

# 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

As of March 31, 2017

For Reporting Purposes Only

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSIG	0.78%	2.99%	2.99%	3.50%	2.76%	-	-	1.37
MSCI World TR Index (GBP-Hedged)	1.10%	6.42%	6.42%	15.12%	10.12%	0.15	0.99%	1.74
Barclays Gbl Agg Index (GBP-Hedged)	0.11%	1.66%	1.66%	(2.00%)	5.81%	0.08	3.39%	(0.46)

## 1 Month Performance Periods – To Last Month End<sup>(1)(3)</sup>

	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%										2.99%

## Investment approach

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

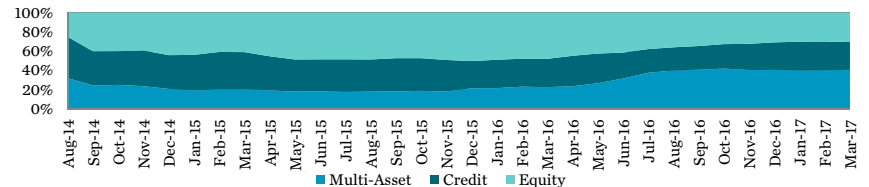
## Fund highlights

Fund Assets (Mn)	\$1,488.65
NAV per Share	£10.35
Currency	GBP
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.<sup>(5)</sup>

Minimum Initial Investment (Mn)	£5.00
Management Fee	1.40%
Performance Fee <sup>(6)</sup>	15.00%
Other Expenses <sup>(7)</sup>	Capped 0.45%

## Asset Allocation by Sub-Strategy<sup>(4)</sup>



## Portfolio Allocation<sup>(4)</sup>

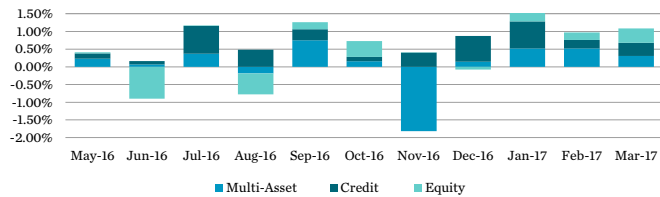
SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
GSIS	Fundamental	Equity (Long/Short)	30%
HealthCor	Fundamental	Equity (Long/Short)	
Cerebellum <sup>(8)</sup>	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)	41%
IPM	Quantitative	Multi-Asset (Macro Systematic)	
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
BAIA-Direct <sup>(9)</sup>	Multi-Strategy	Multi-Asset (Multi-Strategy)	
DE Shaw	Multi-Strategy	Multi-Asset (Multi-Strategy)	29%
Chatham	Opportunistic Trading	Credit	
Cerberus <sup>(8)</sup>	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 performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2016 and 2017. Net performance for the Fund as well as indices is from 5/23/16 to 3/31/17 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 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.
- Performance is presented through 3/31/17. Performance is estimated and unaudited for 2016 and 2017. Net performance is net of all fees and expenses. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be more or less than their original cost and current performance may be lower or higher than the performance data quoted. Additional information and current performance data is available at [www.blackstone.com/bxdms](http://www.blackstone.com/bxdms). BXDMSIG launched on 5/23/16 and thus performance for May 2016 is limited to May 23 through May 31.
- 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.
- 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 assets include allocations to a risk premia trading strategy and may also include opportunistic trades. BAIA's fees on directly managed assets are not reduced by a payment to a sub-advisor.

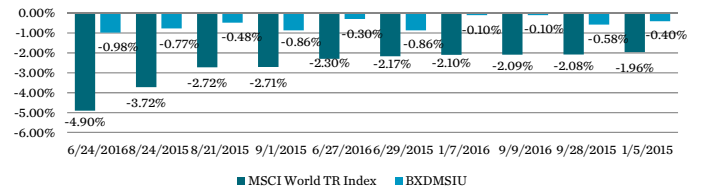
## Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(5)</sup>		MTD		QTD		ITD Cumulative Performance	
	3/31/2017	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	30.27%	1.10%	0.41%	3.40%	1.33%	1.82%	0.57%	
Credit	28.65%	1.06%	0.37%	3.74%	1.38%	13.94%	4.45%	
Multi-Asset	41.08%	0.63%	0.31%	2.64%	1.36%	2.60%	1.17%	
Expenses and Other			(0.30%)		(1.08%)		(2.68%)	
Net Return <sup>(2)</sup>			0.78%		2.99%		3.50%	

