Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSIG: Class I (GBP) 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 June 30, 2018

Fund Net Performance (1)(2)	MTD	QTD	YTD	ITD	St Dev.	Beta	Alpha	Sharpe
					ITD STATISTICS			
BXDMSIG	(0.29%)	(0.88%)	(1.83%)	0.81%	2.64%	-	-	0.19
MSCI World TR Index (GBP-Hedged)	(0.15%)	1.56%	(0.01%)	14.13%	9.47%	0.14	(1.09%)	1.46
Barclays Glbl Agg Index (GBP-Hedged)	(0.58%)	(3.20%)	(2.21%)	0.02%	4.84%	0.07	0.82%	(0.06)

Monthly Net Performance(1)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-	-	-	-	0.40%	(1.00%)	1.01%	(0.40%)	1.00%	0.50%	(1.58%)	0.60%	**0.50%**
2017	1.59%	0.59%	0.78%	0.77%	0.86%	(0.86%)	0.96%	0.28%	(0.38%)	0.67%	(1.32%)	(0.86%)	**3.08%**
2018	0.10%	(1.45%)	0.39%	0.68%	(1.26%)	(0.29%)	-	-	-	-	-	-	**(1.83%)**

Investment approach

The Fund's investment objective is to seek capital appreciation. The Fund seeks this objective by allocating its assets among a variety of discretionary sub-advisers with experience managing non-traditional or "alternative" investment strategies. Blackstone is responsible for selecting the strategies, for identifying and retaining sub-advisers, and for determining the amount of Fund assets to allocate to each strategy and to each sub-adviser. Blackstone may also manage a portion of the Fund's assets directly.

Fund highlights

Fund Assets (Mn)	$2,139.03
NAV per Share	£10.17
Currency	GBP
Fund Inception Date	August 11, 2014
Share Class Inception Date	May 23, 2016
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSIG ID
ISIN	IE00BN8SY593

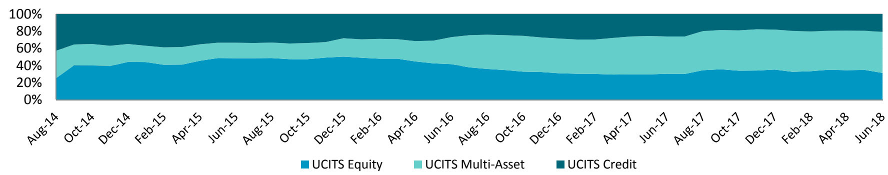
Fund Terms – Share Class I (GBP) Acc.(4)

Minimum Initial Investment (Mn)	£5.00
Management Fee	1.40%
Performance Fee(5)	15.00%
Other Expenses(6)	Capped 0.45%

12 Month Performance Periods – To Last Quarter End(1)(2)

	6/28/2013 - 6/30/2014	6/30/2014 - 6/30/2015	6/30/2015 - 6/30/2016	6/30/2016 - 6/30/2017	6/30/2017 - 6/29/2018
BXDMSIG	N/A	N/A	N/A	4.93%	(2.49%)
MSCI World TR Index (GBP-Hedged)	N/A	N/A	N/A	18.12%	10.29%
Barclays Glbl Agg Index (GBP-Hedged)	N/A	N/A	N/A	(2.79%)	0.08%

Asset Allocation by Sub-Strategy(3)



Portfolio Allocation(3)(9)

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
HealthCor	Fundamental	Equity (Long/Short)	*31%*
Endeavour	Fundamental	Equity (Market Neutral)	
Cerebellum(7)	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	*48%*
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
GSA	Global Macro	Multi-Asset (Macro Systematic)	
H20	Global Macro	Multi-Asset (Discretionary Thematic)	
NWI	Global Macro	Multi-Asset (Discretionary Thematic)	
BAIA-Direct(8)	Multi-Strategy	Multi-Asset (Multi-Strategy)	
DE Shaw	Multi-Strategy	Multi-Asset (Multi-Strategy)	
Magnetar	Event Driven	Risk Arbitrage	
Cerberus(7)	Opportunistic Trading	Credit (MBS/ABS)	*21%*
Bayview	Fundamental	Credit (MBS/ABS)	
Caspian	Fundamental	Credit	
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall(7)	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 5/23/16 to 6/30/18.

