

# 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 September 30, 2018

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSAU	1.15%	2.51%	1.15%	2.44%	2.51%	-	-	0.55
MSCI World TR Index	0.60%	5.10%	5.89%	14.58%	9.26%	0.14	0.53%	1.46
Barclays Gbl Agg Index	(0.86%)	(0.92%)	(2.37%)	(0.10%)	4.64%	0.06	2.44%	(0.25)

## Monthly Net Performance<sup>(1)</sup>

	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%
2017	1.69%	0.68%	0.68%	0.96%	0.86%	(0.85%)	0.95%	0.38%	(0.28%)	0.66%	(1.22%)	(0.57%)	3.97%
2018	0.10%	(1.33%)	0.48%	0.67%	(1.15%)	(0.10%)	1.16%	0.19%	1.15%	-	-	-	1.15%

## 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)	\$1,847.46
NAV per Share	\$10.60
Currency	USD
Fund Inception Date	August 11, 2014
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

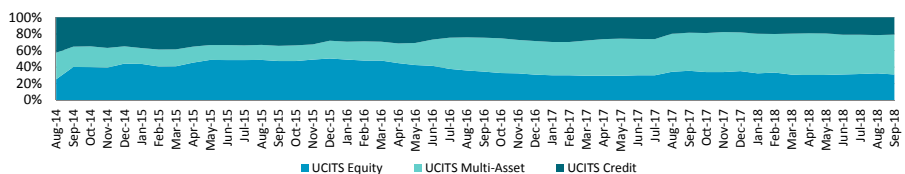
## Fund Terms – Share Class A (USD) Acc.<sup>(4)</sup>

Minimum Initial Investment	\$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>

	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
BXDMSAU	N/A	N/A	N/A	4.74%	(0.00%)
MSCI World TR Index	N/A	N/A	N/A	18.83%	11.84%
Barclays Gbl Agg Index	N/A	N/A	N/A	(1.26%)	(1.32%)

## 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)	31%
Endeavour	Fundamental	Equity (Market Neutral)	
Cerebellum <sup>(7)</sup>	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	45%
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
GSA <sup>(7)</sup>	Global Macro	Multi-Asset (Macro Systematic)	
H20 <sup>(7)</sup>	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)	
Magnetar	Event Driven	Risk Arbitrage	24%
Cerberus <sup>(7)</sup>	Opportunistic Trading	Credit (MBS/ABS)	
EJF	Credit	Credit	
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)	

(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 4/29/16 to 9/30/18 and is cumulative. 4/29/16 had flat performance.

(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 and uses the local currency rate.

(3) The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced sub-advisers, strategies or sub-strategies. Blackstone may also add new sub-advisers, strategies or sub-strategies. Accordingly, the allocations are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time. BXDMSAU launched on 4/29/16, prior allocations are for the share class with the longest track record, BXDMSKE.

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

(5) 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.

(6) 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.

(7) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

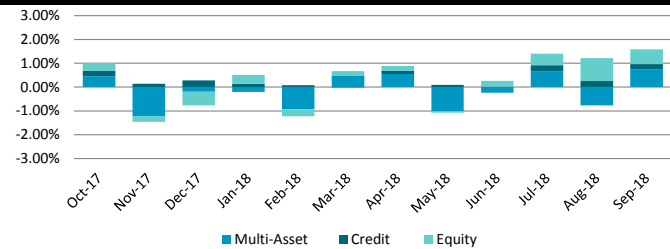
(8) BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic a risk premia trading strategy and may also include opportunistic trades. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.

(9) 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.

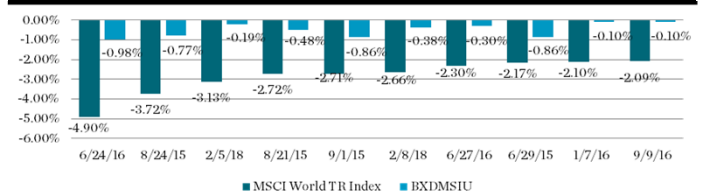
## Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(5)</sup>		MTD		QTD		YTD		ITD Cumulative Performance	
	9/28/2018	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	31.08%	1.45%	0.62%	5.30%	2.08%	7.21%		11.89%	4.28%	
Credit	24.32%	0.67%	0.22%	2.73%	0.74%	4.94%		29.44%	7.85%	
Multi-Asset	44.60%	1.22%	0.74%	1.01%	0.61%	(1.77%)	(0.72%)	1.47%	0.69%	
Expenses and Other			(0.43%)		(0.92%)		(2.00%)		(6.82%)	
Net Return <sup>(2)</sup>			1.15%		2.51%		1.15%		6.00%	

