

# Blackstone Diversified Multi-Strategy Fund

(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

Blackstone

As of March 31, 2018

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St. Dev.	Beta	Alpha	Sharpe
BXDMSIG	0.39%	(0.97%)	(0.97%)	1.40%	2.63%	-	-	0.27
MSCI World TR Index (GBP-Hedged)	(2.20%)	(1.35%)	(1.35%)	15.50%	9.31%	0.14	(1.78%)	1.59
Barclays Gbl Agg Index (GBP-Hedged)	0.98%	1.16%	1.16%	2.21%	4.86%	0.07	0.87%	0.31

## Monthly Net Performance<sup>(1)</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%	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%	-	-	-	-	-	-	-	-	-	(0.97%)

## 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)	\$2,248.95
NAV per Share	£10.26
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

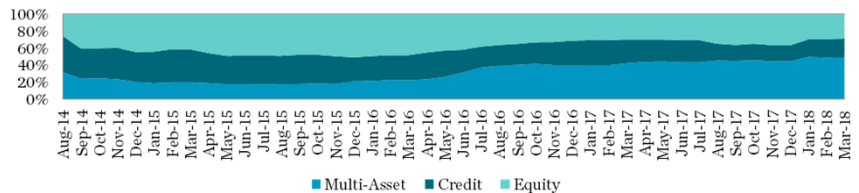
## Fund Terms – Share Class I (GBP) Acc.<sup>(4)</sup>

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

## 12 Month Performance Periods – To Last Quarter End<sup>(1)(2)</sup>

	3/30/2013-3/30/2014	3/30/2014-3/30/2015	3/30/2015-3/30/2016	3/30/2016-3/30/2017	3/30/2017-3/30/2018
BXDMSIG	N/A	N/A	N/A	N/A	(0.87%)
MSCI World TR (GBP-Hedged)	N/A	N/A	N/A	N/A	13.44%
Barclays Gbl Agg Index (GBP-Hedged)	N/A	N/A	N/A	N/A	6.26%

## Asset Allocation by Sub-Strategy<sup>(3)</sup>



## Portfolio Allocation<sup>(3)(6)</sup>

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
HealthCor	Fundamental	Equity (Long/Short)	34%
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)	47%
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
GSA	Global Macro	Multi-Asset (Macro Systematic)	
H2O	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	
Cerberus <sup>(7)</sup>	Opportunistic Trading	Credit (MBS/ABS)	19%
Bayview	Fundamental	Credit (MBS/ABS)	
Caspian	Fundamental	Credit	
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall <sup>(7)</sup>	Fundamental	Credit (MBS/ABS)	

(1) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2018. Net performance for the Fund as well as indices is from 5/23/16 to 3/31/18.

(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.

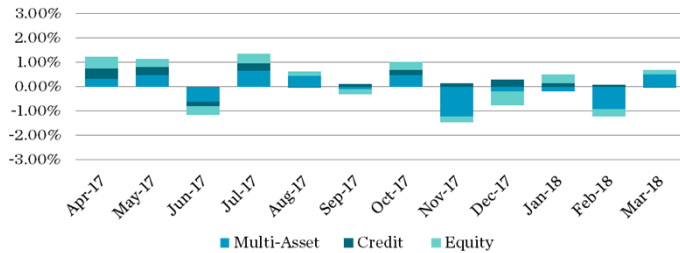
(8) BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic a risk premia trading strategy, a short-only fundamental equity strategy (advised by Gracian Capital on a non-discretionary basis), and may also include opportunistic trades.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

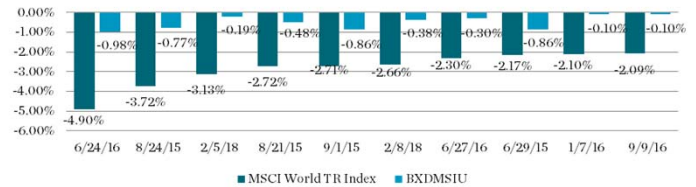
## Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(5)</sup>		MTD		QTD		YTD		ITD Cumulative Performance	
	3/29/2018	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	34.34%	0.49%	0.18%	0.76%	0.25%	0.76%	0.25%	12.51%	1.22%	
Credit	19.05%	(0.07%)	(0.01%)	0.98%	0.21%	0.98%	0.21%	25.34%	6.76%	
Multi-Asset	46.61%	1.02%	0.49%	(1.27%)	(0.65%)	(1.27%)	(0.65%)	6.45%	0.81%	
Hedging Expenses			(0.12%)		(0.32%)		(0.32%)		(2.08%)	
Expenses and Other			(0.14%)		(0.46%)		(0.46%)		(4.12%)	
Net Return <sup>(2)</sup>			0.39%		(0.97%)		(0.97%)		2.60%	