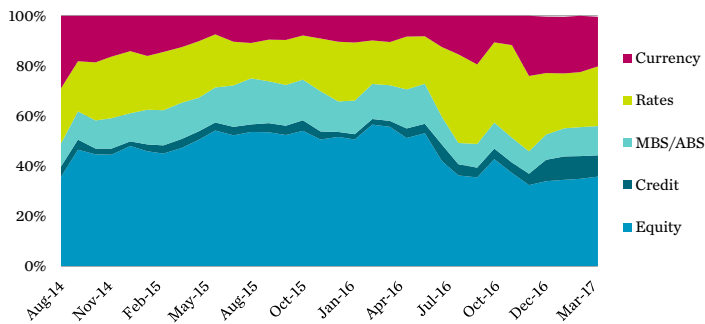
## Performance Contribution by Sub-Strategy<sup>(3)</sup>



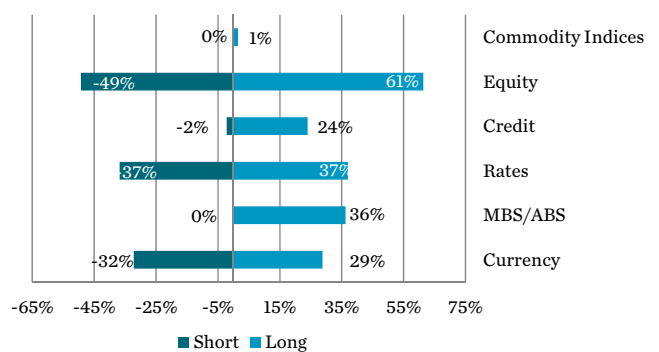
## Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception<sup>(2)(6)(8)</sup>



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



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



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

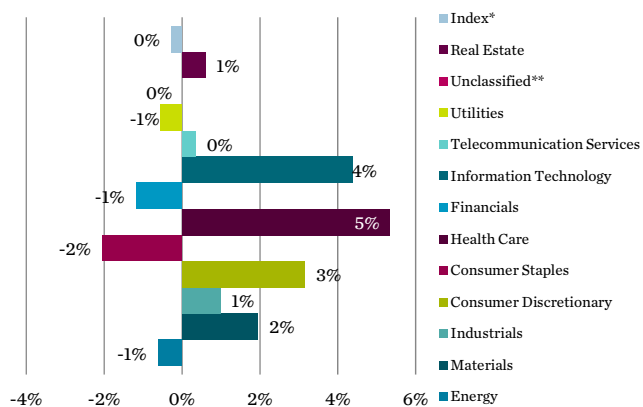
Region	Long	Short	Net
US/Canada	111.35%	51.99%	59.36%
Latin America/Caribbean	7.64%	1.82%	5.81%
Core Europe	39.78%	42.82%	-3.04%
Peripheral Europe	3.71%	4.76%	-1.05%
Middle East/Africa	1.38%	1.74%	-0.36%
China/HK/Taiwan	0.32%	1.38%	-1.07%
Asia general	11.99%	5.48%	6.52%
Japan	12.77%	10.48%	2.29%
<b>Total</b>	<b>188.93%</b>	<b>120.46%</b>	<b>68.46%</b>

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

Region	Long	Short	Net
US/Canada	2.71%	5.76%	-3.04%
Latin America	1.09%	0.68%	0.41%
Core Europe	9.81%	20.29%	-10.49%
Peripheral Europe	0.80%	0.48%	0.31%
Middle East/Africa	0.75%	0.79%	-0.05%
China/HK/Taiwan	0.01%	0.47%	-0.46%
Asia general	2.82%	3.11%	-0.29%
Japan	10.83%	0.58%	10.25%
<b>Total</b>	<b>28.82%</b>	<b>32.18%</b>	<b>-3.36%</b>

- (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 2016 and 2017. Net performance for the Fund as well as indices is from 5/23/16 to 3/31/17 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.
- (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 2.07%.

