

# 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 October 31, 2018

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSCU	(1.68%)	(1.68%)	(0.10%)	(0.22%)	2.63%	-	-	(0.70)
MSCI World TR Index	(7.32%)	(7.32%)	(1.86%)	6.37%	9.69%	0.14	(1.10%)	0.49
Barclays Gbl Agg Index	(1.12%)	(1.12%)	(3.46%)	(0.64%)	3.62%	0.00	(0.19%)	(0.63)

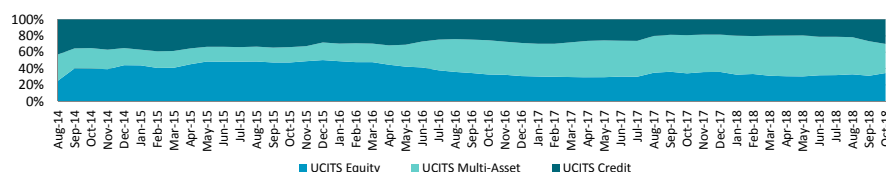
## 1 Month Performance Periods – To Last Month End<sup>(1)</sup>

	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%)
2018	0.10%	(1.30%)	0.51%	0.81%	(1.10%)	(0.20%)	1.22%	0.30%	1.30%	(1.68%)	-	-	(0.10%)

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



## Fund highlights

Fund Assets (Mn)	\$1,750.84
NAV per Share	\$9.97
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<sup>(3)(9)</sup>

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
HealthCor	Fundamental	Equity (Long/Short)	35%
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)	36%
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
GSA	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	30%
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>
Waterfall <sup>(7)</sup>	Fundamental	Credit (MBS/ABS)	

## Fund Terms – Share Class C (USD) Dis.<sup>(4)</sup>

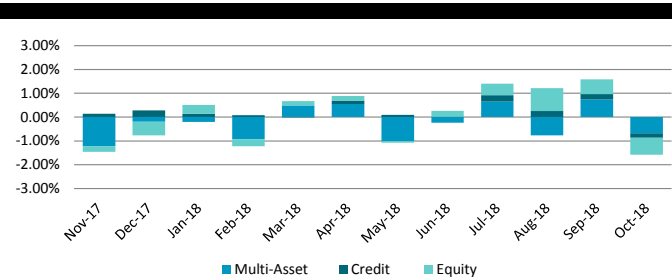
Minimum Initial Investment	\$1,000
Management Fee	1.75%
Performance Fee <sup>(5)</sup>	15.00%
Other Expenses <sup>(6)</sup>	Capped 0.45%

- 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 6/29/17 to 10/31/2018 and is cumulative.
- The indices presented are indicative and for illustrative purposes only. The volatility of the indices presented may be materially different from that of the performance of the Fund. In addition, these indices employ different investment guidelines and criteria than the Fund; as a result, the holdings in the Fund may differ significantly from the securities that comprise the indices. The performance of these indices has not been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of Fund performance to that of well-known and widely recognized indices. A summary of the investment guidelines for these indices is available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Beta and Alpha represents 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 and uses the local currency rate.
- The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced sub-advisers, strategies or sub-strategies. Blackstone may also add new sub-advisers, strategies or sub-strategies. Accordingly, the allocations are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time. BXDMSCU launched on 6/29/17, prior allocations are for the share class with the longest track record, BXDMSCU.
- The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS prospectus and supplement.
- The Fund will pay to Blackstone a performance fee equal to 15% of any returns the relevant class achieves above any losses carried forward from previous periods. The Fund may also pay to Blackstone an additional performance fee equal to the amount of any performance fees owed by Blackstone to the sub-advisers. Any such additional performance fee will be deducted from Blackstone's performance fee before it is paid in subsequent quarterly performance periods. The performance fee together with any additional performance fee are subject to a cap of 4.95% of the NAV of the class.
- Blackstone has agreed to reimburse the Fund so that certain of the Fund's "Other Expenses" will not exceed 0.45% annually. Please see important disclosure information at the end of this document for further explanation.
- Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.
- BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic a risk premia trading strategy and may also include opportunistic trades. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.
- Blackstone and its affiliates have financial interests in asset managers. Any allocation by Blackstone to a subsidiary or other affiliate benefits The Blackstone Group L.P. and any redemption or reduction of such allocation would be detrimental to The Blackstone Group L.P., creating potential conflicts of interest in allocation decisions. For a discussion of this and other conflicts, please see the Additional Disclosure section at the end of this document.