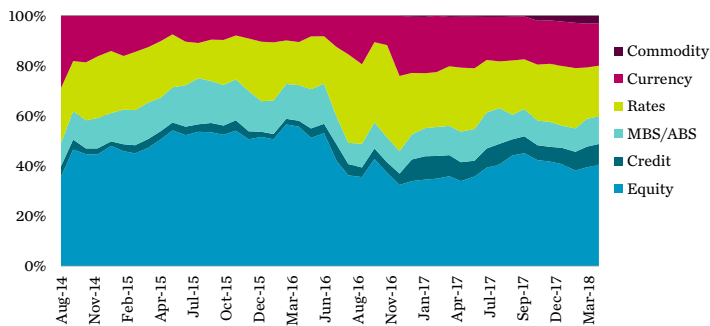
## Performance Contribution by Sub-Strategy<sup>(3)</sup>



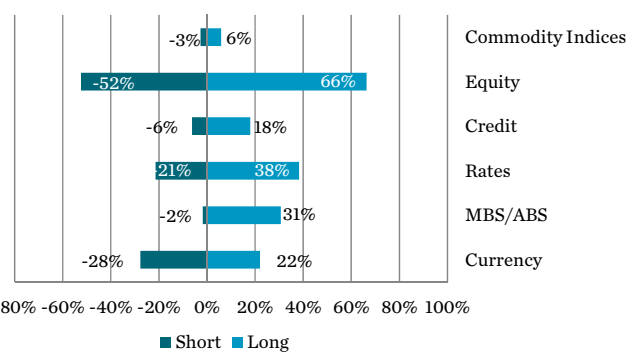
## Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception<sup>(6)(8)</sup>



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



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



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

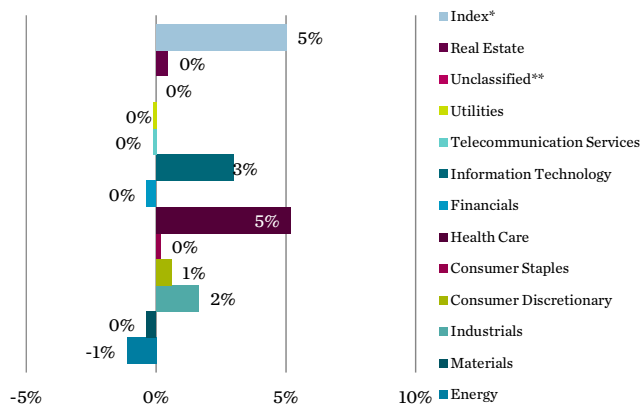
Region	Long	Short	Net
US/Canada	114.39%	66.25%	48.14%
Latin America/Caribbean	6.71%	0.91%	5.80%
Core Europe	30.84%	29.40%	1.43%
Peripheral Europe	5.45%	0.65%	4.80%
Middle East/Africa	2.62%	1.35%	1.27%
China/HK/Taiwan	1.29%	2.65%	-1.36%
Asia general	11.33%	5.47%	5.87%
Japan	8.77%	5.69%	3.08%
<b>Total</b>	<b>181.40%</b>	<b>112.37%</b>	<b>69.03%</b>

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

Region	Long	Short	Net
US/Canada	3.80%	1.96%	1.84%
Latin America	1.81%	0.59%	1.22%
Core Europe	7.26%	18.98%	-11.72%
Peripheral Europe	0.55%	0.52%	0.03%
Middle East/Africa	0.33%	0.32%	0.01%
China/HK/Taiwan	0.47%	0.65%	-0.18%
Asia general	5.66%	2.82%	2.84%
Japan	2.18%	1.87%	0.30%
<b>Total</b>	<b>22.05%</b>	<b>27.72%</b>	<b>-5.66%</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 2018. Net performance for the Fund as well as indices is from 5/23/16 to 3/31/18 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 2.07%.