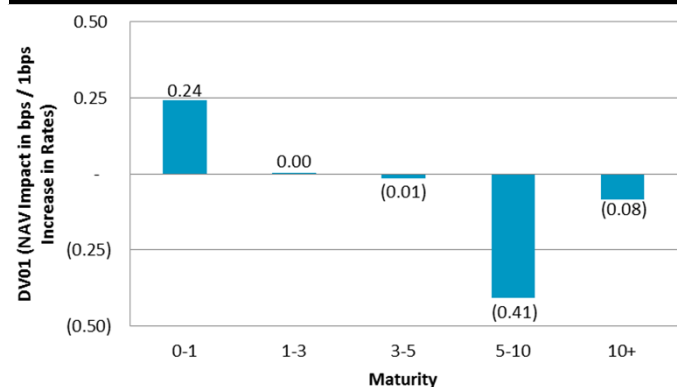
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



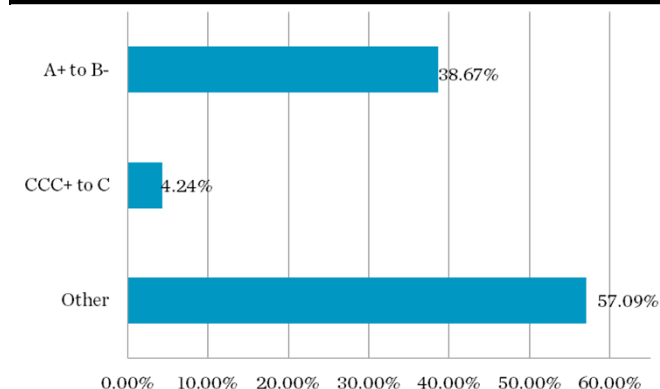
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	0.70%	1.31%	-0.61%
Materials	2.80%	0.85%	1.95%
Industrials	2.18%	1.21%	0.98%
Consumer Discretionary	7.80%	4.65%	3.15%
Consumer Staples	0.92%	2.95%	-2.04%
Health Care	13.63%	8.28%	5.34%
Financials	1.97%	3.15%	-1.17%
Real Estate	0.61%	0.02%	0.59%
Information Technology	7.53%	3.15%	4.38%
Telecommunication Services	0.49%	0.15%	0.34%
Utilities	1.22%	1.76%	-0.54%
Index*	21.54%	21.82%	-0.27%
Unclassified**	0.00%	0.00%	0.00%
<b>Total</b>	<b>61.39%</b>	<b>49.30%</b>	<b>12.09%</b>

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



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



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

Date	VaR
3/31/17	2.25%

- (1) In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. Data is obtained from State Street Fund Services (Ireland) Limited, the administrator for the Fund. The Fund does not guarantee the accuracy of such data. Using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings.
- (2) Dv01 represents the estimated change in NAV for the fund, expressed in basis points, for a 1 basis point increase in interest rates across each of the maturity ranges shown. Fixed income instruments are typically held across a number of different currencies.
- (3) Value at Risk ("VaR") is calculated at a 99% confidence level for a one month holding period (20 business days) using a model based on historical Fund data. Please see the Glossary of Terms for a further explanation of VaR.

\*Comprised of index futures, options on index futures, ETFs, and ETF options  
 \*\*Underlying instruments do not have a corresponding GICS sector assignment

## March Market Commentary

U.S. equity markets sputtered in March as the “Trump bump” lost steam upon news that the GOP was defeated in their attempt to repeal President Obama’s landmark healthcare legislation. House Republicans’ failure to repeal and replace the Affordable Care Act was a stunning political debacle that could portend difficulty for other Trump administration priorities, notably tax reform. Having priced in a high likelihood of favorable deregulatory and legislative initiatives since November, equity markets readjusted in March to reflect what may prove a more challenging outlook for the Trump agenda.

Despite broader equity market tepidness, the tech sector rallied. Although tech stocks have been beleaguered in recent months by concerns as to how the new administration’s trade and immigration policies would affect the industry, indications that change may not be as swift as initially thought helped the sector rebound in March. On the other hand, some popular “Trump trades” showed signs of reversal – S&P 500 Financials, for instance, dropped 2.9% and industrials also pulled back.

Leery of rich valuations in U.S. equities, investors flocked to emerging markets (“EM”) in search of more favorable valuations. As Brazil, Russia, and China continued to emerge from economic downturns, and as the dollar weakened on doubts that President Trump would be able to enact significant protectionist measures, March witnessed the largest inflows into EM since January 2015. Notably, the Mexican peso appreciated over 7% against the dollar during the month.

Meanwhile, the Conference Board Consumer Confidence Index and the University of Michigan’s measure of consumer sentiment spiked, hitting their highest levels in sixteen and seventeen years, respectively. The Federal Reserve (“Fed”) raised rates, albeit dovishly, for the first time in 2017, as the labor market strengthened and economic activity expanded at a moderate pace. The Fed nudged the federal-funds rate a quarter percentage point higher and intimated that this year may hold two additional hikes, contingent on the economy’s continued clean bill of health.