(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 BXDMSIG 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. BXDMSIG launched on May 23, 2016 and thus performance for May 2016 is limited to May 23 through May 31. BXDMSIG launched May 23, 2016, prior allocations to May 2016 are 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.

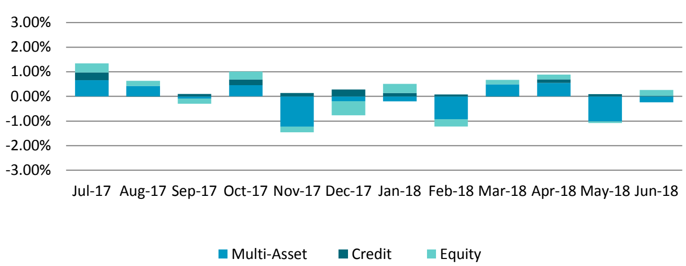
(8) BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic a risk premia trading strategy, a short-only fundamental equity strategy (advised by Gracian Capital on a non-discretionary basis), and may also include opportunistic trades. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.

(9) BAAM, an affiliate of BAIA, has entered into a joint venture with NWI to create Blackstone NWI Asset Management L.L.C. ("BNAM"), an emerging markets hedge fund manager. BNAM, BAAM and NWI share certain personnel and infrastructure.

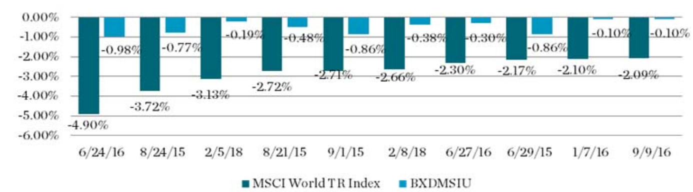
Performance Summary

Sub-Strategy Performance [1]	Allocation at [5] 6/29/2018	MTD Return	MTD Attribution	QTD Return	QTD Attribution	YTD Return	YTD Attribution	ITD Cumulative Performance Return	ITD Cumulative Performance Attribution
Equity	31.33%	0.68%	0.24%	1.03%	0.36%	1.82%	0.61%	5.10%	1.60%
Credit	20.71%	0.08%	0.02%	1.16%	0.26%	2.15%	0.46%	25.88%	7.02%
Multi-Asset	47.96%	(0.40%)	(0.24%)	(1.13%)	(0.70%)	(2.43%)	(1.33%)	0.97%	0.11%
Hedging Expenses			(0.18%)		(0.37%)		(0.70%)		(2.49%)
Expenses and Other			(0.13%)		(0.42%)		(0.88%)		(4.54%)
Net Return [2]			(0.29%)		(0.88%)		(1.83%)		1.70%

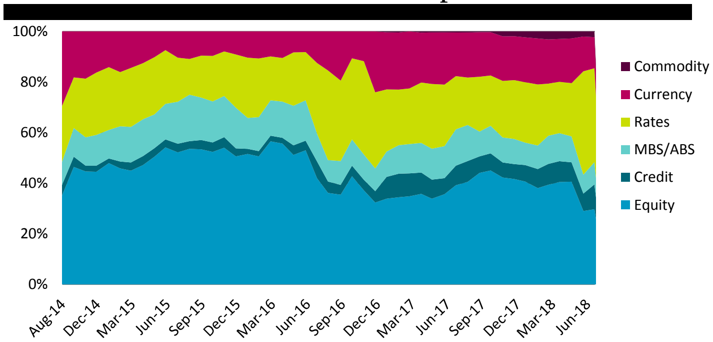
Performance Contribution by Sub-Strategy[3]



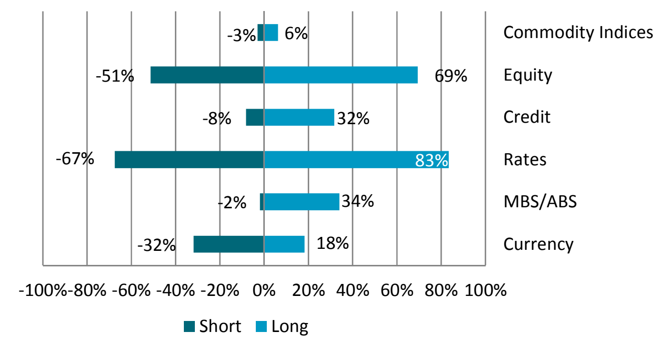
Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception[6][8]



