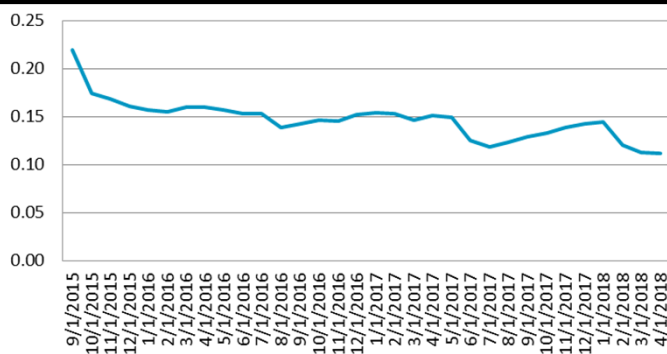
## Fixed Income Ratings<sup>(1)</sup>



## VaR Analysis<sup>(3)</sup>

Date	VaR
4/30/18	2.92%

## 12 months rolling beta against MSCI World<sup>(4)</sup>



- 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.
- Dv01 represents the estimated change in NAV for the fund, expressed in basis points, for a 1 basis point increase in interest rates across each of the maturity ranges shown. Fixed income instruments are typically held across a number of different currencies.
- 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.
- Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/11/2014-4/30/2018. 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.

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

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

## April Market Commentary

The second quarter started with positive equity index performance, a welcomed reversal from the losses seen in February and March. The S&P 500 returned 0.38% and the MSCI World returned 1.28% for the month. While the final tallies for April are encouraging, indices continued to bounce around, providing no indication of a near-term conclusion to 2018's spike in equity market volatility. In fact, of the 21 trading days in April, the S&P 500 registered eight days wherein the closing price of the index was at least 1% higher or lower than the previous day's closing price. This brought the year to date total for such moves to 31. For reference, a summary of the number of days on which the S&P 500 recorded moves of at least 1% in either direction dating back to 2008 is included below. This information illustrates the sustained tranquility that we have experienced throughout much of the current economic expansion, juxtaposed with the recent uptick in volatility we have seen year-to-date.

Number of Trading Days with at Least 1% Move in S&P 500<sup>1</sup>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>YTD 2018</u>
135	116	75	95	50	39	38	73	48	8	31

Notably, April's conclusion marked the 106th consecutive month of the current economic expansion, which dates back to June 2009. This expansionary cycle is now the second longest in history, matching that of the 1970s and currently sitting just 14 months shy of that seen leading up to the burst of the dot-com bubble<sup>2</sup>. While the length of the recovery alone may give investors pause, we believe that expansions do not die of old age. Generally, some meaningful event ushers in a recession. The difficulty lies in identifying what that event may be and preparing a portfolio to withstand it.

In previous editions of our commentary, we discussed a number of potential catalysts that could pose a threat to the current recovery and, with it, historically placid markets. One such potential and timely catalyst is the threat of a global trade war. On March 8th, President Trump signed orders to place stiff tariffs of 25% and 10% on imported steel and aluminum, respectively. This action has kicked off intense negotiations with a number of the United States' major trade partners and triggered some nations to respond with tariffs of their own on goods imported from the United States. While the nations impacted are many, including U.S. allies such as South Korea, the EU bloc, and Canada, much of the market's attention has been focused on how such confrontational trade policies could affect the relationship between China and the U.S.

In 2015, China purchased \$165 billion in goods and services from the U.S., a figure that represented 7% of U.S. exports and approximately 1% of total economic output<sup>3</sup>. While 1% may not sound all that meaningful, investors should remember that the goods China purchases from the U.S. are not a pro-rata distribution across all goods produced by the U.S. In fact, soybeans are a notable example of this inequity. Soybeans are the second largest American crop, and it just so happens that China is the world's top importer of the bean. Over a two week period ending April 19th, just 6 weeks after the announced tariffs, China canceled orders for 62,690 metric tons of U.S. soybeans<sup>4</sup>.

While this move is likely to impact commodities markets, the ripple effect of such a shift in the balance of global supply and demand is nuanced and difficult to quantify. If demand for American soybeans drops materially, one can reasonably assume that impact may bleed into other markets. For example, farmers who raise soybeans for sale will be economically vulnerable, and they could respond in a number of ways. These may include repurposing their fields, reducing demand for farming machinery or gasoline, or reducing personal consumption due to budgetary constraints, each of which has implications for other industries. Additionally, much of this impact will be borne by concentrated pockets of the country. Illinois and Iowa were the top soybean output states in 2016, producing 600 million and 560 million bushels respectively<sup>5</sup>. A decrease in demand for the crop could result in lower incomes in those areas and lead to lower tax revenues for select municipalities.

The final determinations on both U.S. and international tariffs have yet to be made, but the impact of these trade barriers has the potential to roil a multitude of international markets including equities, fixed income, currencies, and commodities. These uncertain conditions, combined with other risks we have discussed recently (rising interest rates, stretched equity valuations, divergent central bank policies), make it reasonable to expect continued volatility in risk assets. For these reasons, allocations to complementary investments that maintain a low beta profile and have the ability to invest across asset classes and geographies may help protect capital in uncertain environments.