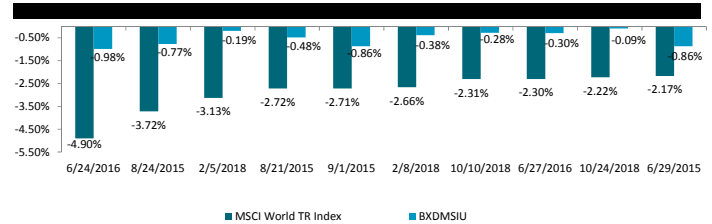
# Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(5)</sup>		MTD		QTD		YTD		ITD Cumulative Performance	
	10/31/2018	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	34.60%	(1.60%)	(0.71%)	(1.60%)	(0.71%)	5.49%	1.96%	5.58%	1.84%	
Credit	29.78%	(0.51%)	(0.19%)	(0.51%)	(0.19%)	4.42%	1.01%	9.41%	2.06%	
Multi-Asset	35.62%	(1.36%)	(0.68%)	(1.36%)	(0.68%)	(2.90%)	(1.31%)	(1.78%)	(0.77%)	
Expenses and Other			(0.10%)		(0.10%)		(1.76%)		(3.43%)	
Net Return <sup>(2)</sup>			(1.68%)		(1.68%)		(0.10%)		(0.30%)	

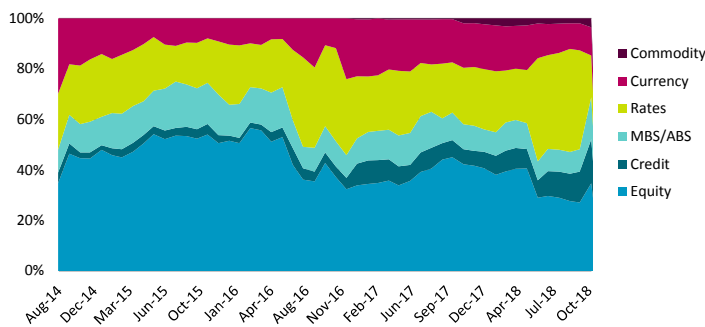
## Performance Contribution by Sub-Strategy<sup>(3)</sup>



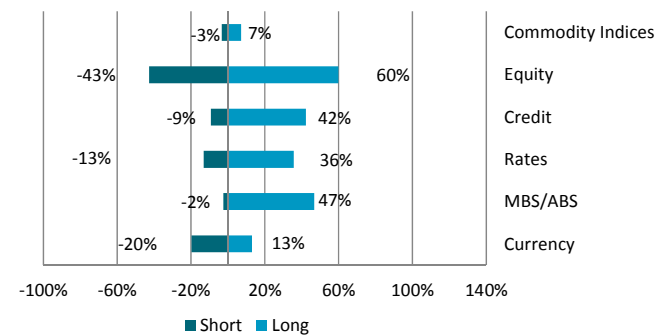
## Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception<sup>(6)(8)</sup>



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



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



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

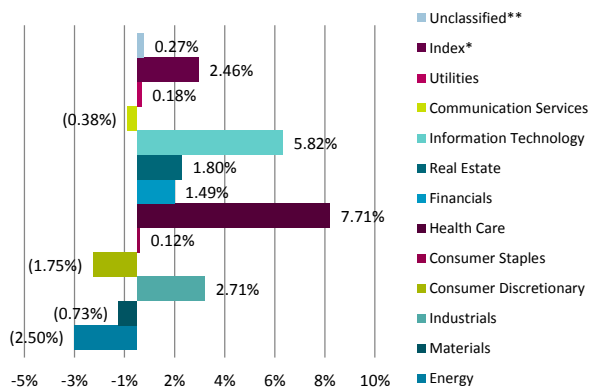
Region	Long	Short	Net
US/Canada	148.68%	58.27%	90.41%
Latin America/Caribbean	8.68%	1.32%	7.36%
Core Europe	32.27%	17.99%	14.28%
Peripheral Europe	3.24%	0.54%	2.70%
Middle East/Africa	2.18%	1.98%	0.21%
China/HK/Taiwan	0.63%	2.69%	-2.06%
Asia general	4.39%	4.92%	-0.53%
Japan	4.79%	2.77%	2.02%
<b>Total</b>	<b>204.86%</b>	<b>90.48%</b>	<b>114.39%</b>

