

Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSIN: Class I (NOK) 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 February 28, 2018

Fund Net Performance ⁽¹⁾⁽²⁾	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSIN	(1.36%)	(1.29%)	(1.29%)	1.00%	2.95%	-	-	0.18
MSCI World TR (NOK-Hedged)	(4.17%)	0.82%	0.82%	13.00%	10.50%	0.14	(0.75%)	1.19
Barclays Gbl Agg (NOK-Hedged)	(0.96%)	0.13%	0.13%	2.95%	5.12%	(0.00)	1.05%	0.48

Monthly Net Performance ⁽¹⁾

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	-	-	-	-	-	-	-	-	-	1.06%	0.66%	(1.00%)	0.71%
2016	(1.92%)	(2.53%)	1.38%	1.26%	0.90%	(0.94%)	1.00%	(0.42%)	0.98%	0.56%	(1.47%)	0.61%	(0.69%)
2017	1.65%	0.70%	0.78%	0.92%	0.80%	(0.81%)	0.93%	0.31%	(0.29%)	0.70%	(1.28%)	(0.71%)	3.72%
2018	0.07%	(1.36%)	-	-	-	-	-	-	-	-	-	-	(1.29%)

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)	\$2,217.53
NAV per Share	NOK 102.40
Currency	NOK
Fund Inception Date	August 11, 2014
Share Class Inception Date	October 15, 2015
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSIN ID
ISIN	IE00BN8SY718

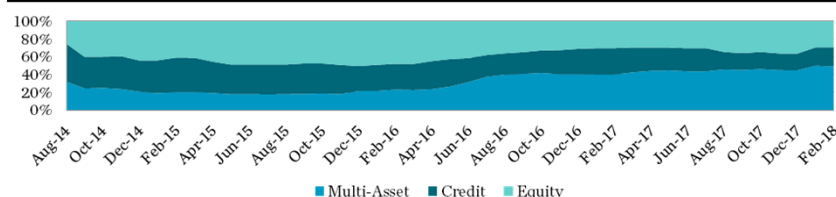
Fund Terms – Share Class I (NOK) Acc. ⁽⁴⁾

Minimum Initial Investment (Mn)	NOK 35.00
Management Fee	1.40%
Performance Fee ⁽⁵⁾	15.00%
Other Expenses ⁽⁶⁾	Capped 0.45%

12 Month Performance Periods – To Last Quarter End ⁽³⁾

	12/31/2012-12/31/2013	12/31/2013-12/31/2014	12/31/2014-12/31/2015	12/31/2015-12/31/2016	12/31/2016-12/31/2017
BXDMSIN	N/A	N/A	N/A	(0.69%)	3.72%
MSCI World TR (NOK-Hedged)	N/A	N/A	N/A	8.79%	23.06%
Barclays Gbl Agg Index (NOK-Hedged)	N/A	N/A	N/A	2.69%	7.40%

