

Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSAU: Class A (USD) 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 December 31, 2016

Fund Net Performance ⁽¹⁾⁽²⁾	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSAU	0.60%	(0.40%)	0.80%	0.80%	2.92%	1.00	0.00%	0.37
MSCI World TR Index	2.43%	1.97%	6.21%	6.21%	11.33%	0.14	(0.15%)	0.81
Barclays Gbl Agg Index	(0.46%)	(7.07%)	(4.26%)	(4.26%)	5.50%	0.09	1.12%	(1.19)

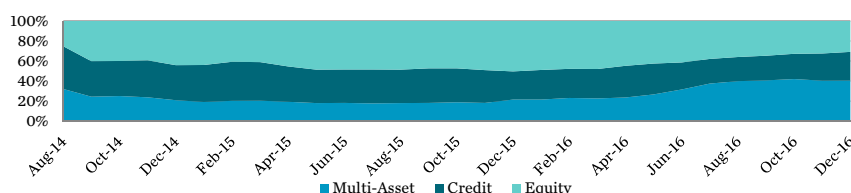
1 Month Performance Periods – To Last Month End⁽¹⁾⁽³⁾

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-	-	-	-	0.70%	(0.89%)	0.90%	(0.40%)	0.90%	0.49%	(1.47%)	0.60%	0.80%

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.

Asset Allocation by Sub-Strategy⁽⁴⁾



Fund highlights

Fund Assets (Mn)	\$1,565.90
NAV per Share	\$10.08
Currency	USD
Share Class Inception Date	April 29, 2016
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSAU ID
ISIN	IE00BYXDVH76

Portfolio Allocation⁽⁴⁾

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
Railsplitter ⁽⁹⁾	Fundamental	Equity (Long/Short)	31%
GSIS	Fundamental	Equity (Long/Short)	
HealthCor	Fundamental	Equity (Long/Short)	
Wellington ⁽⁹⁾	Fundamental	Equity (Long/Short)	
Senfina ⁽⁸⁾⁽⁹⁾	Fundamental	Equity (Market Neutral)	
Cerebellum	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)	41%
IPM	Quantitative	Multi-Asset (Macro Systematic)	
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
BAIA-Direct ⁽¹⁰⁾	Multi-Strategy	Multi-Asset (Multi-Strategy)	
DE Shaw	Multi-Strategy	Multi-Asset (Multi-Strategy)	
Chatham	Opportunistic Trading	Credit	29%
Cerberus	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	Fundamental	Credit (MBS/ABS)	

Fund Terms – Share Class A (USD) Acc.⁽⁵⁾

Minimum Initial Investment	\$1,000
Management Fee	1.95%
Performance Fee ⁽⁶⁾	15.00%
Other Expenses ⁽⁷⁾	Capped 0.45%

(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 2016. Net performance for the Fund as well as indices is from 4/29/16 to 12/31/16 and is cumulative. 4/29/16 had flat performance. Performance is estimated and unaudited for 2016.

(2) 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 BXDMSAU compared to the specific indices. Standard deviation and Sharpe calculations are annualized. All Inception to Date Statistics are calculated using daily performance since Inception.

(3) Performance is presented through 12/31/16. Performance is estimated and unaudited for 2016. Net performance is net of all fees and expenses. 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 quoted. Additional information and current performance data is available at www.blackstone.com/bxdms. BXDMSAU launched on 4/29/16 and thus performance for April 2016 is limited to April 29 through April 30.

(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. BXDMSAU launched on 4/29/16, prior allocations are for the share class with the longest track record, BXDMSKE.

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

(6) 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.

(7) 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.

(8) Blackstone Senfina Advisors L.L.C. "Senfina" is an indirect wholly-owned subsidiary of The Blackstone Group L.P., a publicly traded master limited partnership that has units that trade on the New York Stock Exchange under the symbol "BX." Senfina is an affiliate of BAI, the Fund's investment adviser, on the basis that it is under common control with BAI. The investment by BXDMS with Senfina benefits Blackstone and a withdrawal from Senfina would be detrimental to Blackstone.