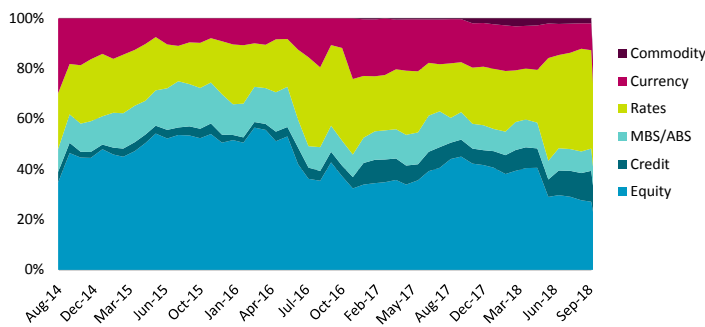
### Performance Contribution by Sub-Strategy<sup>(3)</sup>



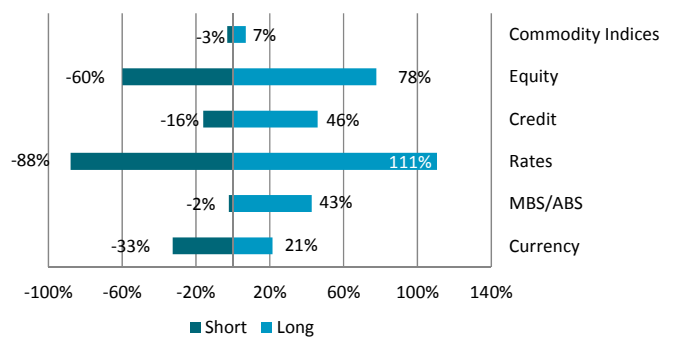
### Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception<sup>(6)(8)</sup>



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



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



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

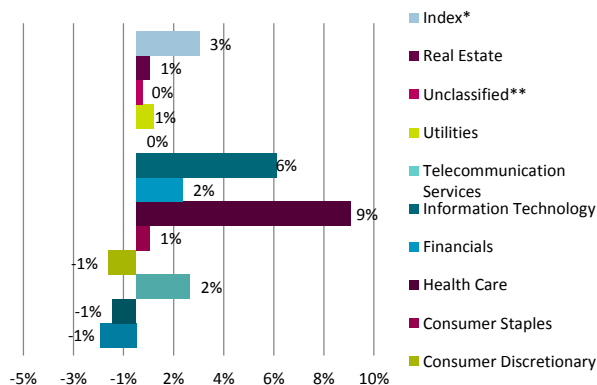
Region	Long	Short	Net
US/Canada	170.72%	95.35%	75.38%
Latin America/Caribbean	7.14%	1.27%	5.87%
Core Europe	85.97%	68.71%	17.26%
Peripheral Europe	3.35%	0.28%	3.07%
Middle East/Africa	2.23%	1.80%	0.43%
China/HK/Taiwan	0.39%	2.15%	-1.76%
Asia general	28.51%	26.95%	1.56%
Japan	6.99%	5.36%	1.64%
<b>Total</b>	<b>305.30%</b>	<b>201.86%</b>	<b>103.45%</b>

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

Region	Long	Short	Net
US/Canada	1.54%	1.18%	0.36%
Latin America	0.00%	0.44%	-0.44%
Core Europe	10.61%	27.26%	-16.65%
Peripheral Europe	0.20%	0.11%	0.09%
Middle East/Africa	0.00%	0.65%	-0.65%
China/HK/Taiwan	0.01%	0.22%	-0.21%
Asia general	6.63%	0.23%	6.40%
Japan	2.51%	2.59%	-0.08%
<b>Total</b>	<b>21.50%</b>	<b>32.68%</b>	<b>-11.18%</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 4/29/16 to 9/30/18 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 2.12%.