Asset Allocation by Sub-Strategy ⁽³⁾



Portfolio Allocation ⁽³⁾

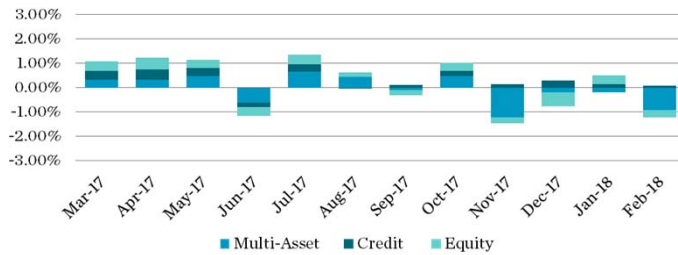
SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION	
HealthCor	Fundamental	Equity (Long/Short)	33%	
Endeavour	Fundamental	Equity (Long/Short)		
Cerebellum	Quantitative	Equity (Market Neutral)		
Two Sigma Advisers	Quantitative	Equity (Market Neutral)		
IPM	Quantitative	Multi-Asset (Macro Systematic)	46%	
Emso	Global Macro	Multi-Asset (Macro EM-Credit)		
GSA	Global Macro	Multi-Asset (Macro Systematic)		
H20	Global Macro	Multi-Asset (Discretionary Thematic)		
BAIA-Direct ⁽⁸⁾	Multi-Strategy	Multi-Asset (Multi-Strategy)		
DE Shaw	Multi-Strategy	Multi-Asset (Multi-Strategy)		
Chatham ⁽⁷⁾	Opportunistic Trading	Credit		20%
Cerberus ⁽⁷⁾	Opportunistic Trading	Credit (MBS/ABS)		
Bayview	Fundamental	Credit (MBS/ABS)		
Caspian	Fundamental	Credit		
Good Hill	Fundamental	Credit (MBS/ABS)		
Sorin	Fundamental	Credit (MBS/ABS)		
Waterfall ⁽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 2017 and 2018. Net performance for the Fund as well as indices is from 10/15/15 to 2/28/18 and is annualized.
- (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 BXDMSIN 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. BXDMSIN launched October 15, 2015, prior allocations are for the share class with the longest track record, BXDMSKE.
- (4) The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS prospectus and supplement.
- (5) The Fund will pay to Blackstone a performance fee equal to 15% of any returns the relevant class achieves above any losses carried forward from previous periods. The Fund may also pay to Blackstone an additional performance fee equal to the amount of any performance fees owed by Blackstone to the sub-advisers. Any such additional performance fee will be deducted from Blackstone's performance fee before it is paid in subsequent quarterly performance periods. The performance fee together with any additional performance fee are subject to a cap of 4.95% of the NAV of the class.
- (6) Blackstone has agreed to reimburse the Fund so that certain of the Fund's "Other Expenses" will not exceed 0.45% annually. Please see important disclosure information at the end of this document for further explanation.
- (7) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice. Effective February 14, 2018, Chatham was terminated as a sub-adviser.
- (8) BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic a risk premia trading strategy, a short-only fundamental equity strategy (advised by Gracian Capital on a non-discretionary basis), and may also include opportunistic trades. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.

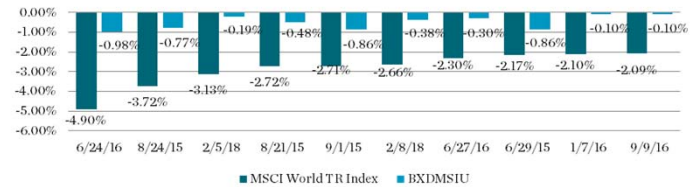
Performance Summary

Sub-Strategy Performance ⁽¹⁾	Allocation at ⁽⁵⁾		MTD		QTD		YTD		ITD Cumulative Performance	
	2/28/2018	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	33.39%	(0.87%)	(0.29%)	0.27%	0.08%	0.27%	0.08%	11.95%	1.29%	
Credit	20.15%	0.37%	0.08%	1.04%	0.22%	1.04%	0.22%	25.42%	6.35%	
Multi-Asset	46.47%	(1.87%)	(0.93%)	(2.26%)	(1.13%)	(2.26%)	(1.13%)	5.09%	0.61%	
Hedging Expenses			(0.10%)		(0.18%)		(0.18%)		(0.88%)	
Expenses and Other			(0.12%)		(0.28%)		(0.28%)		(4.98%)	
Net Return ⁽²⁾			(1.36%)		(1.29%)		(1.29%)		2.40%	

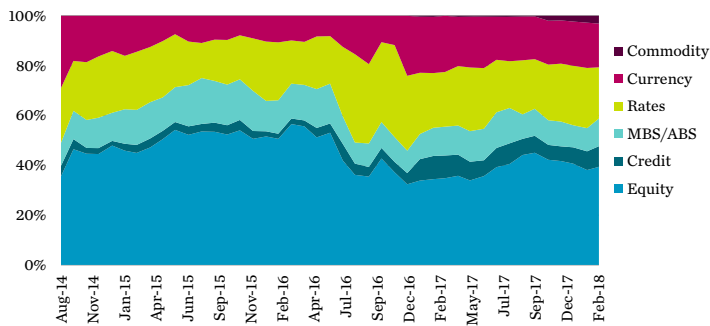
Trailing 12 months performance contribution by Sub-Strategy⁽³⁾