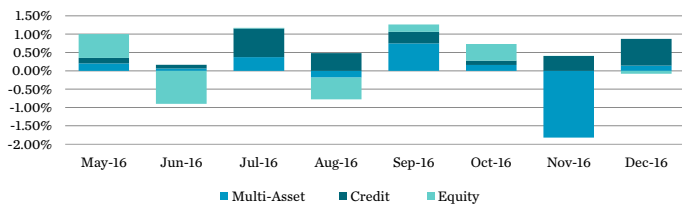
(9) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice. Senfina was terminated as a sub-adviser on 12/22/16. Rail-splitter was terminated as a sub-adviser as of 12/16/16.

(10) BAI manages a portion of the Fund's assets directly. Such assets include allocations to a risk premia trading strategy and may also include opportunistic trades. BAI's fees on directly managed assets are not reduced by a payment to a sub-adviser.

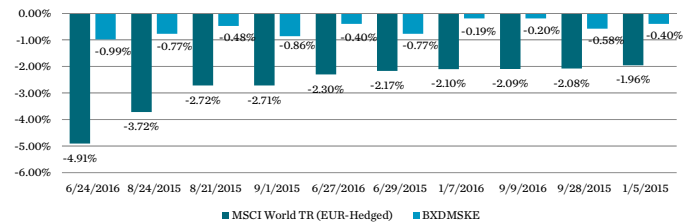
Performance Summary

Sub-Strategy Performance ⁽¹⁾	Allocation at ⁽⁵⁾		MTD		QTD		ITD Cumulative Performance	
	12/30/2016	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	30.90%	(0.20%)	(0.08%)	0.93%	0.38%	(0.44%)	(0.25%)	
Credit	28.60%	2.03%	0.73%	3.70%	1.25%	9.93%	3.10%	
Multi-Asset	40.50%	0.38%	0.24%	(2.87%)	(1.42%)	(0.22%)	(0.24%)	
Expenses and Other			(0.29%)		(0.60%)		(1.81%)	
Net Return ⁽²⁾			0.60%		(0.40%)		0.80%	

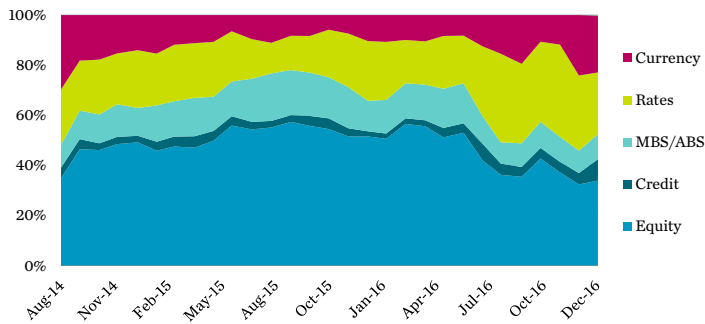
Performance Contribution by Sub-Strategy⁽³⁾



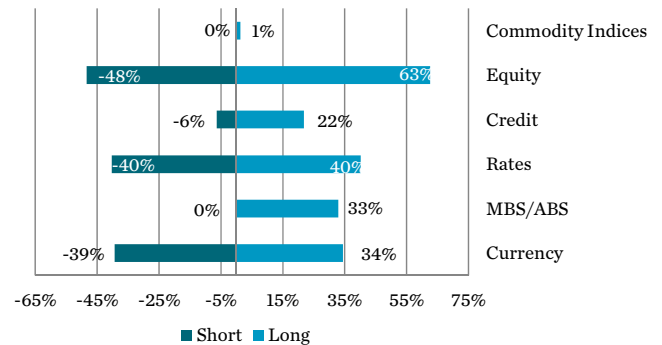
Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception⁽²⁾⁽⁶⁾⁽⁷⁾