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

Region	Long	Short	Net
US/Canada	0.00%	2.92%	-2.92%
Latin America	0.46%	0.36%	0.10%
Core Europe	7.52%	14.24%	-6.72%
Peripheral Europe	0.21%	0.11%	0.09%
Middle East/Africa	0.00%	0.66%	-0.66%
China/HK/Taiwan	0.07%	0.31%	-0.24%
Asia general	2.66%	0.30%	2.36%
Japan	2.15%	0.79%	1.36%
<b>Total</b>	<b>13.06%</b>	<b>19.70%</b>	<b>-6.64%</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 6/29/2017 to 10/31/2018 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%.

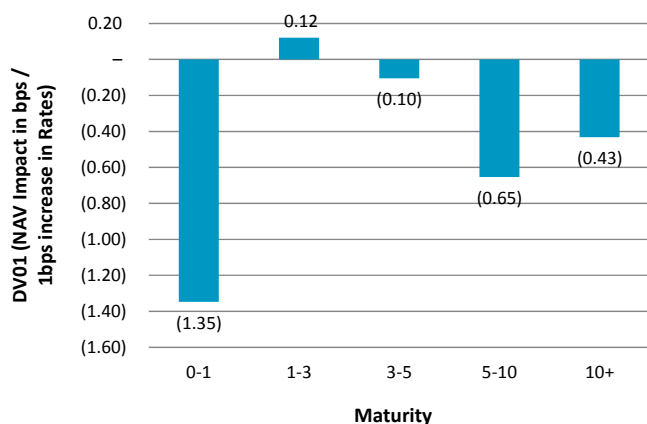
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



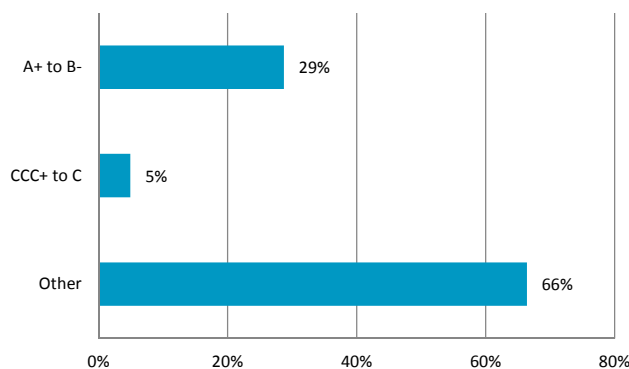
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	0.96%	3.46%	-2.50%
Materials	0.81%	1.54%	-0.73%
Industrials	4.71%	2.00%	2.71%
Consumer Discretionary	5.59%	7.34%	-1.75%
Consumer Staples	2.27%	2.15%	0.12%
Health Care	13.20%	5.49%	7.71%
Financials	8.73%	7.24%	1.49%
Real Estate	2.28%	0.49%	1.80%
Information Technology	9.58%	3.76%	5.82%
Communication Services	2.42%	2.80%	-0.38%
Utilities	0.94%	0.75%	0.18%
Index*	8.09%	5.63%	2.46%
Unclassified**	0.27%	0.00%	0.27%
<b>Total</b>	<b>59.84%</b>	<b>42.64%</b>	<b>17.20%</b>