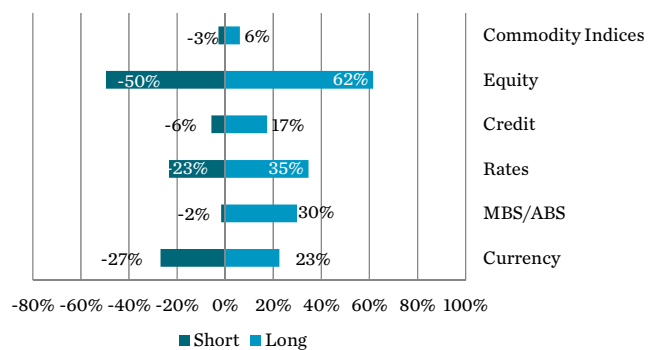
Downside Protection: Worst 10 Days for MSCI World vs BXDMSI Fund Since Inception⁽⁶⁾⁽⁸⁾



Asset Class Gross Historical Exposure⁽⁴⁾⁽⁵⁾⁽⁷⁾



Asset Class Exposure⁽⁴⁾



Fund Geographic Exposure⁽⁴⁾

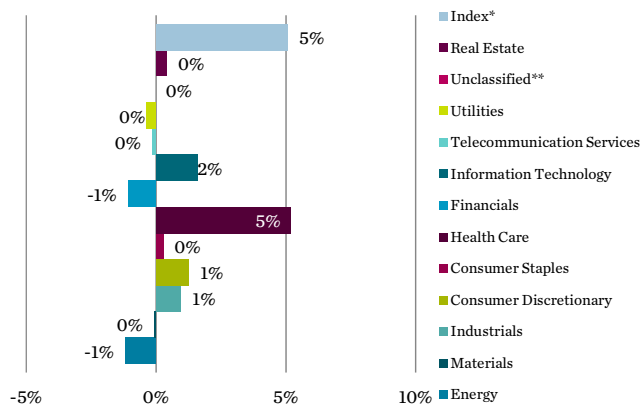
Region	Long	Short	Net
US/Canada	113.13%	64.82%	48.31%
Latin America/Caribbean	5.09%	0.86%	4.23%
Core Europe	25.66%	29.79%	-4.13%
Peripheral Europe	3.76%	0.70%	3.06%
Middle East/Africa	2.22%	1.33%	0.89%
China/HK/Taiwan	1.19%	2.41%	-1.22%
Asia general	13.07%	4.09%	8.99%
Japan	8.03%	6.13%	1.90%
Total	172.15%	110.12%	62.03%

Currency Exposure⁽⁴⁾

Region	Long	Short	Net
US/Canada	4.45%	1.87%	2.58%
Latin America	1.05%	0.60%	0.45%
Core Europe	5.95%	19.68%	-13.73%
Peripheral Europe	0.54%	0.57%	-0.03%
Middle East/Africa	0.38%	0.30%	0.07%
China/HK/Taiwan	0.49%	0.61%	-0.12%
Asia general	7.10%	1.76%	5.34%
Japan	2.57%	1.47%	1.11%
Total	22.53%	26.86%	-4.33%

- (1) Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
- (2) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2017 and 2018. Net performance for the Fund as well as indices is from 10/15/15 to 2/28/18 and is annualized. 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%.