At the tail end of the month, the U.K. ambassador to the European Union (“E.U.”) delivered the Article 50 letter, a formal notification of Britain’s intent to exit the E.U. Despite the letter’s conciliatory tone indicating firm resolution to reach mutually beneficial trade deals with the remaining E.U. nations, the initiation of divorce proceedings had businesses and investors wondering how the next two years will pan out. Nevertheless, pound sterling had a strong month, outperforming all other G-10 currencies despite investor skittishness driving the GBP to a two-month low earlier in March.

## Review of Fund Performance<sup>1</sup>

The investment objective of Blackstone Diversified Multi-Strategy Fund (the “Fund”) is to seek capital appreciation. The Fund aims to achieve its objective by managing assets directly (via BAlA<sup>2</sup>) or by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or “alternative” investment strategies. In March, the Fund’s Class I share class<sup>3</sup> returned 0.85%<sup>4</sup> net of fees and expenses versus 0.12% and 1.14% for the S&P 500 and MSCI World Indices, respectively, and versus 0.15% for the Barclays Global Aggregate Bond Index.

## Equity Strategies

Equity strategies contributed most to performance in March, driven, in large part, by quantitative strategies. Within Equity Long/Short fundamental strategies, certain long and short pair trades in financials further bolstered the Fund’s performance. These gains, however, were partially offset by positions in managed care and other healthcare sub-sectors that traded down on the heels of the GOP’s legislative failure to repeal and replace the ACA.

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1. The volatility of the indices presented may be materially different from that of the performance of the fund. In addition, the 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 the 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 the Fund’s performance to that of well-known and widely recognized indices. A summary of the investment guidelines for the indices presented are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

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

3. For a summary of Fund performance of other share classes, please refer to the Fund’s website: <http://www.blackstone.com/bxdms>

4. Performance is shown net of all fees and expenses for Share Class I (USD). Past performance may not be a reliable guide to future performance. The value of shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited. Information is estimated and unaudited.

## ***Credit Strategies***

Credit strategies also continued to post positive performance, with gains coming from all sub-strategies despite the sell-off in credit markets through March. Fixed-Income – Asset Backed sub-strategies were particularly robust, led by continued gains from credit risk transfer (CRT) securities. Financial names notably contributed to performance, benefitting from expectations of a positive U.S. regulatory tailwind and distributions from a distressed firm that is in liquidation. The bonds of one financial firm, in particular, rose on speculation of a corporate divestiture. Certain short positions also proved fruitful with the widening of broader high yield spreads. Short exposure to a manufacturer in the agricultural space was a top performer following a poor earnings release.

## ***Multi-Asset Strategies***

March proved another positive month for Multi-Asset strategies. With protectionist rhetoric having subsided to some degree, growth pockets in certain emerging markets were attractive. Greek credit exposures rallied as the market grew increasingly assured that the second review of the country's bailout would be completed in the near-term. With the Macri administration focusing on structural reforms, Argentinian sovereigns continued to perform well. Long exposure to South African local bonds, quasi-sovereign Mexican and Brazilian bonds, and several other currencies (peso, rupee, yen, and euro) also proved accretive to performance, as did short positions in the krona and Australian dollar. In terms of factors, value and carry were drivers of performance, with equities proving the best-performing asset class. Long exposure to Egypt detracted, however, as the country's currency slipped back to all-time lows, and a quantitative trading strategy with negative beta to European equities also partially offset gains.

## **Review of Fund Performance – First Quarter 2017<sup>5</sup>**

Amidst the Trump administration's first ups and downs in Washington over the first quarter of 2017, the Fund's Class I share class returned 3.21%<sup>6</sup> net of fees and expenses versus 6.07% for the S&P 500 Index, 6.53% for the MSCI World Index, and 1.76% for the Barclays Global Aggregate Bond Index.

Equity strategies contributed positively on the quarter, driven primarily by strong performance of quantitative strategies. Throughout the quarter, market attention to Capitol Hill and the White House contributed to dispersion and volatility among equities, which generated opportunities for equity strategies to perform well. In addition, speculation surrounding the direction of healthcare policy in the first few months of the year proved beneficial for managed care exposures in the portfolio, while these same exposures trimmed initial gains following the GOP's failure to repeal and replace the ACA. Equity strategies also experienced some gains over the quarter in the Software, Biotech, and Internet sub-sectors, while some short exposures to Financials detracted.