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



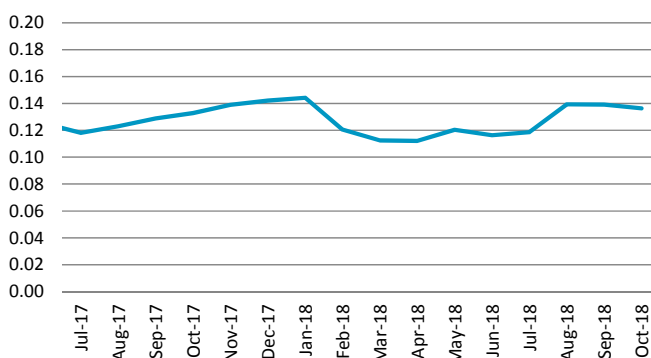
## Fixed Income Ratings<sup>(1)</sup>



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

Date	VaR
10/31/18	2.58%

## 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 9/11/2014-10/31/2018. 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

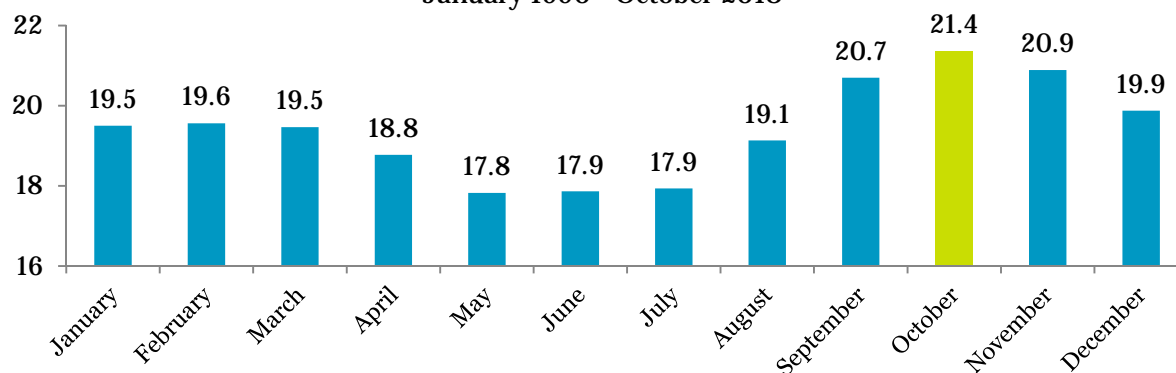
## October Market Commentary

Halloween was not the only thing spooking investors this October, as U.S. stock markets took investors on a wild ride. Over the course of the month, the S&P 500 (-6.9%) experienced ten single day price movements greater than 1% in either direction, more than it saw in all of 2017, while the Dow Jones Industrial Average (-5.1%) underwent 18 of such days of its own. By month-end, the S&P 500 had lost \$1.71 trillion in market cap, marking the worst month for the index since September 2011. Similarly, the NASDAQ Composite (-9.2%), beaten down by broad losses in technology stocks, experienced its worst month since November 2000.

The cause of this volatility, surprisingly, is less clear. Macro indicators reported in October were positive, which supports our view that this past month's selloff was likely a market correction and not the start of a sustained downturn. In fact, October volatility is nothing out of the ordinary. Our analysis of the CBOE Volatility Index (VIX), which represents the market's expectation of 30-day forward-looking volatility, indicates that, on average, October has been the most volatile month of every year since the inception of the index in 1990<sup>1</sup>. The VIX, or the "fear index" as it is sometimes referred to, closed the month trading at an average of 16.6, well below its long-term average of 21.4, which helps quell some of our fears of declining investor sentiment.

### CBOE Volatility Index (VIX) Monthly Average<sup>1</sup>

January 1990 - October 2018



October also brought with it a number of positive economic indicators. Chief among them was a strong jobs report, reflecting that the economy added 250,000 jobs and extended its job growth streak to a record 97 months<sup>2</sup>. Job gains took place across a wide variety of sectors, including healthcare (+36,000) manufacturing (+32,000), construction (+30,000), and transportation and warehousing (+25,000). At the same time, the unemployment rate remained steady at 3.7%, indicating that jobless workers found work as the economy added new jobs. Even wage growth, a stated concern of the Fed in setting its future interest rate policy<sup>3</sup>, experienced strong gains. Monthly wages were up 3.1% year-over-year, the best gain seen since 2009.

