Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSCU: Class C (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, 2017

Fund Net Performance[(1)(2)]	MTD	QTD	YTD	ITD	ITD STATISTICS St Dev.	Beta	Alpha	Sharpe
BXDMSCU	(0.70%)	(1.29%)	(0.20%)	(0.20%)	-	-	-	-
MSCI World TR Index	1.38%	5.62%	23.07%	10.68%	-	-	-	-
Barclays Glbl Agg Index	0.35%	1.08%	7.39%	2.69%	-	-	-	-

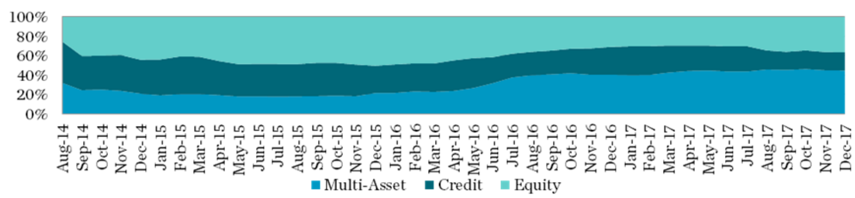
1 Month Performance Periods – To Last Month End[(1)]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	-	-	-	-	-	-	1.00%	0.40%	(0.30%)	0.69%	(1.28%)	(0.70%)	**(0.20%)**

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[(3)]



Fund highlights

Fund Assets (Mn)	$2,113.89
NAV per Share	$9.98
Currency	USD
Fund Inception Date	August 11, 2014
Share Class Inception Date	June 29, 2017
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSCU ID
ISIN	IE00BYNJFF17

Portfolio Allocation[(3)]

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
GSIS	Fundamental	Equity (Long/Short)	*35%*
HealthCor	Fundamental	Equity (Long/Short)	
Cerebellum	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	*47%*
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
GSA	Global Macro	Multi-Asset (Macro Systematic)	
H20	Global Macro	Multi-Asset (Discretionary Thematic)	
BAIA-Direct[(8)]	Multi-Strategy	Multi-Asset (Multi-Strategy)	
DE Shaw	Multi-Strategy	Multi-Asset (Multi-Strategy)	
Chatham	Opportunistic Trading	Credit	*18%*
Cerberus[(7)]	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 C (USD) Dis.[(4)]

Minimum Initial Investment	$1,000
Management Fee	1.75%
Performance Fee[(5)]	15.00%
Other Expenses[(6)]	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 2017. Net performance for the Fund as well as indices is from 6/29/17 to 12/31/17 and is cumulative. Performance is estimated and unaudited for 2017.

(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 BXDMSCU 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) 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. BXDMSCU launched on 6/29/17, 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.

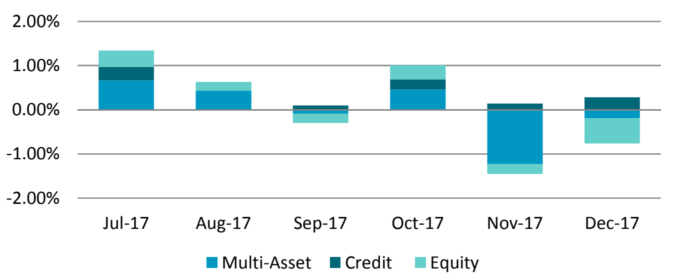
(7) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

(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, 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.