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



Asset Class Exposure[4]



Fund Geographic Exposure[4]

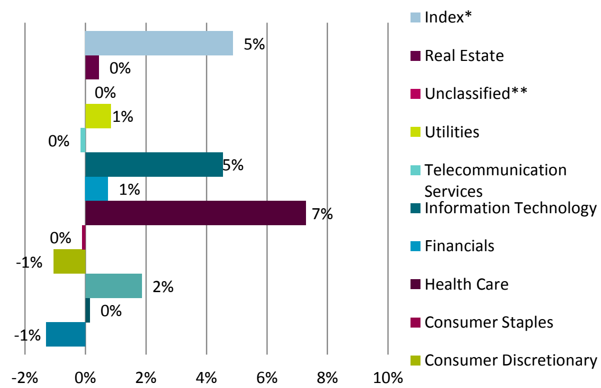
Region	Long	Short	Net
US/Canada	143.64%	80.24%	63.40%
Latin America/Caribbean	4.82%	1.27%	3.55%
Core Europe	64.65%	51.39%	13.26%
Peripheral Europe	3.07%	0.74%	2.33%
Middle East/Africa	2.94%	2.60%	0.35%
China/HK/Taiwan	0.68%	2.60%	-1.92%
Asia general	14.34%	19.43%	-5.09%
Japan	8.96%	5.43%	3.52%
Total	**243.10%**	**163.70%**	**79.41%**

Currency Exposure[4]

Region	Long	Short	Net
US/Canada	4.17%	3.09%	1.08%
Latin America	0.02%	0.58%	-0.56%
Core Europe	8.29%	21.28%	-12.99%
Peripheral Europe	0.10%	0.43%	-0.33%
Middle East/Africa	0.04%	1.21%	-1.17%
China/HK/Taiwan	0.19%	0.67%	-0.48%
Asia general	2.40%	2.91%	-0.51%
Japan	3.06%	1.70%	1.36%
Total	**18.29%**	**31.88%**	**-13.59%**

(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 2018. Net performance for the Fund as well as indices is from 5/23/16 to 6/30/18 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.
(4) 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.
(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 2.12%.

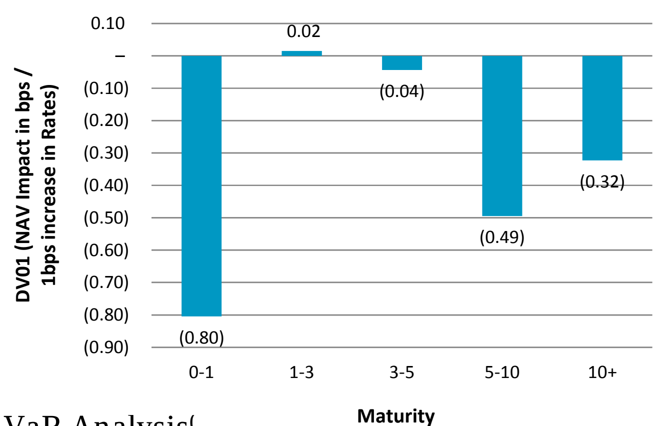
Equity Exposure – Net Sector Breakdown(1)



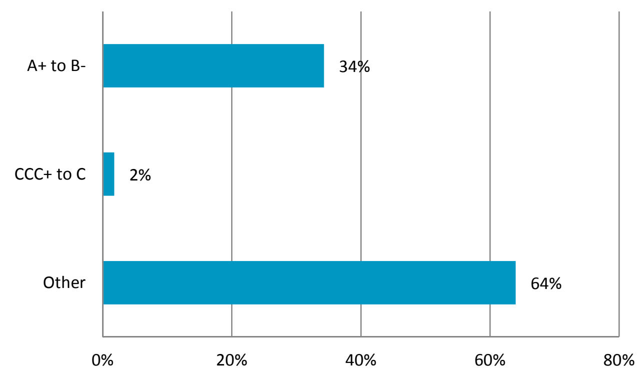
Equity Exposure – Sector Breakdown(1)