Further support of our short-term market outlook came from third quarter earnings reports. Among the 376 S&P 500 companies that reported earnings prior to the end of October, 77.9% beat analyst expectations, relative to the long-term average of 64% and in-line with the results of the previous four quarters<sup>4</sup>. Beats were diverse across sectors, with Communication Services (92%), Information Technology (91%) and Utilities (90%) featuring the highest share of companies delivering above expectations. In aggregate, earnings beat estimates

<sup>1</sup> Source: CBOE Options Exchange

<sup>2</sup> Source: US Department of Labor

<sup>3</sup> Source: US Federal Reserve

<sup>4</sup> Source: I/B/E/S data from Refinitiv

by 6.5%, above both the long-term average of 3.2% and the trailing four quarter average of 5.3%, which we believe will provide a short-term stimulus for U.S. equity markets heading into the end of the calendar year.

This past month was a strong reminder of the value of a broadly-diversified portfolio amidst market volatility. We maintain that alternative investment strategies may help in weathering volatile market conditions down the road. In pursuing its investment objective of capital appreciation, BXDMS actively allocates to a variety of strategies that are designed to be hedged and diversified. Over the course of this past month, the Fund delivered on its value proposition at the most important times for investors. On the worst trading day of the month, October 10<sup>th</sup>, a day in which the S&P 500 and MSCI World posted returns of -3.3% and -2.3%, respectively, BXDMS returned -0.3%. Two weeks later, on October 24<sup>th</sup>, BXDMS returned -.1%, limiting losses for investors as the S&P 500 (-3.1%) and MSCI (-2.2%) sold off considerably<sup>5</sup>. The diversification that BXDMS provides helped mitigate volatility and weather the drawdowns in equity markets.

### Review of October Fund Performance

The investment objective of the Blackstone Diversified Multi-Strategy Fund (the “Fund” or “BXDMS”) is to seek capital appreciation. The Fund aims to achieve its objective by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or “alternative” investment strategies and by managing assets directly (via BAIA<sup>6</sup>). In October, the Fund’s Class I share class returned -1.47%<sup>7</sup> net of fees and expenses versus -6.84% and -7.32% for the S&P 500 and MSCI World indices, respectively, and versus -1.12% for the Barclays Global Aggregate Bond Index and -3.11% for the HFRX Global Hedge Fund Index<sup>8</sup>.

### Equity Strategies

Equity strategies (-1.60%)<sup>9</sup> detracted from performance in October. The Fund’s low equity beta proved its value and was a strong contributor, as the equity market hedges implemented directly by BAIA helped the Fund to preserve capital amidst the market’s broader move lower. Separately, exposure to the Health Care sector benefited from broadly diversified baskets of shorts in the biotechnology and pharmaceutical spaces. Among the negative performers were long single-name Health Care investments, as companies focusing on medical devices and biotechnology declined on the month as investors broadly de-risked portfolios. This included a company that sold off after reporting quarterly earnings that did not match analysts’ sentiment.

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<sup>5</sup> Because of the broadly diversified and low beta nature of the portfolio, BXDMS is not expected to participate in the full upside of broader equity markets. The indices referenced above are not benchmarks or targets for the Fund.

<sup>6</sup> BAIA manages a portion of the Fund’s assets directly. Such investments include allocations to BAIA’s systematic risk premia trading strategy and opportunistic credit trades and hedging. BAIA allocations are subject to change and BAIA’s fees on directly managed assets are not reduced by a payment to a sub-adviser.

<sup>7</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.bxdms.com](http://www.bxdms.com).

<sup>8</sup> **Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks or targets for the Fund, but rather are disclosed to allow for comparison of the Fund’s performance to that of well-known and widely recognized indices.** The indices may include holdings that are substantially different than investments held by the Fund and do not reflect the strategy of the Fund. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that may differ from the Fund. The indices do not reflect the deduction of fees or expenses. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Indices are unmanaged and investors cannot invest in indices.

<sup>9</sup> Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.

The Fund's exposure to Financials similarly benefited from its market-neutral approach. The top contributor was a single-name short position on an Asia-Pacific financial institution. Additionally, the use of long and short position pairing proved beneficial as technology companies drew down more severely than the market.