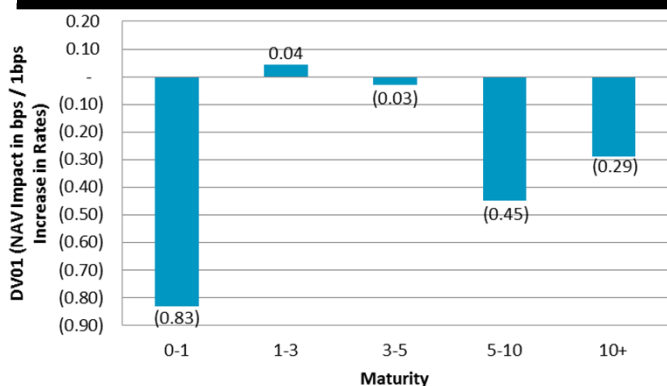
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



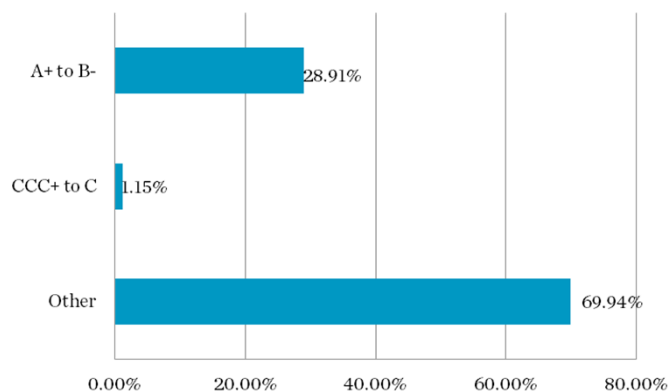
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	2.05%	3.17%	-1.12%
Materials	1.36%	1.73%	-0.37%
Industrials	4.55%	2.90%	1.65%
Consumer Discretionary	6.45%	5.87%	0.58%
Consumer Staples	2.00%	1.83%	0.17%
Health Care	12.75%	7.58%	5.17%
Financials	6.45%	6.81%	-0.36%
Real Estate	1.10%	0.64%	0.46%
Information Technology	8.50%	5.53%	2.98%
Telecommunication Services	0.25%	0.37%	-0.12%
Utilities	0.62%	0.73%	-0.11%
Index*	20.32%	15.31%	5.01%
Unclassified**	0.00%	0.00%	0.00%
<b>Total</b>	<b>66.41%</b>	<b>52.47%</b>	<b>13.94%</b>

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



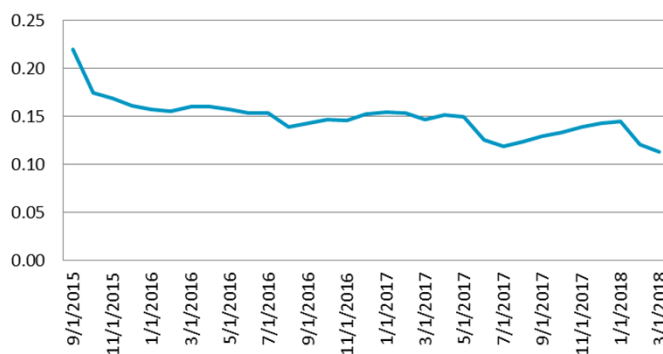
## Fixed Income Ratings<sup>(1)</sup>



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

Date	VaR
3/31/18	2.19%

## 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 9/11/2014-3/31/2018. 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

## March Market Commentary

After a tumultuous February for equity markets and other risk assets, March brought a continuation of the risk sell-off, with U.S. and global equity markets down 2.54% and 2.11%, respectively. Fears of a global trade war inserted fresh volatility into markets, as the U.S. administration announced tariffs on steel and aluminum imports, as well as a 25% tariff on roughly \$50 billion worth of Chinese imports. In addition, the U.S. Federal Reserve, now under the new leadership of Jerome Powell, raised rates in March and revised expectations for the pace at which rates will increase going forward, signaling confidence in the strength of the economy.