	Long	Short	Net
Energy	2.34%	3.63%	-1.29%
Materials	1.38%	1.24%	0.15%
Industrials	4.84%	2.98%	1.86%
Consumer Discretionary	6.47%	7.53%	-1.06%
Consumer Staples	2.53%	2.64%	-0.11%
Health Care	14.65%	7.37%	7.28%
Financials	7.72%	6.98%	0.75%
Real Estate	1.30%	0.86%	0.44%
Information Technology	9.52%	4.98%	4.54%
Telecommunication Services	0.46%	0.63%	-0.17%
Utilities	1.68%	0.84%	0.84%
Index*	16.56%	11.69%	4.87%
Unclassified**	0.00%	0.00%	0.00%
Total	**69.46%**	**51.35%**	**18.11%**

Fixed Income Interest Rate Sensitivity(2)



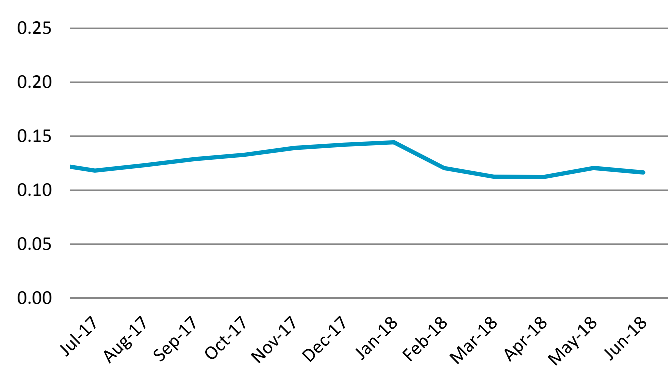
Fixed Income Ratings(1)



VaR Analysis(

Date	VaR
6/30/18	2.40%

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 9/11/2014-5/31/2018. 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

June Market Commentary

There was no shortage of headlines for investors to sift through in June, including the Trump-Kim summit on the 12th, the 174th Ordinary Meeting of OPEC on the 22nd, the continued rout among a myriad of cryptocurrencies, and, for some, the action of the World Cup. Among all of this, a notable development was the continued disparity in economic growth around the globe. Entering 2018, a common view held among investors was that economies throughout the world were undergoing a period of synchronized growth. Many investors believed that this dynamic would support stable asset prices and spur consumer confidence, therefore driving up otherwise anemic inflation. More recently, however, the market has seen significant capitulation of that view as investors grapple with the thought that the growth of the United States may outpace that of Europe and other developed economies.

This divergence in expected economic growth rates is best exemplified by recent central bank forecasts of both the Federal Reserve ("Fed") and the European Central Bank ("ECB"). Beginning in December 2017, the Fed forecasted that the United States' GDP would grow at 2.5% in 2018. Meanwhile, the ECB mirrored the Fed's optimism, forecasting that Europe's GDP would grow at a similar, albeit slightly lower, rate of 2.3% in 2018. When each central bank reconvened in March 2018, the groups revised their respective projections slightly higher, citing improving economic conditions. At the time, the Fed forecasted 2018 U.S. GDP growth of 2.7%, while the ECB forecasted Europe's 2018 GDP growth to be 2.4%. While both projections increased, the Fed's projection increased by a greater degree than that of the ECB. Finally, just this month, the central banks met again with the benefit of nearly half a year's worth of data recorded and analyzed. The Fed continued along its path of increasing projections, forecasting still higher domestic GDP growth of 2.8% in 2018. However, the outlook in Europe, while still positive, declined in June as the ECB forecasted 2018 GDP growth of 2.1%, an adjustment lower by 0.3% from March.

Some might wonder what has caused this divergence in global growth rates to accelerate in recent months. During the most recent Fed meeting, officials noted a multitude of factors pointing to a healthy, growing U.S. economy. Specifically, officials cited a declining unemployment rate, an increase in household spending, and strong fixed investment by businesses. Conversely, after the ECB released its revised forecast for lower growth in 2018 than previously expected, ECB President Mario Draghi cited increased global risks, namely the rise of protectionism and the resulting reduction in global free trade.