Similarly, October began with a challenging first two weeks for quantitative strategies, though performance did normalize in the back half of the month. Within quant, statistical arbitrage strategies, which employ mean reversion models, detracted the most. Longer-term technical and event-driven strategies also detracted.

### **Credit Strategies**

Credit strategies (-0.51%)<sup>8</sup> also detracted from October performance. One bright spot was in relative value strategies, where lower-credit-quality bank loans have outperformed comparable bonds and loans. Profits from a short position on commercial mortgage-backed securities indices also contributed positively. High-yield strategies detracted on the month amid a difficult market environment. While many of the outsized positions held up well, less concentrated investments did experience losses despite being first lien. Credit risk transfer bonds (CRTs), highlighted in previous commentaries, also detracted from October performance as spreads widened. We remain bullish on residential mortgages nonetheless due to strong fundamentals in U.S. housing.

### **Multi-Asset Strategies**

Multi-Asset strategies (-1.36%)<sup>8</sup> contributed negative performance for the month. Emerging market exposures were challenged, as local and foreign exchange currency strategies detracted amid uncertainty stemming from global elections. Allocations to dollar-denominated emerging market sovereign debt were also detrimental to performance, though positive returns were generated by holding the locally-denominated bonds. The fund benefited from risk-off sentiment in the market via its exposure to safe haven currencies, but gains were offset by broader losses in global equities.

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 BAlA, 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 BAlA, has entered into a joint venture with NWI to create Blackstone NWI Asset Management L.L.C. ("BNAM"), an emerging markets asset manager. BNAM, BAAM and NWI share certain personnel and infrastructure.
  - Blackstone is in the process of onboarding Arcesium LLC ("Arcesium") to provide certain middle- and back-office services and technology to the Fund. The parent company of a Sub-Adviser owns a controlling, majority interest in Arcesium and BAAM owns a non-controlling, minority interest in Arcesium.
- **Other Activities of Blackstone or the Sub-Advisers.** The activities in which Blackstone, the Sub-Advisers, or their affiliates are involved in on behalf of other accounts may create conflicts of interest or limit the flexibility that the Fund may otherwise have to participate in certain investments. For example, if Blackstone or a Sub-Adviser comes into possession of material non-public information with respect to a company, then Blackstone or the relevant Sub-Adviser generally will be restricted from investing in securities issued by that company. Further, Blackstone generally will be restricted from investing in portfolio companies of its affiliated private equity business.
- **Allocation of Investment Opportunities.** Blackstone and the Sub-Advisers (or their affiliates) manage other accounts and have other clients with investment objectives and strategies that are similar to, or overlap with, the investment objective and strategy of the fund, creating potential conflicts of interest in investment and allocation decisions. These conflicts of interest are exacerbated to the extent that the other clients are proprietary or pay higher fees or performance-based fees.

#### **Glossary of Terms:**

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

**Standard Deviation:** A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance.

**Alpha:** A risk-adjusted performance measure that represents the average return on a portfolio over and above that predicted by the capital asset pricing model (CAPM), given the portfolio's beta and the average market return.

**Sharpe Ratio:** A ratio to measure risk-adjusted performance. The Sharpe Ratio is calculated by subtracting the risk-free rate – such as that of the 10-year U.S. Treasury bond – from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe Ratio, the better its risk-adjusted performance has been.

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

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

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

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

**Synthetic Short:** Short selling an underlying security through the use of derivatives. Synthetic Short positions can generate returns when the price of the underlying security declines.

**VaR:** A statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. Value at risk is used by risk managers in order to measure and control the level of risk which the firm undertakes. The risk manager's job is to ensure that risks are not taken beyond the level at which the firm can absorb the losses of a probable worst outcome.

#### **Glossary of Indices:**

Market indices obtained through Bloomberg. Indices are presented are indicative and for illustrative purposes only, are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of BXDMS. In addition, the indices employ different investment guidelines and criteria than BXDMS; as a result, the holdings in BXDMS may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of BXDMS, but rather is disclosed to allow for comparison of BXDMS performance to that of well-known and widely recognized indices. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

**Barclays Global Aggregate Bond Index:** 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 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](http://www.blackstone.com/BXDMS)