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1. Year-to-date 2018 figures are as of 3/31/2018. Figures reflect closing price variance of at least 1% from the prior day.
  2. Source: The National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, May 2018.
  3. Source: The US-China Business Council, Understanding the US-China Trade Relationship, January 2017.
  4. Source: Bloomberg, China Seen Jolting Soybean Market by Shunning U.S. Supplies, May 2018.
  5. Source: United States Department of Agriculture.

## Review of April Fund Performance

The investment objective of the Blackstone Alternative Multi-Strategy Fund (the “Fund”) 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 BAIA<sup>6</sup>). In April, the Fund’s Class I share class returned 0.75%<sup>7</sup> net of fees and expenses versus 0.38% and 1.21% for the S&P 500 and MSCI World indices, respectively and versus -1.60% for the Barclays Global Aggregate Bond Index<sup>8</sup>.

### Equity Strategies

Equity strategies contributed positively to performance in April. Equity Long Short sub-strategies ended the month higher, driven by divergence among financial sector equities. Current economic dynamics, including rising interest rates, healthy consumer balance sheets, and low unemployment, are broadly supportive of financial sector equities. Long positioning within the financial sector participated in this theme as a number of financial institutions reported strong first quarter earnings. Notably, the current environment also creates opportunity for investors that have the ability to short select financial institutions. For instance, rising interest rates are supportive of bank operating margins only so long as that bank can raise interest rates on loans made to consumers at a faster pace than they must raise interest rates paid on customers’ savings accounts. A bank’s inability to manage those risks, and thus the bank is forced to increase the rate it pays for savers’ dollars without the ability to raise the rates it receives on dollars lent to borrowers, will result in a compression in the bank’s profitability margins. This thesis played out in April, as short positioning in a bank holding company profited as higher rates caused the institution’s margins to compress.

Equity Market Neutral sub-strategies detracted from performance throughout the month. These strategies’ focus on fundamental and empirical information was a headwind as equity markets were largely driven by investor sentiment throughout the month, fueled by headlines such as the relations between the U.S. and China as well as the minutes from the Federal Reserve’s March meeting.

### Credit Strategies

Credit strategies contributed positive performance for the month. As mentioned in previous editions of our commentary, we have reduced the Fund’s exposure to fixed-rate, corporate credit instruments and increased exposure to floating-rate, structured credit instruments to reflect our views of historically tight corporate credit spreads and the likelihood of higher interest rates. This top-down allocation decision was accretive to Fund performance in April as structured credit instruments saw broad strength while fixed-rate, corporate credit saw negative performance (as proxied by the Barclays Global Aggregate Bond Index).

While the broad strength seen across structured credit instruments is helpful to the Fund, such wide ranging strength can also act as a headwind on the short side. For example, the Fund’s intention to generate alpha via security selection requires that sub-advisers isolate the credit risk they want (i.e. go long) while simultaneously neutralizing broad market risk (i.e. hedge or go short). This should allow the sub-adviser to profit from the relative outperformance of the credit risk for the individual instrument they are targeting, without being as susceptible to the whims of the broad market. In April, sub-advisers hedged broad structured credit exposure via short positioning in CMBX (the Commercial Mortgage Backed Securities index), while simultaneously going long individual credit instruments.

Additionally, Credit Risk Transfer bonds (CRTs) continue to drive performance within the credit book. In April, spreads tightened as investors continued to support these securities, in line with our thesis that CRTs offer attractive yield with an attractive risk profile.

### Multi-Asset Strategies

Multi-Asset strategies delivered strong performance in April. Risk premia strategies continued the positive performance seen in 2018, as these diversifying exposures contributed strong gains. Over the course of the month, short positioning in the Swiss Franc, driven by Carry and Purchasing Power Parity models, drove gains. Carry models evaluate a currency’s attractiveness given the interest rate associated with that currency. Purchasing Power Parity models make a similar evaluation given a currency’s purchasing power relative to other currencies.

Discretionary Thematic sub-strategies also contributed positive performance, as short positioning in US 10 year Treasuries gained amid increasing expectations for higher rates in 2018 driven by the Federal Reserve’s minutes released in April.

Macro Systematic sub-strategies detracted from performance in April. Short positioning in Russell 2000 futures amid the index’s rally as well as short positioning in Canadian 10 year rates detracted from gains. Gains in Multi-Strategy sub-strategies were tempered by losses in Euro-Bund futures long positioning.

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#### None of the indices presented herein are benchmarks or targets for the Fund.

6. BAIA manages a portion of the Fund’s assets directly. Such investments presently include allocations to BAIA’s systematic risk premia trading strategy, a short-only fundamental equity strategy (advised by Gracian Capital on a non-discretionary basis), and funds managed by Glenview Capital Management LLC, and may include other opportunistic trades in the future. BAIA’s fees on directly managed assets are not reduced by a payment to a sub-adviser.
7. 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. Information is estimated and unaudited. For a summary of Fund performance of other share classes, please refer to the Fund’s website: [www.bxmix.com](http://www.bxmix.com).
8. Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks 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.

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.blackstone.com/BXDMS](http://www.blackstone.com/BXDMS). 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 NWT to create Blackstone NWT Asset Management L.L.C. ("BNAM"), an emerging markets asset manager. BNAM, BAAM and NWT share certain personnel and infrastructure.
  - Blackstone is in the process of onboarding 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.

**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.

#### **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 (EUR-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 (EUR-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 all the developed markets in the world. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. ([www.msci.com](http://www.msci.com))

#### **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.blackstone.com/BXDMS](http://www.blackstone.com/BXDMS)