Credit strategies were the Fund's biggest performance driver for the first three months of 2017, with all sub-strategies well in the black. Corporate and structured credit exposures benefitted from positive carry and anticipated implications of a possible change to interest deductibility. Collateralized loan obligation (CLO) tranches appreciated due to rising interest rates, which has been driving a broader demand for floating rate credit instruments. Additionally, commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) generated positive cash flow on the quarter, and an ongoing rally in credit risk transfer (CRT) bonds contributed additional gains to the credit book.

Finally, Multi-Asset strategies also added to the first quarter's performance, with Multi-Strategy sub-strategies notching the largest gains. Early in the quarter, factor-based strategies proved especially strong, led by performance in fixed income and FX value strategies. Argentine bonds were winners on the quarter, rallying as President Macri changed up his cabinet and focused on reform. Further, the multi-asset book benefitted from the Mexican peso's huge – almost 11% – rally over the first quarter. Exposures to Brazilian and Mexican quasi-sovereign entity bonds also posted gains. On the other hand, the dollars' slippage due to mounting investor worries about the Trump administration's ability to enact reforms contributed to some offsetting losses over the first quarter, as did fixed income momentum and carry strategies.

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  6. Performance is shown net of all fees and expenses for the Fund's Class I share class (USD). Past performance may not be a reliable guide to future performance. The value of shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited.

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. BAAM 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.**

#### **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 all the developed markets in the world.

#### **Important Disclosure:**

Blackstone has agreed to waive its fees and/or reimburse expenses of the Fund so that "Other Expenses" will not exceed 0.45% (annualized). For this purpose, "Other Expenses" includes all expenses incurred in the business of the Fund other than (i) establishment expenses relating to the Fund; (ii) investment management fees; (iii) Performance Fees or Additional Performance Fees; (iv) distributor fees; (v) Eligible Collective Investment Scheme fees and expenses, (vi) brokerage and trading costs, (vii) interest payments, (viii) taxes, and (ix) extraordinary expenses. Blackstone may terminate or modify this arrangement at any time in its sole discretion upon 30 days' notice in writing to the Fund's shareholders.

#### **Important Risks:**

There can be no assurance that BXDMS will achieve its investment objective. It should be appreciated that the value of Shares may go down as well as up. An investment in a Fund involves investment risks, including possible loss of the entire amount invested. The capital return and income of BXDMS is based on the capital appreciation and income on the investments it holds, less expenses incurred. Therefore, the Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income. The following is a summary description of certain principal risks of investing in BXDMS:

- General economic and market conditions can affect the price and volatility of investments.
- The success of the Fund depends upon BAIA's skill in determining the Fund's allocation to alternative investment strategies and in selecting the best mix of sub-advisers. There can be no guarantee that sub-advisers will stick to the Investment strategy for which they were selected, or that these strategies will be successful.
- Sub-advisers may make investment decisions which conflict with each other; for example, sub-advisers may hold economically offsetting positions or may purchase or sell the same security at the same time without aggregating their transactions. This may result in unnecessary brokerage and other expenses and the Fund may incur losses as a result.
- Some of the sub-advisers selected may hold only a small number of investments, or assets that move closely in line with assets held by other sub-advisers.
- The Fund's investments will include shares, bonds and FDI. Each of these will be exposed to the risks specific to the type of asset in question. In particular, the use of FDI may result in substantial gains or losses that are greater in magnitude than the original amount invested.
- The Fund may invest in countries with a weak legal or financial framework where it can be hard to enforce ownership rights or repatriate funds.
- The Fund may invest in currencies other than its base currency. The success of measures to protect the Fund or a Class against currency movements cannot be certain.
- Changes in exchange rates may have an adverse effect on the value price or income of the product.
- The Fund may invest in FDI that derive their value from other assets in the expectation of making a profit if the price of the assets falls; theoretically, this could result in an infinite loss.
- The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.
- Low trading volumes, lack of buyers, large positions or legal restrictions may limit or prevent the Fund from selling particular assets quickly and/or at desirable prices.

For further information on the risks faced by the Fund, see "Risk Factors" in the Prospectus and Supplement for the Fund, available from [www.blackstone.com/BXDMS](http://www.blackstone.com/BXDMS)