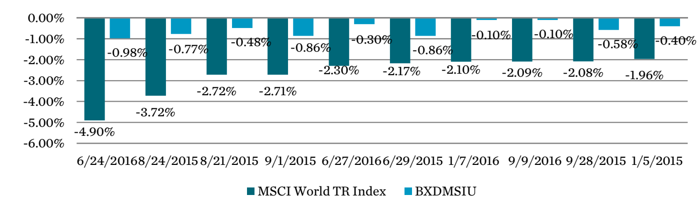
Performance Summary

Sub-Strategy Performance [1]	Allocation at [5] 12/29/2017	MTD Return	MTD Attribution	QTD Return	QTD Attribution	YTD Return	YTD Attribution	ITD Cumulative Performance Return	ITD Cumulative Performance Attribution
Equity	35.22%	(1.44%)	(0.57%)	(1.19%)	(0.47%)	4.79%	(0.12%)	11.65%	(0.12%)
Credit	18.20%	1.36%	0.28%	3.10%	0.65%	12.20%	1.05%	24.12%	1.05%
Multi-Asset	46.58%	(0.36%)	(0.19%)	(1.78%)	(0.97%)	3.24%	0.02%	7.52%	0.02%
Expenses and Other			(0.22%)		(0.49%)		(1.16%)		(1.16%)
Net Return [2]			(0.70%)		(1.29%)		(0.20%)		(0.20%)

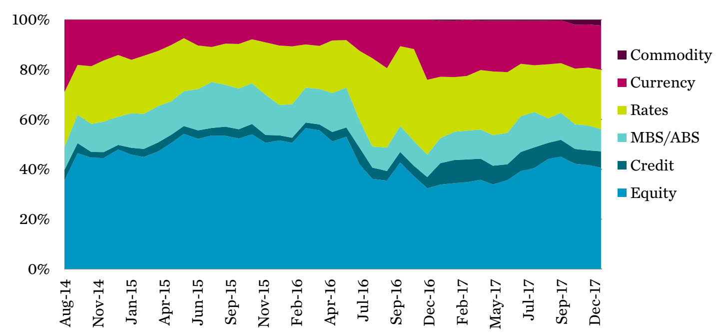
Performance Contribution by Sub-Strategy[3]



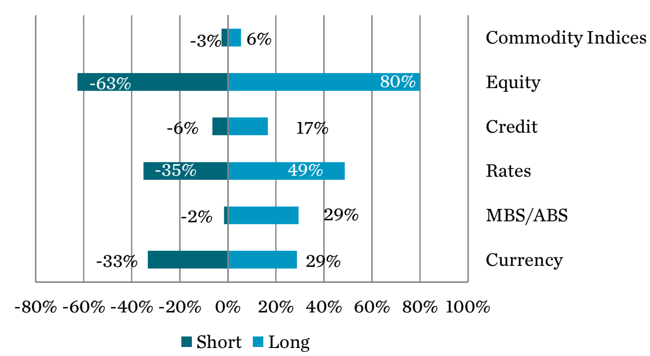
Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception[6][8]



Asset Class Gross Historical Exposure[4][5][7]



Asset Class Exposure[4]



Fund Geographic Exposure[4]

Region	Long	Short	Net
US/Canada	119.54%	78.20%	41.34%
Latin America/Caribbean	5.30%	0.96%	4.35%
Core Europe	41.80%	26.25%	15.55%
Peripheral Europe	3.82%	0.23%	3.60%
Middle East/Africa	2.28%	1.62%	0.67%
China/HK/Taiwan	1.54%	2.07%	-0.53%
Asia general	19.33%	9.48%	9.85%
Japan	15.45%	22.81%	-7.36%
Total	**209.07%**	**141.60%**	**67.47%**

Currency Exposure[4]

Region	Long	Short	Net
US/Canada	2.36%	3.57%	-1.21%
Latin America	1.23%	0.55%	0.68%
Core Europe	8.07%	18.05%	-9.98%
Peripheral Europe	0.58%	0.13%	0.45%
Middle East/Africa	0.62%	0.41%	0.20%
China/HK/Taiwan	0.51%	0.60%	-0.09%
Asia general	10.59%	5.69%	4.90%
Japan	4.87%	4.33%	0.54%
Total	**28.83%**	**33.34%**	**-4.51%**

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

(2) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2017. Net performance for the Fund as well as indices is from 6/29/17 to 12/31/17 and is cumulative. ITD net return is cumulative not annualized.