While these changes to various growth forecasts may seem innocuous, the implications for how central bank officials adjust monetary policies as a result are important for investors to consider. For example, as the Fed noted the strengthening U.S. economy in its June meeting, it made the decision to increase the Federal Funds rate another 0.25%, marking the second rate increase of 2018 and bringing the target range to 1.75% to 2.00%. What's more, the Fed anticipates a total of four rate hikes this year and an additional three rate hikes in 2019, all while it continues to reduce the size of its balance sheet, which ballooned in the wake of the Financial Crisis (a topic we have discussed at length in previous commentaries).

Now contrast the actions, and projected actions, the Fed is taking with those of the ECB. In June, the ECB communicated its intention to wait at least through the summer of 2019 before it would consider raising its overnight deposit rate, which currently stands at -0.4%. Additionally, whereas the Fed has worked to reduce the size of its balance sheet, the ECB announced in June that it would continue to purchase bonds in the open market through December 2018. These purchases will amount to €30 billion per month through September before declining to €15 billion per month through December. If, at that time, the economic data supports a picture of a growing European economy, the ECB may then conclude its bond-buying program. Even still, cash generated from maturing debt securities will facilitate the purchase of new securities, indicating that the ECB will not effect an effort to reduce the size of its balance sheet.

In light of the ever-evolving nature of global economies and capital markets, we maintain that investors may be best served by employing actively managed portfolios that retain the flexibility to identify and capitalize on these economic trends. Such active management may serve to limit volatility within investor portfolios by nimbly increasing exposures to improving economies while limiting exposures to stagnant or declining economies.

Review of June 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[1]). In June, the Fund's Class I (USD) share class returned -0.19%[2] net of fees and expenses versus 0.62% and -0.01% for the S&P 500 and MSCI World indices, respectively and versus -0.44% for the Barclays Global Aggregate Bond Index[3].

Equity Strategies

Equity strategies contributed positive performance in June. As the equity bull market has aged, we have become increasingly more discerning in how we employ the Fund's equity exposure. Currently, the Fund seeks to minimize equity beta and focuses equity exposure within sectors we believe provide compelling relative value opportunities. The Fund intends to extract that value by buying strong companies and selling weaker companies. In June, the indices for two of the Fund's largest gross exposures, Health Care and Financials, saw mixed results as the S&P 500 Health Care Index TR returned 1.63% while the S&P 500 Financials Index TR returned -1.92%. Index performance notwithstanding, the Fund's ability to be both long and short allowed allocations to these sectors to contribute positive performance. Within Health Care, the Fund has maintained long positioning in value names and short positions in higher octane names with impending competitive pressures. Recently, this had been a headwind for the Fund as momentum securities performed well, however this patience and conviction in positioning was rewarded in June as momentum stocks within the Health Care sector saw mild selling pressure. Within Financials, fears of trade wars drove the yield on the 10 year U.S. Treasury bond from approximately 3% mid-month to approximately 2.85% by month-end. This decrease in rates adversely impacted financials, and the Fund's long exposure detracted from performance. Given the Fund's positioning as a hedged strategy, however, the allocation to Financials was still accretive as the positive performance from the short book outweighed the negative performance in the long book.

None of the indices presented are benchmarks or targets for the Fund. Please see Glossary of Indices for index definitions.

[1] BAIA manages a portion of the Fund's assets directly. Such investments include allocations to BAIA's systematic risk premia trading strategy, a short-only fundamental equity strategy (advised by Gracian Capital on a non-discretionary basis), and 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.

[2] Performance is shown net of all fees and expenses for the USD denominated Share Class I Accumulating. 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.blackstone.com/bxdms.

[3] 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.

Credit Strategies

Credit strategies contributed mildly positive performance in June. Exposure to Fixed Income – Asset Backed sub-strategies continued to contribute gains as carry from these strategies propped up otherwise muted performance. Credit Risk Transfer bonds (CRTs) remain a meaningful exposure within the portfolio, and these securities contributed positive performance. Also, despite pressure on loan prices broadly, the Fund's exposure to CLO's contributed positive performance in June. Exposure to non-CRT residential mortgage backed securities detracted from performance as spreads widened during the month.