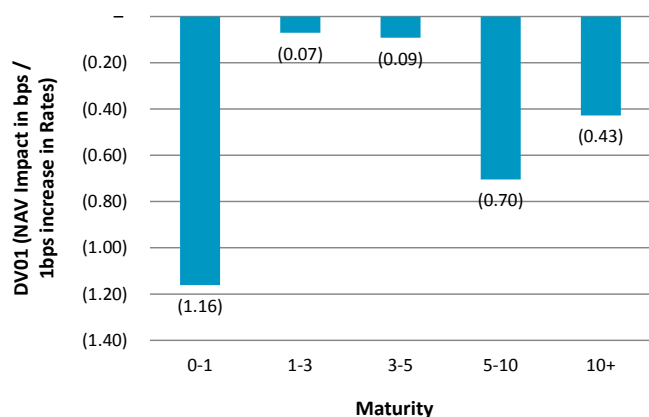
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



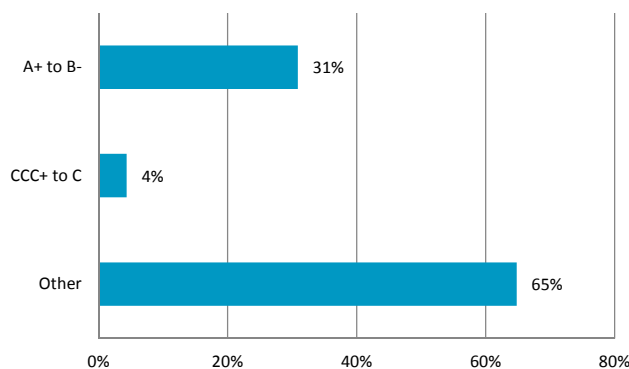
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	2.52%	3.95%	-1.43%
Materials	1.16%	2.10%	-0.94%
Industrials	5.60%	3.45%	2.15%
Consumer Discretionary	6.79%	7.88%	-1.09%
Consumer Staples	3.22%	2.69%	0.53%
Health Care	15.39%	6.83%	8.56%
Financials	9.35%	7.51%	1.84%
Real Estate	1.54%	1.00%	0.54%
Information Technology	10.33%	4.73%	5.60%
Telecommunication Services	0.00%	0.00%	0.00%
Utilities	1.44%	0.74%	0.69%
Index*	18.37%	15.85%	2.51%
Unclassified**	0.26%	0.00%	0.26%
<b>Total</b>	<b>75.95%</b>	<b>56.75%</b>	<b>19.21%</b>

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



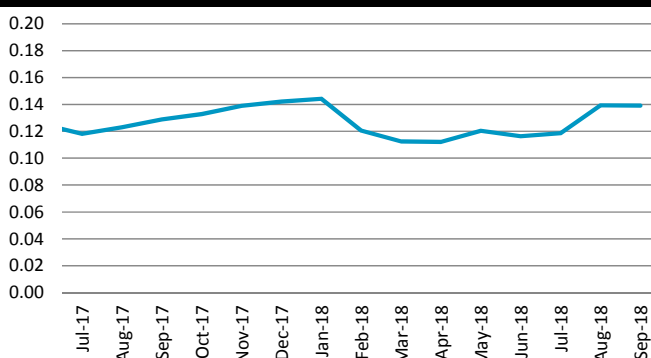
## Fixed Income Ratings<sup>(1)</sup>



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

Date	VaR
9/28/18	3.17%

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



- (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.
- (4) Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/11/2014-9/30/2018. 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

## September Market Commentary

As widely expected, the U.S. Federal Reserve (“Fed”) raised short-term interest rates by a quarter of a percentage point on September 26<sup>th</sup>, and confirmed that it planned to do so once again in December and three more times in 2019<sup>1</sup>. This is consistent with the narrative that the U.S. economy is continuing to exhibit strong growth, and other statistics released in September further corroborate this story. In addition to an updated estimate that reiterates accelerating GDP growth, we’ve seen metrics that show unemployment remains low across the country<sup>2</sup>, personal incomes continue to grow<sup>3</sup>, and consumer optimism is not far from the all-time high recorded in 2000<sup>4</sup>.