Last month, our commentary focused on market volatility through the lens of equity markets. This month, we take a look at the fixed income side of the story, and the risks that rising rates pose to investor portfolios. The multi-decade bull market in rates ended roughly two years ago, around the time of the Brexit vote. At that time, political analysts and pundits alike were questioning the very future of the European Union, and government bonds, a traditional safe haven, touched yields never seen before. That summer as fear spread, the U.S. 10 year treasury hit 1.35%, German 10 year Bunds fell to -0.19% and UK 10 year Gilts settled at a low 0.51%. By February of this year, yields had reversed their downward trend as the U.S. 10 year rose to 2.95%, and Bunds and Gilts to 0.76% and 1.64% respectively. The bond bull market has been over for nearly 2 years now, but an analysis of fund flows suggests investors are yet to fully acknowledge it.

One risk in this environment that some investors may be unaware of is duration extension, which is occurring in many fixed income products. More than half of the \$550 billion dollars that has flowed into taxable fixed income investments over the last two years has gone into passive products that seek to mirror an index, according to data from the Investment Company Institute. The underlying indices of many of these products have seen durations extend, as issuers have taken advantage of the low-rate environment by issuing longer-dated debt with more duration risk. Bond duration and interest rate sensitivity are closely linked; the higher the duration, the more sensitive the bond to changes in interest rates. And the relationship is an inverse one, so as rates rise, bond prices fall.

The bear market in bonds may be long lasting. In addition to any existing inflationary pressures, increasing budget deficits (more spending) and the end of quantitative easing likely mean more bond supply will hit the market as central banks vow to buy less. Tax cuts in the U.S. may add \$200 billion to the budget deficit in 2018 and that deficit is forecasted to increase to over \$1 trillion according to the Congressional Budget Office (CBO). Meanwhile, the biggest buyers of bonds since 2009 have been the world's Central Banks, which own over 33% of the world's debt combined. But the Fed is shrinking its balance sheet and the European Central Bank and Bank of Japan are considering the end of their respective quantitative easing. This marks a paradigm shift, and investors should be thinking about how to position their portfolios to reflect this new reality.

So how can investors think about positioning their portfolios to lessen the impact of rising rates? One strategy is to minimize exposure to longer duration credit, as referenced above. Another strategy is to incorporate exposure to floating rate credit that can help reduce the risk of higher rates through the periodic resetting of coupons.

### Review of March 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>1</sup>). In March, the Fund's Class I (USD) share class returned 0.56%<sup>2</sup> net of fees and expenses versus -2.54% and -2.11% for the S&P 500 and MSCI World indices, respectively and versus 1.06% for the Barclays Global Aggregate Bond Index<sup>3</sup>.

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1. BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic premia trading strategy, a short-only fundamental equity strategy (advised by Gracian Capital on a non-discretionary basis), and may include other opportunistic trades in the future. BAIA's fees on directly managed assets are not reduced by a payment to a sub-adviser.
  2. 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.blackstone.com/bxdms](http://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.

## Equity Strategies

Equity strategies contributed positively to performance in March, despite marked weakness in domestic and global equity markets. Positive performance was driven largely by Equity Market Neutral sub-strategies, as higher volatility and dispersion during the month helped these strategies generate gains. Healthcare exposures were notable detractors within the Fund's Equity sleeve, with exposure to a medical device company driving most of the negative performance. Similar to last month, the Fund's low equity beta helped the portfolio avoid much of the downside experienced in equity markets during March.

## Credit Strategies

Credit strategies were roughly flat on the month. While the hike in interest rates caused a headwind for some strategies, the Fund's exposure to floating rate credit helped minimize the impact. Positions in Credit Risk Transfer (CRT) bonds, which have contributed meaningfully to performance over the past 12 months, saw spreads widen, largely offsetting income generated from the underlying reference loans.

## Multi-Asset Strategies

Multi-Asset strategies were the largest contributors to performance during the month, with the majority of the performance driven by risk premia strategies. Equity Sentiment, a risk premia strategy that was a meaningful contributor in February, detracted from performance in March, while Value, Size, Momentum and Momentum Carry drove the majority of the positive attribution during the month. Additionally, long exposure to local rates, sovereign and quasi-sovereign debt in African and South American countries contributed positively to performance.