(3) Performance contribution represents the contribution of each strategy or sub-strategy to the Fund's total return. Performance contribution is shown gross of all fees and expenses. In the case of non-interest rate instruments, exposure data represents the delta adjusted market value.

(4) 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.

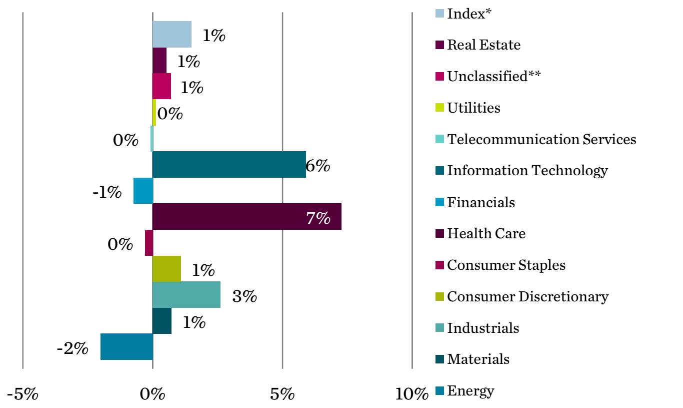
(5) Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.

(6) 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.

(7) Information prior to the inception of this share class is for BXDMSKE.

(8) 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%.

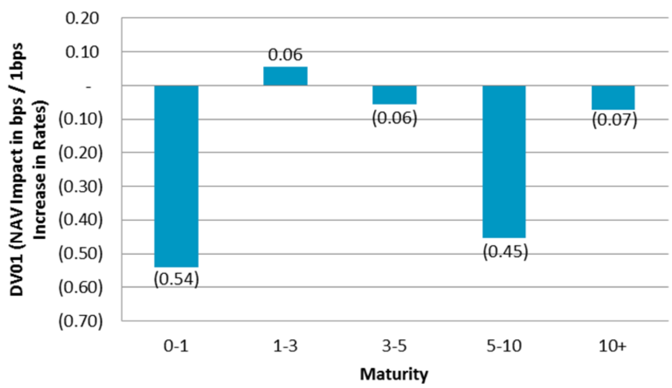
Equity Exposure – Net Sector Breakdown(1)



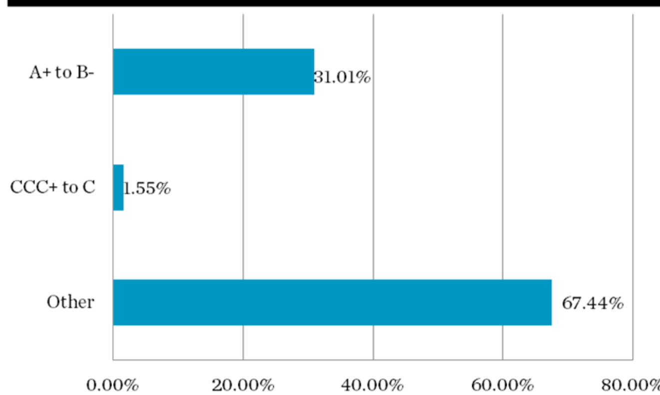
Equity Exposure – Sector Breakdown(1)

	Long	Short	Net
Energy	1.70%	3.71%	-2.01%
Materials	2.44%	1.71%	0.73%
Industrials	5.92%	3.30%	2.62%
Consumer Discretionary	7.71%	6.62%	1.09%
Consumer Staples	2.79%	3.08%	-0.30%
Health Care	14.92%	7.64%	7.28%
Financials	3.05%	3.78%	-0.73%
Real Estate	0.94%	0.42%	0.52%
Information Technology	11.90%	5.99%	5.91%
Telecommunication Services	0.23%	0.32%	-0.09%
Utilities	1.06%	0.93%	0.13%
Index*	26.56%	25.06%	1.49%
Unclassified**	0.71%	0.00%	0.71%
Total	**79.93%**	**62.58%**	**17.35%**