One interesting outcome from the Fed meeting was the removal of its language around “accommodative” monetary policy going forward. After the fall-out of the Great Financial Crisis, the Fed lowered the cost of borrowing to close to zero percent. Low borrowing rates stimulate the economy by allowing cheap financing for consumers to make large purchases (e.g. homes and autos) and for businesses to expand (e.g. building additional factories and buying additional equipment). By “accommodating” consumer and business desires to cheaply spend and build, and thereby enabling economic growth, the Fed employs a monetary policy of the same name. On the other hand, when the U.S. economy grows quickly, the Fed combats the risk of higher than desired inflation by raising the cost of borrowing to slow growth. By removing the “accommodative” language, the Fed may be signaling that the U.S. economy is finally strong enough to continue growth without the support of ultra-low borrowing costs. In conjunction with the positive fundamentals we are seeing across the economy, we believe these actions suggest that the post-crisis era of cheap federal funds is coming to an end and that a Fed induced slowdown may be on the horizon.

One of the things we are monitoring as rates continue to climb is their effect on the fixed income and equity markets. Spurred by the low risk-free yields that have remained close to 0% since the recession, investors had reduced exposure to the bond markets in search of yield elsewhere, such as high dividend producing equities in sectors like utilities. Increasing demand for dividend-yielding equities as an alternative to fixed income products has increased their price, while lower-yielding new bond issues have increased the price of older-vintage higher-yielding bonds. As rates continue to rise, we expect the inverse of those trends to emerge – fixed income markets may face price pressure due to higher-yielding bonds entering the market, while dividend-yielding equities may face price pressure as the rates of newly issued bonds approach and surpass those of dividend-yielding equities. In the fixed income space, we are already seeing this play out, as the Barclays Global Aggregate Bond Index has posted a -1.32% return over the last twelve months, with a -1.01 Sharpe ratio, indicating performance under the risk-free rate.

Taking all of this into account, we emphasize our stance that investors may be best served by employing actively managed portfolios that retain the flexibility to identify and capitalize on these economic trends. Such strategies may provide attractive diversification by tactically increasing exposures to attractive opportunities, while maintaining limited correlation to broader equity and fixed income markets.

## Review of September 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

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<sup>1</sup> Source: U.S. Federal Reserve

<sup>2</sup> Source: U.S. Bureau of Labor Statistics

<sup>3</sup> Source: U.S. Bureau of Economic Analysis

<sup>4</sup> Source: Conference Board Consumer Confidence Index

sub-advisers, each with experience managing non-traditional or “alternative” investment strategies and by managing assets directly (via BAIA<sup>5</sup>). In September, the Fund’s Class I (USD) share class returned 1.21%<sup>6</sup> net of fees and expenses versus 0.57% and 0.60% for the S&P 500 and MSCI World indices, respectively and versus -0.86% for the Barclays Global Aggregate Bond Index<sup>7</sup>.

### Equity Strategies

Equity strategies (+1.45%)<sup>8</sup> contributed positive performance for September. Equity Market Neutral strategies drove a substantial portion of performance, primarily in the last week of the month. In our large cap, value-focused exposures in the health care sector, we continue to see similar themes as in prior months, whereby performance has been driven by the relative improvement in value-biased stocks compared to those that are growth-oriented.

The fund’s exposure to financials was similarly accretive, with positive performance driven by a single-name short exposure and through hedges against the sector. These gains were partially offset by interest rate dynamics during the month. As the base rate rose and deposit beta similarly increased, funding across the sector became more expensive. Adding to the headwinds was the fact that 3-month LIBOR remained relatively flat. Since a significant proportion of loans are priced off of LIBOR, asset yields did not increase in line with deposit costs, and the resulting net interest margin pressure had an adverse impact on bank performance.

### Credit Strategies

Credit strategies (+0.67%)<sup>8</sup> also contributed positive performance for the month. Credit risk transfer bonds (CRTs) continued to perform well, with general spread tightening producing mark-to-market gains across both new issues and seasoned deals. As mentioned in previous commentaries, as these securities continue to season they become more attractive to the market, causing the spreads to tighten as prices appreciate. Additionally, an index that tracks broader commercial mortgage-backed securities (CMBS) tightened substantially, as real money demand is catching up to a relatively low supply. However, interest rate hedges cost the portfolio some performance gains.