## Review of Fund Performance – First Quarter 2018

During the first quarter of 2018, the Fund's Class I share class returned -0.56%<sup>4</sup> net of fees and expenses versus -0.76% for the S&P 500 Index, -1.15% for the MSCI World Index, and 1.36% for the Barclays Global Aggregate Bond Index.

Equity strategies contributed positive performance in the first quarter, with moderate negative performance in fundamental Equity Long/Short sub-strategies more than offset by positive performance in quantitative Equity Market Neutral sub-strategies. Early in the quarter, factor positioning proved to be a positive tailwind, as momentum stocks continued to outperform. While Equity strategies gave back some of the positive performance in February as markets sold off, the low beta employed by these sub-advisers helped the Fund protect capital. Losses in February were largely driven by a handful of healthcare-focused positions across pharmaceuticals, biotech, and medical devices. Positive performance in aggregate in March helped Equity Strategies finish the quarter as the leading contributor to Fund performance, despite global equity markets being down over 1% over that period, as measured by the MSCI World index.

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4. Performance is shown net of all fees and expenses for the Fund's Class I share class. Past performance may not be a reliable guide to future performance. The value of shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited. For a summary of Fund performance of other share classes, please refer to the Fund's website: [www.blackstone.com/bxdms](http://www.blackstone.com/bxdms).

Credit strategies were the second largest positive contributor to first quarter performance, led by gains in Fixed Income – Asset Backed sub-strategies. CRT bond spreads tightened in January and February, before widening marginally in March. We continue to selectively purchase newer vintages of these securities, aiming to participate in newer, unrated vintages that have the potential to benefit from future positive ratings as borrowers pay down principal outstanding on the underlying mortgages. While the Tax Cuts and Jobs Act that was announced last quarter and signed into law in December helped boost certain corporate credits at the end of 2017, enacted rate hikes combined with the prospect that the pace of future hikes is likely to increase has started to act as a headwind in 2018.

Multi-Asset strategies detracted from performance in the first quarter, offsetting gains in Equity and Credit strategies. The majority of the negative performance was driven by risk premia and systematic trend-following strategies during January and February, with some of the losses recouped during March. While exposure to Momentum helped Equity strategies in January, exposure to the “Size” premium, which is a strategy that benefits from outperformance of smaller cap stocks over larger cap stocks, hurt performance during the first part of the quarter. Long equity exposure, to Asia in particular, also detracted from performance in February, along with exposures to Real Estate Investment Trusts (“REITs”).

### **Sub-Advisers and Strategies Added/Removed**

At Blackstone, we believe that managing the optimal mix of strategies across the portfolio and adjusting it over time are key to generating returns in different market environments. Over the course of the first quarter of 2018, we added three new strategies and terminated two existing sub-advisers.

#### Q1 2018 Strategy Additions<sup>5</sup>:

1. Endeavour Capital Advisors LLC (“Endeavor”): Endeavour is a financial services equity sector specialist that combines bottom-up fundamental research with perspective on the macroeconomic, regulatory, and financial conditions that impact the industry.
2. NWI Management, L.P. (“NWI”): NWI is a global macro manager with experience in emerging market interest rates, currency, and credit. NWI’s strategy typically pursues investments and transactions in the securities of sovereign and corporate obligors, principally in emerging markets.
3. Magnetar Asset Management LLC (“Magnetar”): Magnetar manages a systematic merger arbitrage risk premia capture strategy that leverages Magnetar’s event driven investing expertise across various deal types.

#### Q1 2018 Sub-Adviser Terminations:

1. GS Investment Strategies, LLC (“GSIS”)
2. Chatham Asset Management, LLC (“Chatham”)

Sub-adviser and strategy additions and terminations are normal events in Blackstone’s hedge fund investment process and result from our dynamic evaluation of the top down assessment of the opportunity set for hedge fund strategies as well as the bottom up evaluation of a manager’s ability to deliver alpha in a given environment.

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5. 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.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only and should not be the basis of any investment decisions. Past performance is not necessarily indicative of future results. There can be no assurance that the Fund or its underlying managers will achieve their investment objectives or avoid significant losses. The Fund is actively managed and allocations are subject to ongoing revision. Certain of the information provided herein has been obtained from or derived from BAIA’s underlying managers. BAIA does not guarantee the accuracy or completeness of such information.