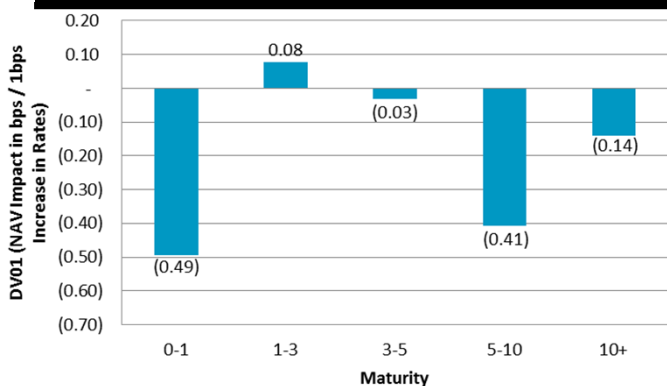
Equity Exposure – Net Sector Breakdown⁽¹⁾



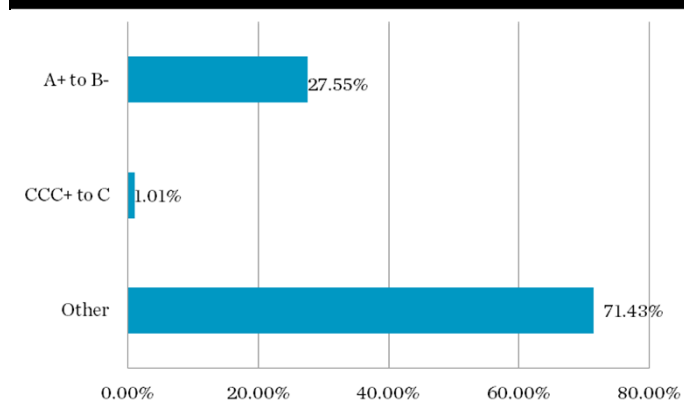
Equity Exposure – Sector Breakdown⁽¹⁾

	Long	Short	Net
Energy	1.79%	2.97%	-1.17%
Materials	1.49%	1.55%	-0.06%
Industrials	4.05%	3.09%	0.96%
Consumer Discretionary	7.17%	5.91%	1.26%
Consumer Staples	1.99%	1.71%	0.27%
Health Care	12.75%	7.55%	5.20%
Financials	5.45%	6.52%	-1.07%
Real Estate	0.98%	0.57%	0.41%
Information Technology	7.49%	5.87%	1.61%
Telecommunication Services	0.17%	0.31%	-0.14%
Utilities	0.35%	0.72%	-0.37%
Index*	17.92%	12.85%	5.07%
Unclassified**	0.00%	0.00%	0.00%
Total	61.61%	49.61%	11.99%

Fixed Income Interest Rate Sensitivity⁽²⁾



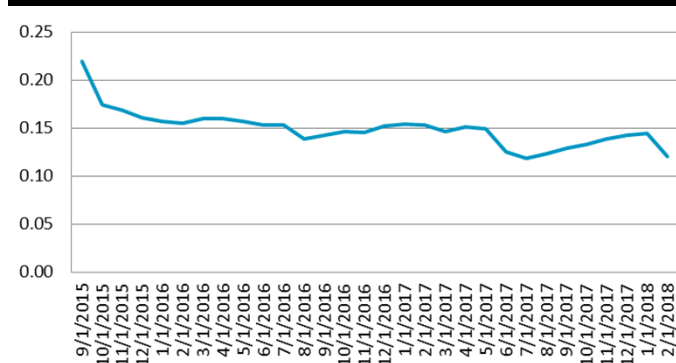
Fixed Income Ratings⁽¹⁾



VaR Analysis⁽³⁾

Date	VaR
2/28/18	2.21%

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) 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

February Market Commentary

February may be the shortest month of the year, but given the equity market turmoil that surfaced, it may have felt pretty long. The S&P 500 ended twelve of February's nineteen trading days with a move of over 1% in either direction. Three of those days ended down in excess of 2%, and by the end of the month's first week of trading, the index entered "market correction" territory with an overall pullback of over 10% from its January 26th peak. All this amid continued strong fourth quarter earnings announcements and a spate of share repurchases resulting both from stronger earnings and the recent GOP tax law.