Asset Class Gross Historical Exposure⁽⁴⁾⁽⁵⁾⁽⁷⁾



Asset Class Exposure⁽⁴⁾



Fund Geographic Exposure⁽⁴⁾

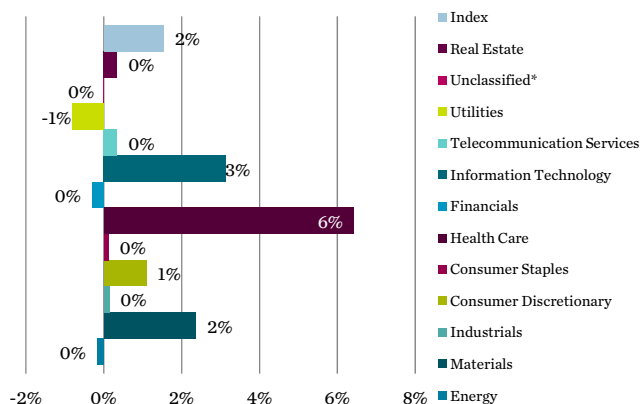
Region	Long	Short	Net
US/Canada	105.11%	54.61%	50.50%
Latin America/Caribbean	10.36%	1.39%	8.97%
Core Europe	42.79%	47.89%	-5.10%
Peripheral Europe	6.19%	5.78%	0.41%
Middle East/Africa	1.19%	3.91%	-2.72%
China/HK/Taiwan	1.12%	1.06%	0.06%
Asia general	15.48%	8.17%	7.31%
Japan	11.12%	11.69%	-0.57%
Total	193.36%	134.50%	58.86%

Currency Exposure⁽⁴⁾

Region	Long	Short	Net
US/Canada	2.74%	5.09%	-2.35%
Latin America	1.44%	0.37%	1.06%
Core Europe	10.92%	21.85%	-10.92%
Peripheral Europe	2.10%	1.04%	1.06%
Middle East/Africa	0.77%	2.65%	-1.88%
China/HK/Taiwan	0.05%	0.66%	-0.62%
Asia general	6.77%	7.02%	-0.25%
Japan	9.65%	0.68%	8.98%
Total	34.44%	39.36%	-4.92%

- 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 2016. Net performance for the Fund as well as indices is from 4/29/16 to 12/31/16 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 is for BXDMSKE, the BXDMS share class with the longest track record. MSCI World represents MSCI World (EUR-Hedged) to be consistent with BXDMSKE currency. Please see the additional disclosure on the last page for additional index definitions. The average daily return for BXDMSKE for the 10 best MSCI World TR (EUR) days is 0.35%, while the average return of MSCI World TR (EUR) for the 10 best MSCI World TR (EUR) days was 2.06%.

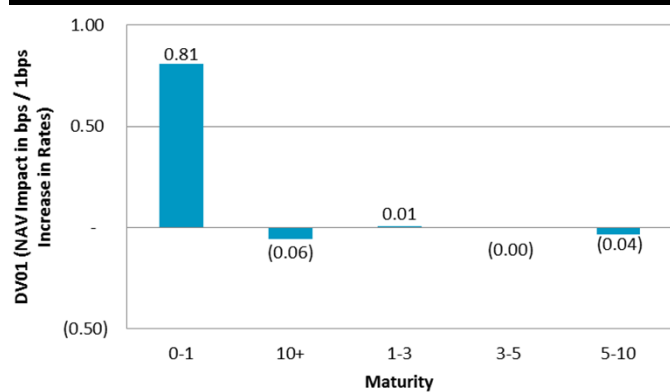
Equity Exposure – Net Sector Breakdown⁽¹⁾