Multi-Asset Strategies

Multi-Asset strategies detracted from Fund performance in June. Discretionary Thematic sub-strategies faced a difficult macro environment during the month and contributed mixed performance as a result. These sub-strategies' allocations to emerging markets faced a multitude of headwinds in early June before stabilizing in the second half of the month. The growing strength of populist politics in Italy adversely impacted broader Europe, and the Fund participated in some of that weakness as positions in Greek government bonds declined. The negative performance at a quasi-sovereign entity related to a supply chain disruption and senior management turnover (discussed in May's commentary) bled over into early June before stabilizing. Finally, exposure to Argentinian bonds detracted amidst poor sentiment upon the announcement that the governor of the Central Bank of Argentina, upon resigning, would be replaced by Argentina's finance minister. Risk Arbitrage sub-strategies saw strength in June after regulators approved AT&T's acquisition of Time Warner, improving market sentiment for a number of pending mergers and acquisitions. Equity exposures to drug distributors within Multi-Strategy sub-strategies detracted from performance after Amazon emerged as a threat to their businesses upon acquiring the online pharmacy PillPack.

Review of Fund Performance – Second Quarter 2018

During the second quarter of 2018, the Fund's Class I (USD) share class returned -0.56%[4] net of fees and expenses versus 3.43% for the S&P 500 Index, 1.93% for the MSCI World Index, and -2.78% for the Barclays Global Aggregate Bond Index.

Equity strategies contributed positive performance in the second quarter. In a difficult quarter for the Financials sector (the S&P 500 Financials Index TR returned -3.16% for the quarter), the Fund's exposure to Financials was accretive to performance. Given the Fund's ability to be both long and short securities, it has less of a dependence on broader market moves than traditional equity strategies which can be beneficial when markets or specific sectors trend lower. Additionally, exposure to Health Care focused strategies contributed positive performance throughout the quarter, with a notable positive contribution from a short position in a biopharmaceutical company that declined after underwhelming results from a presentation highlighting the performance of a cancer drug. This positive contribution was offset by broader market hedges as the S&P 500 Health Care Index TR returned 3.09% during the quarter. Equity Market Neutral sub-strategies detracted from performance throughout the second quarter. Given the number of extracurricular factors that market participants were focused on (trade wars, geopolitical tensions, political rhetoric, etc.), strategies employing

---

None of the indices presented are benchmarks or targets for the Fund. Please see Glossary of Indices for index definitions.

[4] Performance is shown net of all fees and expenses for the USD denominated Share Class I Accumulating. 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.

quantitative investment strategies that are designed to invest based on fundamental strengths and weaknesses of market indices and specific companies faced mild headwinds.

Credit strategies were the largest positive contributor to second quarter performance. Fixed Income – Asset Backed sub-strategies led gains as CRT spreads tightened throughout the quarter. Exposure to CLOs was also accretive to Fund performance as the prices remained fairly stable and the yield generated by those securities led to positive attribution to the Fund. Given our preference for hedged exposure in order to reduce the Fund's reliance on the direction of the broader market, market hedges detracted from performance as the structured credit space largely saw strength in the second quarter.

Multi-Asset strategies were the sole detractor from performance in the second quarter. Given our view of current equity valuations and the Fund's role within client portfolios as a diversifying asset, the Fund has maintained equity hedges via both broad based market hedges and more targeted, company specific short positions. Both of these hedges detracted from performance amidst broad strength in corporate earnings and higher global equity markets. Additionally, as discussed above and in previous editions of our commentary, emerging markets exposures presented headwinds as multiple factors created volatility across currency and sovereign credit markets. Risk Arbitrage sub-strategies were the largest positive contributor to performance. These strategies attempt to profit from market mispricings of securities that are associated with companies undergoing a merger or acquisition. These strategies identify and purchase securities that the market believes have a higher risk associated with them (such as the risk that a given deal breaks and XYZ company is no longer acquired at a premium to the prevailing market price) and intend to profit if and when the market's view comes into line with their own.

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.***

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 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 (GBP-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 (GBP-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 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