Fixed Income Interest Rate Sensitivity(2)



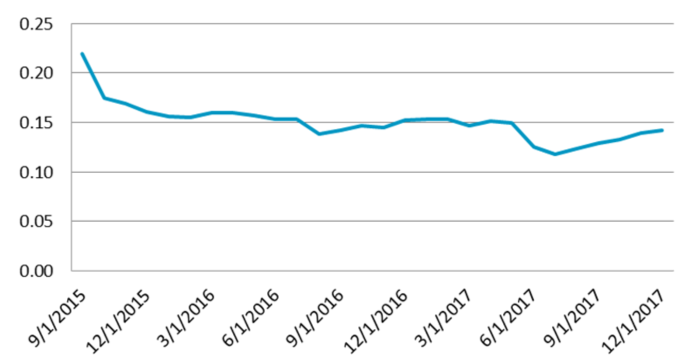
Fixed Income Ratings(1)



VaR Analysis(3)

Date	VaR
12/31/17	2.86%

12 months rolling beta against MSCI World(4)



(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 9/11/2014-12/31/2017. 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

December Market Commentary

As 2017 came to a close, December offered more of the same for investors, with stock markets continuing their ascent amidst subdued volatility. The S&P500 returned 1.11% and the MSCI World returned 1.38% for the month, bringing the full year's returns to 21.83% and 23.07%, respectively. Even with the placid backdrop, the final month of the year provided investors with a host of items to consider, including a flurry of activity out of Capitol Hill and insight into the Federal Reserve's plans for 2018.

Congress again delayed passing a long-term federal budget in December, opting instead to approve a stopgap measure to extend federal funding until January of 2018. This leaves Capitol Hill with plenty of work to do in the early weeks of the new year. The underlying issues preventing agreement upon a longer term budget, namely government spending, immigration, and defense, remain unresolved, and the prospects of a bipartisan approach to a long-term solution remain unclear.

On December 22nd, President Trump signed the Tax Cuts and Jobs Act into law, finalizing a sweeping overhaul of the tax code for individuals and corporations alike. The law takes effect in 2018, reducing the federal corporate tax rate to 21% from 35%, and ostensibly boosting corporations' bottom lines. Many economists agree that this reduction in the corporate tax rate will have a stimulative economic impact in 2018, however a growing debate has emerged regarding with whom corporations are more likely to share a lightened tax burden -- employees (via increased wages, job training, etc.) or equity investors (via share buybacks, dividends, etc.). Already, evidence supporting both outcomes is emerging. Shortly after the Senate passed its version of the law, corporations including Wells Fargo, Fifth Third Bancorp, and AT&T announced plans to provide employees with increased wages or one-time bonuses, bolstering the case for those stating the law will favor the middle class[1]. Conversely, Senate Minority Leader Chuck Schumer shared a compilation of over 30 public companies that have announced in excess of $80 billion in aggregate share buybacks, emboldening those who believe the change will favor the wealthy[2]. Exactly how corporations or individuals employ any financial gain realized from the overhaul may have a significant impact on market dynamics in 2018 and beyond.

Just before the Tax Cuts and Jobs Act became law, the Federal Reserve ("Fed") hiked the federal funds rate (the interest rate at which banks and other depository institutions lend money to one another) by 0.25% in its December Federal Open Market Committee ("FOMC") meeting. This hike marked the third such increase of 2017 and the fifth since the Global Financial Crisis, bringing the federal funds rate to its highest level since October 2008. The Fed's hike was largely expected by market participants; however the Fed's shift in economic outlook is notable. The FOMC revised its expectation for 2018 GDP higher to 2.5% from 2.1%, noting that the Tax Cuts and Jobs Act discussed above may provide a modest, if short-lived, boost to domestic production[3].