So what happened? Equity market volatility (as measured by the so-called "Fear Gauge", the Cboe Volatility Index) spiked to a level last seen in November 2011 as a broad selloff in stocks reversed January's positive momentum. As stocks dropped, investors who had piled into equities on margin – funds borrowed against securities posted as collateral – were forced to deleverage, i.e. sell holdings to meet margin calls. Margin debt hit a record high in January – over \$665 billion¹ – prompting FINRA to issue an investor alert highlighting the risks of margin trading come a market downturn². This elevated level of margin trading may have amplified February's market rout.

But what may have triggered the correction to begin with? Early in the month, Jerome Powell was sworn in as Chairman of the Federal Reserve (the "Fed"), and the Fed penciled in three – and hinted at four – potential interest rate hikes for 2018 due to signs of a strengthening economy. Indeed, after a relatively flat 2017, the yield on the 10 year U.S. Treasury note – rose dramatically to 2.94% in the first couple months of this year. Recall that after the Great Financial Crisis of 2008, the Fed cut its target rate to zero in an attempt to encourage borrowing and thereby boost economic activity. This helped spark and sustain a nearly nine-year bull market by artificially increasing the relative appeal of risk assets. However, as the economy strengthens, the Fed is expected to increase the target federal funds rate, thus decreasing market-propping stimulus. This creates an awkward dynamic wherein good news for the economy may spell trouble for capital markets.

Consider how this played out in February. On the 2nd, the Bureau of Labor Statistics released its findings that private-sector wages posted their best year-over-year growth in nearly a decade. The S&P 500 dropped 2.11%. On the 8th, the Labor Department released its weekly report of initial jobless claims, and its findings were lower than economists' expectations. Again, the S&P 500 plummeted 3.74%. On the 27th, Powell testified on Capitol Hill that U.S. economic health had improved. Yet again, the S&P 500 fell 1.26%. And what of the traditional diversifying counterpart to equities, namely, fixed income? On these same three days, the U.S. 10 year yield increased, which means the price dropped. When equity and fixed income prices drop in tandem, traditional diversification techniques may fail to preserve capital.

February's equity market correction may also be a symptom of growing discomfort with historically high stock prices relative to fundamentals (i.e. earnings). We have previously discussed the Cyclically Adjusted Price to Earnings or "CAPE" ratio, a metric designed to enable comparison of market valuations across economic cycles. By the start of February, the CAPE ratio had swollen to over 33x, which is topped only by valuations in the lead-up to the Dot Com Bubble³. Incidentally, net margin debt as a percentage of the total value of the New York Stock Exchange ("NYSE") recently surpassed the peak hit, once again, in the buildup to the Dot Com Bubble⁴. We can't help but wonder whether February's correction could portend additional turbulence in months to come – and if indeed it does, margin trading could exacerbate market volatility.

February makes for a good case study as to the potential benefits of a multialternative portfolio diversifier in times of elevated volatility. Across three days in the first half of February with drawdowns greater than 1%, the S&P 500 plummeted 9.64%, and the MSCI World plunged 7.45%; BXDMS, meanwhile, dropped just 0.84% as positive performance from certain of the Fund's credit and multi-asset exposures offset declines in equities⁵.

As you think about your own portfolio and how it's currently positioned, consider how exposed you may be to future equity market volatility. With President Trump's focus on tariffs that could lead to trade wars, a market rattled by February's spike in volatility, and the Fed's blithe indication that rate hikes are probable through 2018, it's reasonable to consider potentially more volatile times ahead. Maintaining low beta to traditional asset classes and a low volatility profile, BXDMS seeks to avoid losses while maintaining diversified exposures that are less dependent on market movements.

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1. FINRA, "Margin Statistics"
 2. FINRA, "Investing with Borrowed Funds: No 'Margin' for Error". January 18, 2018.
 3. CAPE Ratio Data. Professor Robert Schiller, Yale University, Department of Economics. February 28, 2018.
 4. Wall Street Journal, "Investors' Zeal to Buy Stocks With Debt Leaves Markets Vulnerable". February 25, 2018.
 5. Based on performance on 2/2/18, 2/5/18 and 2/8/18. The average daily return for BXDMS on the 3 best MSCI World TR trading days over the same period was 0.06%, while the average return of the MSCI World TR on those days was 1.23% and the average return of the S&P 500 TR on those days was 1.33%.