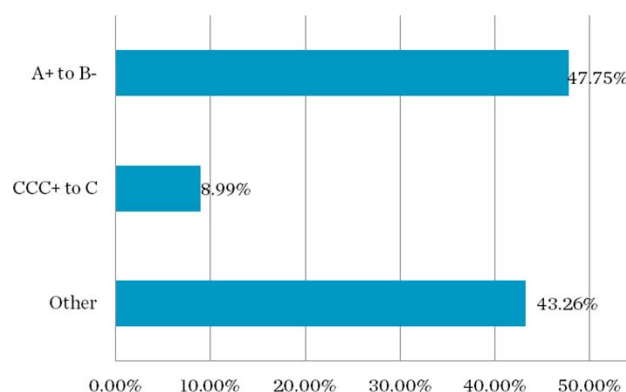
Equity Exposure – Sector Breakdown⁽¹⁾

	Long	Short	Net
Energy	0.87%	1.03%	-0.16%
Materials	2.86%	0.49%	2.36%
Industrials	2.35%	2.21%	0.14%
Consumer Discretionary	6.81%	5.71%	1.10%
Consumer Staples	1.58%	1.46%	0.12%
Health Care	14.09%	7.68%	6.41%
Financials	2.14%	2.43%	-0.29%
Real Estate	0.37%	0.03%	0.34%
Information Technology	7.12%	3.98%	3.14%
Telecommunication Service	0.49%	0.15%	0.34%
Utilities	0.12%	0.92%	-0.80%
Index	23.86%	22.33%	1.53%
Unclassified*	0.01%	0.00%	0.01%
Total	62.66%	48.41%	14.25%

Fixed Income Interest Rate Sensitivity⁽²⁾



Fixed Income Ratings⁽¹⁾



VaR Analysis⁽³⁾

Date	VaR
12/31/16	2.09%

- (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 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.
- (2) 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.
- (3) 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

December Market Commentary

Continuing the remarkable rally in the wake of November's U.S. Presidential election, equity markets rose once again in December on investor enthusiasm for anticipated deregulation, tax cuts, and fiscal stimulus under the incoming Trump administration. On December 20th, the Dow Jones Industrial Average hit a record high, closing just shy of the milestone 20,000 mark, propelled primarily by strong performance in the financial, industrial, and energy sectors. Meanwhile, in commodities, crude oil edged higher after OPEC's decision to cut production last month led to decreased supply.

A number of economic indicators also reflected the prevailing positive sentiment in the markets. The Conference Board's consumer confidence index reached its highest level since August 2001, and the National Association of Home Builders sentiment index climbed to an 11-year high. Additionally, the U.S. unemployment rate in November was 4.6%, its lowest level since August 2007. These metrics indicated increased optimism and a strengthening economy on the home front.

Mid-month, the Federal Reserve ("Fed") held its December meeting and, with an eye on the healthier labor market and improving economic conditions, voted unanimously in favor of the second rate hike in a decade. The target Fed Funds rate increased 25 basis points to between 0.50% and 0.75%, and the Fed suggested the possibility of three additional quarter-percent hikes in 2017. Following the Fed's decision, the dollar rose as USD-denominated assets became more attractive given interest rate prospects in 2017.

With a new presidential administration about to take office and uncertainty about the implications of new political and economic policies, we believe that a low beta, low volatility portfolio like Blackstone Diversified Multi-Strategy Fund ("BXDMS") could offer diversifying exposure in a broader portfolio.

Review of Fund Performance¹

The investment objective of Blackstone Diversified Multi-Strategy Fund (the "Fund") is to seek capital appreciation. The Fund aims to achieve its objective by managing assets directly (via BAIA²) or by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or "alternative" investment strategies. In December, the Fund's Class I share class returned 0.68%³ net of fees and expenses versus 1.98% and 2.43% for the S&P 500 and MSCI World Indices, respectively, and versus (0.46)% for the Barclays Global Aggregate Bond Index.

Equity Strategies

Equity strategies ended the month slightly negative, with mixed performance among Equity Long/Short sub-strategies and slight losses in Equity Market Neutral sub-strategies. December continued to see the aftermath of the U.S. election and the Fed's rate hike drive sector dispersion. The portfolio's lack of material long exposure to energy and utilities (typical hedge fund underweights) as well as an underweight to U.S. financials caused the Fund to miss out on the broader market rally which was largely driven by those types of exposures. However, the Fund's largest sector overweight, healthcare, did add to gains on the month.