The role of Fed Chair will transition to Jerome Powell from Janet Yellen in February 2018, although investors widely anticipate that this change in leadership will not amount to a material change in policy. The Fed projected three 2018 rate increases in its December meeting, a decision which was largely unchanged from previous guidance. Some investors, however, are citing a flattening Treasury yield curve, and the Fed's role in this flattening, as a cause for concern.

The Fed pursues a macroeconomic mandate with two objectives: full employment and stable inflation. In pursuit of these objectives, the FOMC has the authority to adjust the level of the federal funds rate in response to changes in the economic outlook. These actions have a direct impact on short-term interest rates throughout the economy, as any increase in the rate at which banks borrow money will most likely lead to a corresponding increase in the rate at which banks are willing to lend money.

The issue at hand for investors is that these increases in short-term rates are not translating to increases in long-term rates as measured by the yield curve. Yield curves measure the difference in yields between long-dated bonds and short-dated bonds. A normal yield curve compensates long-term bondholders for the risks inherent in longer maturity bonds via higher yields relative to that of short-term bonds. This increased yield for longer dated bonds results in an upward sloping curve when plotting the yields of varying maturities. A reduction in longer maturity bonds' yield premium over time is said to result in a flattening yield curve, a potential precursor to an inverted curve (wherein long-term rates are lower than short-term rates). Inverted Treasury yield curves have been a commonly observed indicator of future economic recessions, predicting each of the last seven recessions[4].

As of December 30, 2016, the 10 year Treasury yield was trading at a premium of 125bps to that of the 2 year Treasury yield. As of December 29, 2017, that premium had been reduced to 51bps[5]. Federal Reserve officials have also taken notice. Minneapolis Federal Reserve president Neel Kashkari cited the flattening yield curve as a reason for his vote against raising the federal funds rate in December[6].

---

1. Source: The Wall Street Journal, "Thankful for Massive Tax Cut, AT&T, Wells Fargo Promise to Share the Wealth," December 21, 2017.
2. Source: The Washington Post, "Companies That Tie Announcements to Tax Bill Earn Goodwill with Trump," December 22, 2017.
3. Source: Board of Governors of the Federal Reserve System, Federal Open Market Committee Minutes, December 12-13, 2017.
4. Source: Federal Reserve Bank of Cleveland, "Yield Curve and Predicted GDP Growth," December 2017.
5. Source: U.S. Department of the Treasury, Daily Treasury Yield Curve Rates.
6. Source: The Financial Times, "Kashkari Cites Inflation, Flattening Yield Curve for Dissent," December 18, 2017.

Investors who maintained consistent, passive allocations to equity markets were rewarded in 2017. The start of a new calendar year provides a natural time to re-evaluate investment goals and, with that, an investor's portfolio allocation. In the face of ever-evolving market dynamics, we encourage investors to remain vigilant regarding portfolio positioning and do the diligence necessary to understand the potential risks and rewards inherent in investing across asset classes. We believe that investors may improve risk-adjusted returns by allocating to actively managed vehicles providing uncorrelated sources of returns.

Review of December 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 or by managing assets directly (via BAIA[7]). In December, the Fund's Class I share class[8] returned -0.46%[9] net of fees and expenses versus 1.11% and 1.38% for the S&P 500 and MSCI World indices, respectively, and versus 0.35% for the Barclays Global Aggregate Bond Index[10].

Equity Strategies

Equity strategies detracted from performance in December. Equity Long Short suffered losses stemming from both individual equity positions and market hedges. Long positions in suppliers of hardware components for major technology companies were a drag on the Fund's returns. Consumer demand estimates for the end products were revised lower, implying that the technology companies would not need as many component parts from the suppliers, and leading investors to sell these suppliers' shares. Additionally, a pharmaceutical company's clinical drug tests produced underwhelming results and the stock subsequently declined on the news. Market hedges also weighed on Fund performance as markets continued to grind higher and sub-advisers sought to limit beta exposure within the Fund.