Review of February 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 BAIA⁶). In February, the Fund’s Class I (USD) share class returned -1.21%⁷ net of fees and expenses versus -3.69% and -4.10% for the S&P 500 and MSCI World indices, respectively, and versus -0.89% for the Barclays Global Aggregate Bond Index⁸.

Equity Strategies

Equity strategies detracted from performance in February, with some positioning among Equity Long/Short sub-strategies affected to a degree by the market correction. A handful of single-name healthcare exposures were notable negative performers on the month: positions in companies focusing on pharmaceuticals, biotech, and medical devices declined after disappointing fourth quarter earnings exacerbated the broader equity market slump. The Fund’s low equity beta was a strong contributor to performance in February, as short exposures implemented directly by BAIA helped the Fund to preserve capital amidst the market’s broader move lower. Notably, short holdings of a battery manufacturer and an industrial technology company both contributed positively as those companies’ shares fell on analyst reports expressing concern about profitability and competitive pressures. In addition, short exposure to a handful of financials contributed positive alpha, while some long positions detracted in line with the equity market downturn. Equity Market Neutral sub-strategies also softened Equity Long/Short losses with modest positive contribution on the month.

Effective as of January 10, 2018, Endeavour Capital Advisors LLC (“Endeavor”) now serves as a sub-adviser to the Fund. Endeavour is a financial services sector specialist that combines bottom-up fundamental research with perspective on the macroeconomic, regulatory, and financial conditions that impact the industry. Please see the sub-adviser profile available at www.blackstone.com/bxdms for more information about the sub-adviser and associated strategy.

Credit Strategies

Credit strategies contributed positively on the month, offsetting some of the losses from Equity and Multi-Asset strategies. Positive performance among credit strategies was driven by Fixed Income-Asset Backed sub-strategies, which benefitted from coupons from Credit Risk Transfer (“CRT”) bonds that we have discussed in previous months. Corporate senior secured credit positions traded slightly down on the month, marginally offsetting CRT performance.

Effective as of February 14, 2018, Chatham Asset Management, LLC (“Chatham”) no longer serves as a sub-adviser to the Fund.

Multi-Asset Strategies

Multi-Asset strategies were the largest detractors on the month, accounting for most of the Fund’s negative performance. Trend-following, long equity exposure to Asia and the U.S. detracted amid the February downturn. Real Estate Investment Trusts (“REITs”) exposure also detracted. Losses were distributed across a number of risk premia strategies. Diversification, however, helped to soften those losses with two newer strategies – Equity Sentiment (premised upon premia associated with correlations between momentum in other asset classes and equity market behavior) and Size (premised upon lower-liquidity premia associated with smaller market cap companies) – performing well in February. Additionally, some European telecom exposure and European equity hedges delivered some positive performance amid European markets’ selloff. Sub-advisers seeking to capture relative value among geographies contributed positively via long local interest rate exposure to South Africa and Russia, as well as long exposure to Egyptian Treasury Bills and short exposure to Australian government bonds. These gains, however, were offset by losses stemming from Argentinian sovereign credit, Mexican and Brazilian quasi-sovereign debt, and long currency positions in developing countries against the U.S. dollar.

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6. BAIA manages a portion of the Fund’s assets directly. Such investments presently 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.
 7. For a summary of Fund performance of other share classes, please refer to the Fund’s website: www.blackstone.com/bxdms.
 8. 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 can not invest in indices.

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

Glossary of Terms:

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

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

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

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

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

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

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

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

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

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

Glossary of Indices:

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

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

MSCI World Index (EUR-Hedged): A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI World is maintained by Morgan Stanley Capital International, and is comprised of stocks from all the developed markets in the world. The MSCI information may only be used for your internal use, may not be reproduced or 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)

Important Disclosure:

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

Important Risks:

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

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

For further information on the risks faced by the Fund, see “Risk Factors” in the Prospectus and Supplement for the Fund, available from www.blackstone.com/BXDMS