### Multi-Asset Strategies

Multi-Asset strategies (+1.22%)<sup>8</sup> were the largest contributor to fund performance this month. Multi-Strategy exposures drove gains, with credit exposures across emerging market (“EM”) rates and Americas HY fixed income adding to performance. Exposure to Japanese equities and inflation strategies also generated gains while US Tips positions detracted. Strength in broader Multi-Strategy was partially offset by losses in U.S. and European fixed income exposures.

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<sup>5</sup> BAIA manages a portion of the Fund’s assets directly. Such investments presently include allocations to BAIA’s systematic risk premia trading strategy 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.

<sup>6</sup> 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).

<sup>7</sup> **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.

<sup>8</sup> Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.

Additionally, Discretionary Thematic sub-strategies contributed to positive performance thanks to a general rally in EM assets on the back of a difficult August. Good news in country-specific stories relieved some of the pressure from the asset class. Argentina signed a larger, more comprehensive deal with the IMF that has secured their funding needs through 2019 and takes roll-over risk off the table. NAFTA 2.0 was announced, easing tensions and providing a seemingly workable solution for all parties. The Turkish Central Bank hiked rates after acquiescing to the market pressure on the currency. Each of these headlines acted as a resolution to much uncertainty that has swirled over EM over the past few months, allowing assets to rally.

### Review of Fund Performance – Third Quarter 2018

During the third quarter of 2018, the Fund's Class I share class returned 2.73%<sup>9</sup> net of fees and expenses versus 7.71% for the S&P 500 Index, 5.10% for the MSCI World Index, and -0.92% for the Barclays Global Aggregate Bond Index.

Equity strategies (+5.30%)<sup>8</sup> were the largest positive contributor to third quarter performance. Despite having a near-zero beta to rallying stock markets, Equity Market Neutral sub-strategies drove significant gains. The fund's exposures to healthcare-focused strategies also contributed moderate gains, primarily due to a rebound in value-biased stocks after a stretch of time where growth and momentum stocks produced the majority of gains. The fund's exposures to financials were also ultimately accretive, though performance was challenged – single-name short positions in multiple sub-sectors contributed to gains, but long exposure in a different sub-sector and short exposure in another both dragged performance.

Credit strategies (+2.73%)<sup>8</sup> were a positive contributor to third quarter performance. Fixed Income – Asset Backed sub-strategies led gains as CRT spreads continued to tighten throughout the quarter in both new issues and seasoned varieties, while exposures to an index that tracks the CMBS market contributed mixed performance that ultimately ended in a gain. However, volatility and short positions intended as hedges dragged on performance. Given the broader bond market underperformance this quarter (the Barclays Global Aggregate Bond Index returned -0.92%), we maintain the importance of diversified credit portfolios with differentiated, low duration exposures.

Multi-Asset strategies (+1.01%)<sup>8</sup> were also a positive contributor to third quarter performance. Multi-Strategy and Systematic Diversified sub-strategies contributed gains, thanks to select exposures to equity and credit. After much activity in emerging markets over the past few months, including oscillating levels of certainty on matters in Argentina, Greece, and Turkey, the Fund's Discretionary Thematic sub-strategies ended the quarter in positive territory. These gains were partially offset by equity hedges, which came under pressure amidst the broader stock market rally. Given our view of current equity valuations and the Fund's intended role within portfolios as a diversifying strategy, we maintain our hedged equity profile despite recent weakness.

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<sup>9</sup> Performance is shown net of all fees and expenses for the Fund's Class I share class. 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.

### **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 are key to generating returns in different market environments. Over the course of the third quarter of 2018, we added one new sub-adviser and terminated one of our existing non-discretionary sub-advisers.

#### Q3 2018 Sub-Adviser Additions:

1. EJF Capital LLC (“EJF”): EJF manages a US financials focused portfolio across corporate and structured credit, with a specialty in TruPS CDOs’ capital structures, relying on the founder’s decades long experience working with regulators and banks.

#### Q3 2018 Sub-Adviser Terminations:

1. Gracian Capital LLC

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.

### **Investment Committee Change**

We also want to make you aware of a change to our investment committee – effective as of September 21, 2018, David Mehenny no longer serves on the committee. David decided to pursue an exciting opportunity in another business unit at Blackstone and we wish him the best in his new role. The rest of the Fund’s investment committee remains unchanged.

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 BXDMS shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. 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.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 for 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 23 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 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)