Credit Strategies

Credit strategies were the strongest performers in December. MBS/ABS led gains, as credit risk transfer bonds (discussed at length in prior months' commentary) continued to benefit from spread tightening. This spread tightening occurred in both older vintages, dating back to 2014 and 2015, and newer vintages. Newer vintages also benefitted from re-rating activity as borrowers paid down principal outstanding on their mortgages leading ratings agencies to improve their outlooks. Other high grade securities within MBS/ABS also provided a boost to returns as the Fund benefitted from carry associated with these securities.

Multi-Asset Strategies

Multi-Asset strategies detracted from performance in December. While equity markets continued to grind higher, short equity positioning detracted from Multi-Strategy performance. Rallies related to analyst upgrades of a U.S. retail company and an earnings beat from a U.S. casual dining company contributed to underperformance. Short positioning in a global technology company within Multi-Strategy was also accretive to Multi-Strategy performance.

Relative value positioning within Macro Systematic resulted in mixed performance. Gains resulting from long equity positioning in an Asian index were largely offset by short equity positioning in a United States index. Discretionary Thematic suffered from long U.S. Dollar positioning, as the Dollar weakened throughout the month contributing to negative performance.

---

7. BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic premia trading strategy, a short-only fundamental equity strategy (advised by Gracian Capital on a non-discretionary basis), 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.
8. For a summary of Fund performance of other share classes, please refer to the Fund's website: http://www.blackstone.com/bxdms
9. Performance is shown net of the Gross Expense Ratio less waived expenses for Class I shares (USD). 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.
10. 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.

Review of Fund Performance – Fourth Quarter 2017[11]

During the fourth quarter of 2017, the Fund's Class I share class returned -1.01%[12] net of fees and expenses versus 6.64% for the S&P 500 Index, 5.62% for the MSCI World Index, and 1.08% for the Barclays Global Aggregate Bond Index.

Equity strategies detracted from performance in the fourth quarter. These strategies were hampered by a meaningful factor reversal in November, market hedges amidst the market rally, and negative alpha generation. Early in the quarter, factor positioning was a tailwind to performance as both Equity Long Short and Equity Market Neutral performed benefitted from the momentum factor's outperformance relative to value. In November, this factor relationship reversed, with value rallying relative to momentum, creating a significant headwind. Equity Long Short employs market hedges to attempt to reduce correlations to equity markets and isolate potential alpha opportunities. These sub-strategies suffered losses in the quarter driven by index hedging drags as markets moved higher, but their negative performance was offset by positive performance from Equity Market Neutral sub-strategies.

Credit strategies were the largest positive contributor to fourth quarter performance, led by gains in MBS/ABS. Credit Risk Transfer bond spreads tightened throughout the quarter. This was primarily driven by ongoing vintage seasoning, leading to improved ratings which tend to encourage investor buying. MBS/ABS also gained as collateralized loan obligation spreads tightened throughout the quarter. Fixed income markets received a broad boost late in the year from the Tax Cuts and Jobs Act. Investors seem to thus far view the law as a positive for corporate borrowers as it reduces corporate tax rates. This may translate to an increase in cash flow available for debt service, preserving companies' ability to fully deduct capital expenditures and also increasing after-tax income.

Multi-Asset strategies were the largest detractors to the Fund in the fourth quarter, largely driven by negative performance related to short equity positioning. In an effort to reduce beta and preserve capital, a number of sub-advisers within our Multi-Asset strategies use broad index hedges, and some use targeted short positioning in individual equity names. These positions were hampered by strong equity markets that lifted asset prices across sectors. Multi-Strategy performance was impaired by November's factor reversal mentioned above. A number of quantitative strategies, in particular sub-strategies employing risk premia approaches, benefitted from the persistent outperformance of momentum securities relative to value securities exhibited throughout 2017. However, losses were incurred as this relationship reversed in November.