1. 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. Source: Bloomberg, as of 31 Dec. 2016.

2. Blackstone Alternative Investment Advisors ("BAIA"), the Fund's investment advisor, manages a portion of the Fund's assets directly. Such assets include allocations to a risk premia trading strategy and may also include opportunistic trades. BAIA's fees on directly managed assets are not reduced by a payment to a sub-advisor.

3. Performance is shown net of all fees and expenses for Share Class I (USD). Past performance may not be a reliable guide to future performance. The value of 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.

Credit Strategies

Credit strategies contributed the most this month with all sub-strategies ending the month in positive territory. Asset-backed and corporate credit sub-strategies led gains, benefitting from positive carry and price appreciation. Collateralized loan obligations (CLOs) and commercial mortgage-backed securities (CMBS) also rallied. Media and materials exposures contributed to credit performance, with the latter gaining after beating Q3 earnings estimates. Credit risk transfer (CRT) securities continued rallying in December and also proved additive to performance.

Multi-Asset Strategies

After a challenging November, Multi-Asset strategies had positive contributions to December performance, driven chiefly by Macro-Systematic sub-strategies. The strengthening U.S. dollar following the Fed's decision to hike rates had mixed effects on currency positions. Gains from short exposures to Canadian Treasuries and the Euro and long exposure to Venezuelan sovereign credit were partially offset by losses from long exposures to U.S. Treasuries and the Japanese yen and short exposure to the Brazilian real. In addition, exposure to Russian rates and the ruble contributed positively as sentiment around U.S.-Russian relations improved following the U.S. presidential election. In terms of factors, Equity Carry and Fixed Income Momentum were notable contributors, whereas Equity Momentum and Fixed Income Value detracted.

Review of Fund Performance – Fourth Quarter 2016⁴

During the fourth quarter of 2016, the Fund's Class I share class returned (0.19)%⁵ net of fees and expenses versus 3.82% for the S&P 500 Index, 1.97% for the MSCI World Index, and (7.07)% for the Barclays Global Aggregate Bond Index.

Equity strategies contributed to performance over the fourth quarter, driven primarily by Equity Market Neutral sub-strategies, with value-oriented styles leading gains. Sector dispersion in the wake of the U.S. election created opportunities for equity managers, with returns coming from healthcare, materials and information technology sector exposures. Financial sector hedges detracted from performance, along with certain single-name positions in managed care and medical devices exposures and asset management exposures after disappointing earnings results.

Credit strategies were the largest contributors to performance on the quarter, with gains coming predominantly from asset-backed and corporate sub-strategies. Early in the quarter, we increased exposure to GSE credit risk transfer bonds, where Fannie Mae and Freddie Mac are programmatically selling risk into the market. These exposures ultimately proved additive to the portfolio even as spreads initially widened. Expectations of fiscal stimulus from the incoming Trump administration boosted corporate credit exposures. Specifically, bonds of several media companies rallied, as did bonds issued by a materials company following positive earnings results. Lastly, cash flow and positive carry topped off solid fourth quarter gains.

As for Multi-Asset strategies, performance detracted in the fourth quarter, with mixed earnings results, significant geopolitical uncertainty, and general risk-off sentiment in emerging markets weighing on Multi-Strategy exposures. Long positions in U.S. Treasuries and short U.S. dollar exposure were the primary drivers of losses. In addition, several other currency exposures – long Japanese yen and Mexican peso, and short Brazilian real – detracted from this segment of the portfolio. Negative performance, however, was offset to a modest degree by positive returns from Greek and Venezuelan credit, as well as Argentine local rates as the peso appreciated.

4. 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. Source: Bloomberg, as of 31 Dec. 2016.

5. Performance is shown net of all fees and expenses for Share Class I (USD). Past performance may not be a reliable guide to future performance. The value of 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.

Review of Fund Performance – 2016 Year-End⁶

Over the course of 2016, the Fund's Class I share class returned (0.58)%⁷ net of fees and expenses versus 11.96% for the S&P 500 Index, 8.15% for the MSCI World Index, and 2.09% for the Barclays Global Aggregate Bond Index.