Sub-adviser and strategy additions and terminations are normal events in Blackstone’s hedge fund investment process and result from our dynamic evaluation of the top down assessment of the opportunity set for hedge fund strategies as well as the bottom up evaluation of a manager’s ability to deliver alpha in a given environment.



All investors should consider the investment objective, risks, charges and expenses of **Blackstone Diversified Multi-Strategy Fund (BXDMS)** carefully before investing. The Key Investor Information Document ("KIID"), Prospectus and Supplement contain this and other information about BXDMS and are available on the Blackstone website at [www.blackstone.com/BXDMS](http://www.blackstone.com/BXDMS). All KIIDs are available in English, and certain share class specific KIIDs are available in French, German, Dutch, Danish, Finnish, Swedish, Norwegian, Spanish and Italian as indicated on the Blackstone website. All investors are urged to carefully read the Prospectus, Supplement and KIID in their entirety before investing.

#### **Conflicts of Interest**

Blackstone and the Sub-Advisers have conflicts of interest that could interfere with their management of the Fund. These conflicts, which are disclosed in the Fund's Statement of Additional Information, include, without limitation:

- **Selection of Sub-Advisers.** Blackstone compensates the Sub-Advisers out of the management fee it receives from the Fund. This could create an incentive for Blackstone to select Sub-Advisers with lower fee rates.
- **Financial Interests in Sub-Advisers and Service Providers.** Blackstone, the Sub-Advisers, and their affiliates have financial interests in asset managers and financial service providers. Allocating to an affiliate (or hiring such entity as a service provider) benefits The Blackstone Group L.P. or the relevant Sub-Adviser and redemptions from an affiliate (or terminating such entity as a service provider) would be detrimental to The Blackstone Group L.P. or the relevant Sub-Adviser. For example:
  - Blackstone Strategic Capital Advisors L.L.C. ("BSCA"), an affiliate of BAIA, manages certain funds (the "BSCA Funds") that acquire equity interests in established alternative asset managers (the "Strategic Capital Managers"). One of the Strategic Capital Managers in which the BSCA Funds have a minority interest is Magnetar Capital Partners L.P., a control affiliate of Magnetar Asset Management LLC, a sub-adviser for the Fund. The Fund will not participate in any of the economic arrangements between the BSCA Funds and any Strategic Capital Manager with which the Fund invests.
  - BAAM, an affiliate of BAIA, has entered into a joint venture with NWT to create Blackstone NWT Asset Management L.L.C. ("BNAM"), an emerging markets asset manager. BNAM, BAAM and NWT share certain personnel and infrastructure.
  - Blackstone is in the process of onboarding Arcesium LLC ("Arcesium") to provide certain middle- and back-office services and technology to the Fund. The parent company of a Sub-Adviser owns a controlling, majority interest in Arcesium and BAAM owns a non-controlling, minority interest in Arcesium.
- **Other Activities of Blackstone or the Sub-Advisers.** The activities in which Blackstone, the Sub-Advisers, or their affiliates are involved in on behalf of other accounts may create conflicts of interest or limit the flexibility that the Fund may otherwise have to participate in certain investments. For example, if Blackstone or a Sub-Adviser comes into possession of material non-public information with respect to a company, then Blackstone or the relevant Sub-Adviser generally will be restricted from investing in securities issued by that company. Further, Blackstone generally will be restricted from investing in portfolio companies of its affiliated private equity business.
- **Allocation of Investment Opportunities.** Blackstone and the Sub-Advisers (or their affiliates) manage other accounts and have other clients with investment objectives and strategies that are similar to, or overlap with, the investment objective and strategy of the fund, creating potential conflicts of interest in investment and allocation decisions. These conflicts of interest are exacerbated to the extent that the other clients are proprietary or pay higher fees or performance-based fees.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Barclays Global Aggregate Bond Index (EUR-Hedged):** provides a broad-based measure of the global investment grade fixed-rate debt markets. It is comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indexes.

**MSCI World Index (EUR-Hedged):** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI World is maintained by Morgan Stanley Capital International, and is comprised of stocks from all the developed markets in the world. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. ([www.msci.com](http://www.msci.com))

#### **Important Disclosure:**

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

#### **Important Risks:**

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

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

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