Review of Fund Performance – 2017 Year-End[11]

Over the course of 2017, the Fund's Class I share class returned 4.37%[12] net of fees and expenses versus 21.83% for the S&P 500 Index, 23.07% for the MSCI World Index, and 7.39% for the Barclays Global Aggregate Bond Index.

Sub-advisers demonstrated the ability to generate meaningful alpha without significant beta exposure associated with broader equity markets. The Fund maintained considerable exposure to the healthcare sector throughout the year. This sector was mired in uncertainty, as the new presidential administration aimed to unwind the Affordable Care Act, leaving insurers, corporations, and investors attempting to anticipate who stands to benefit or suffer from such legislation. Ultimately, this political uncertainty created alpha opportunities for Equity Long Short. Throughout the Equity portfolio, market hedges were a primary source of performance drag as sub-advisers' pursuit to deliver alpha while neutralizing beta was hindered by the persistent rise in equity markets. The value of Equity Market Neutral was underscored in 2017. The Fund's exposure to these sub-strategies resulted in strong, uncorrelated performance throughout the year.

Credit strategies were the strongest contributors to 2017 performance, with all seven sub-advisers finishing the year higher. Fixed Income - Asset Backed strategies were the strongest performers within the portfolio, led by exposure to Credit Risk Transfer bonds. Credit Risk Transfer bond spreads tightened throughout much of the year, primarily led by older vintages continuing to season, meaning that mortgage borrowers have paid down principal balances, leading to subsequent re-ratings by ratings agencies such as the National Association of Insurance Commissioners (NAIC). Also, carry from other structured credit securities, such as Commercial Mortgage Backed Securities and mezzanine debt, buoyed the Fund's performance as investors searched for yield in a low-rate environment, while Opportunistic Trading - Credit contributed strong alpha throughout the year.

---

11. 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. 2017.
12. 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.

Finally, Multi-Asset strategies performed well in 2017, offering a well-diversified ballast for the Fund. These strategies took on a more significant role within the Fund in 2017 as we actively reduced equity and credit exposure. As of December 31, 2017, the Fund allocated 47% of assets to Multi-Asset strategies, representing a significant increase from December 31, 2016's allocation of 41%. We employ Multi-Asset strategies for the diversifying exposures these strategies can provide. In an environment marked by global central bank divergence and geopolitical uncertainty, Multi-Asset strategies are attractively positioned to nimbly take advantage of relative value opportunities. We value these strategies' ability to source investment opportunities across a wide universe of geographies and asset classes, and Multi-Asset strategies drove returns throughout the year from a host of exposures. In May, Macro Systematic reduced exposure to Europe and were subsequently able to re-enter those positions to benefit from market strength upon Emmanuel Macron's victory. In the third quarter, Multi-Strategy employing risk premia strategies benefitted from U.S. Dollar strength against other developed market currencies. Finally, exposure to long-dated sovereign debt in the United States and Europe contributed to performance in the 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 2017, we added three new strategies and terminated two existing sub-advisers.

2017 Strategy Addition:

1. GSA Capital Partners LLC ("GSA"): GSA delivers a model-driven trend following strategy that aims to closely track CTA returns and generate trend exposure. Trend following strategies typically pursue a goal of producing long-term uncorrelated returns to traditional markets with meaningful downside protection.
2. Gracian Capital, LLC ("Gracian"): Blackstone Alternative Investment Advisors LLC ("BAIA") maintains a non-discretionary sub-adviser relationship with Gracian. Gracian is an equity fundamental short specialist that applies a repeatable short-selling approach to a large target universe of uncrowded, large cap U.S. stocks.
3. H2O AM LLP ("H2O"): H2O is a global discretionary macro manager with a global multi-asset, active, top-down, value, and unconstrained style of investing across FX, equities, and fixed income.

2017 Sub-Adviser Terminations:

1. Wellington Management Company LLP

2. FT AlphaParity, 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.

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. 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 (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 redisseminated 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)

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