Equity strategies struggled during a challenging first quarter, and though they recovered later in the year, they still detracted from performance. Entering 2016, downside surprises in global growth and resulting Fed policy led to a huge factor reversal from momentum stocks to value stocks. Outsized technical moves and elevated volatility made it a difficult environment for fundamental stock pickers, and popular hedge fund themes underperformed considerably. Additionally, significant sector dispersion existed as healthcare, financials, consumer discretionary and technology sectors (BXDMS overweights) underperformed, while telecom and utilities sectors (BXDMS underweights) outperformed.

Meanwhile, very strong performance in Credit strategies buoyed the Fund's performance, with every sub-strategy posting gains in aggregate. While Credit strategies came out of a challenging first quarter in the red on account of mark-to-market losses in asset-backed sub-strategies, consistently strong performance the rest of the year more than compensated for initial headwinds. With weak corporate credit markets early in the year due to excessive issuance, volatility, anticipated interest rate hikes, and slowing global growth, redemptions and fund outflows led to forced sales of attractive risk across the corporate credit spectrum. We realized the opportunity for liquidity providers to capture excess spread, and over the first half of the year, we roughly tripled the Fund's allocation to corporate credit strategies, which performed quite well later.

Finally, Multi-Asset strategies came out nearly flat on the year. Positive performance driven by Macro EM-Credit sub-strategies was largely offset by Macro Systematic and Multi-Strategy sub-strategies. Emerging market exposures to Argentina, Venezuela and Greece proved positive, with gains in sovereign and quasi-sovereign credit. Gains were offset in part, however, by losses from currency positions affected by geopolitical uncertainty later in the year. Meanwhile, factor models had mixed performance over the year, with tough results in the first quarter recouped to a degree in the middle of the year only to have a challenging fourth quarter.

Sub-Advisers and Strategies Added/Removed

At Blackstone, we believe that managing the optimal mix of strategies across the portfolio and adjusting it over time is key to generating returns in different market environments. Over the course of 2016, we added one new sub-adviser and one new strategy while terminating two existing sub-advisers.

2016 Sub-Adviser and Strategy Additions:

1. D.E. Shaw Investment Management, L.L.C. ("D.E. Shaw"): A global investment and technology development firm that combines a rigorous quantitative approach with a complementary strategic focus on qualitative strategies. Blackstone has invested with D.E. Shaw for over a decade, and it is now one of our largest relationships. D.E. Shaw seeks to offer the Fund dynamic exposures to risk premia in core global assets along with potential capture of more exotic forms of risk premia and opportunistic alpha.
2. Blackstone Risk Premia: BAIA manages assets that are not allocated to sub-advisers and, during the year, we began managing a portion of the Fund's assets according to a strategy that aims to generate returns by capturing various risk premia across asset classes and premia factors.

2016 Sub-Adviser Terminations:

1. Rail-Splitter Capital Management, LLC
2. Blackstone Senfina Advisors L.L.C.⁸

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.

6. 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. Source: Bloomberg, as of 31 Dec. 2016.

7. Performance is shown net of all fees and expenses for Share Class I (USD). Past performance may not be a reliable guide to future performance. The value of 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.

8. Blackstone Senfina Advisors L.L.C. ("Senfina") is an indirect wholly-owned subsidiary of The Blackstone Group L.P., a publicly traded master limited partnership that has units that trade on the New York Stock Exchange under the symbol "BX." Senfina is an affiliate of BAIA, the Fund's investment adviser, on the basis that it is under common control with BAIA.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only and should not be the basis of any investment decisions. Past performance is not necessarily indicative of future results. There can be no assurance that the Fund or its underlying managers will achieve their investment objectives or avoid significant losses. The Fund is actively managed and allocations are subject to ongoing revision. Certain of the information provided herein has been obtained from or derived from BAIA's underlying managers or other third parties. 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.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.

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: 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: 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.

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 BAlA'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