Blackstone Diversified Multi-Strategy Fund

(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

Blackstone

As of June 30, 2017

					ITD STATISTICS			
Fund Net Performance (1)(2)	**MTD**	**QTD**	**YTD**	**ITD**	**St Dev.**	**Beta**	**Alpha**	**Sharpe**
BXDMSIN	(0.81%)	0.90%	4.09%	2.39%	3.13%	-	-	0.66
MSCI World TR (NOK-Hedged)	0.43%	4.25%	11.15%	11.66%	10.95%	0.14	0.63%	1.04
Barclays Glbl Agg (NOK-Hedged)	(0.09%)	2.63%	4.53%	2.89%	5.39%	(0.02)	3.03%	0.48

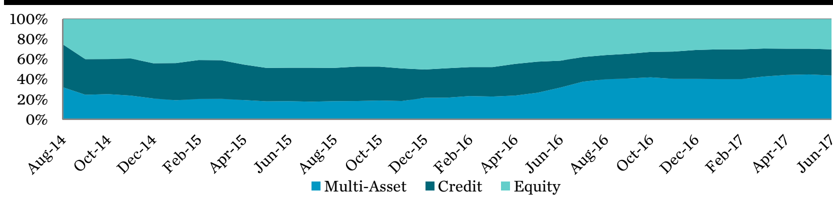
1 Month Performance Periods – To Last Month End(1)

	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%)							**4.09%**

Investment approach

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

Asset Allocation by Sub-Strategy(3)



Fund highlights

Fund Assets (Mn)	$1,792.39
NAV per Share	NOK 104.11
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%

Portfolio Allocation(3)

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
GSIS	Fundamental	Equity (Long/Short)	*30%*
HealthCor	Fundamental	Equity (Long/Short)	
Cerebellum(7)	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
FT Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)	*44%*
IPM	Quantitative	Multi-Asset (Macro Systematic)	
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	Opportunistic Trading	Credit	*26%*
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	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. Net performance for the Fund as well as indices is from 10/15/15 to 6/30/17 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.

(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.

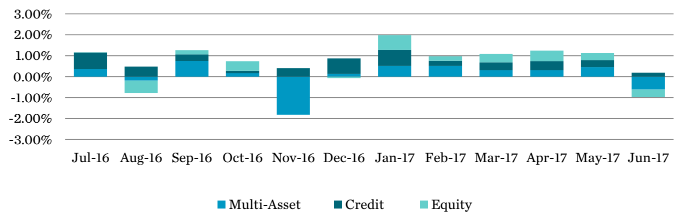
(7) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

(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.

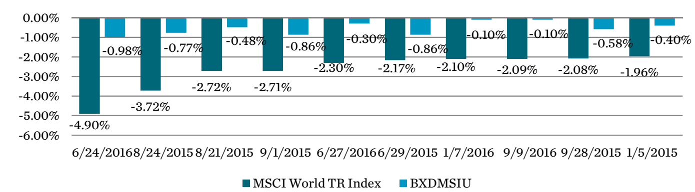
Performance Summary

Sub-Strategy Performance [1]	Allocation at [5] 6/30/2017	MTD Return	MTD Attribution	QTD Return	QTD Attribution	YTD Return	YTD Attribution	ITD Cumulative Performance Return	ITD Cumulative Performance Attribution
Equity	30.23%	(1.10%)	(0.35%)	1.36%	0.49%	4.81%	1.84%	3.63%	1.33%
Credit	26.05%	0.70%	0.19%	3.25%	0.97%	7.11%	2.38%	16.34%	5.03%
Multi-Asset	43.72%	(1.33%)	(0.62%)	0.20%	0.15%	2.84%	1.52%	4.76%	1.76%
Expenses and Other			(0.03%)		(0.70%)		(1.64%)		(4.01%)
Net Return [2]			(0.81%)		0.90%		4.09%		4.11%

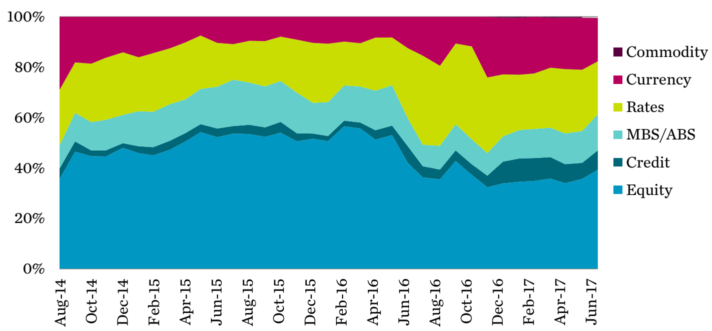
Trailing 12 months performance contribution by Sub-Strategy[3]



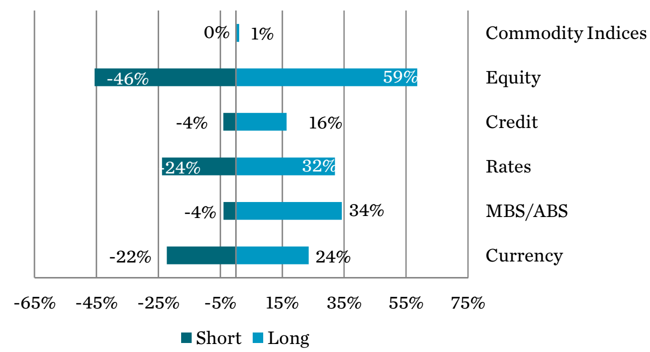
Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception[6][8]



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



Asset Class Exposure[4]



Fund Geographic Exposure[4]

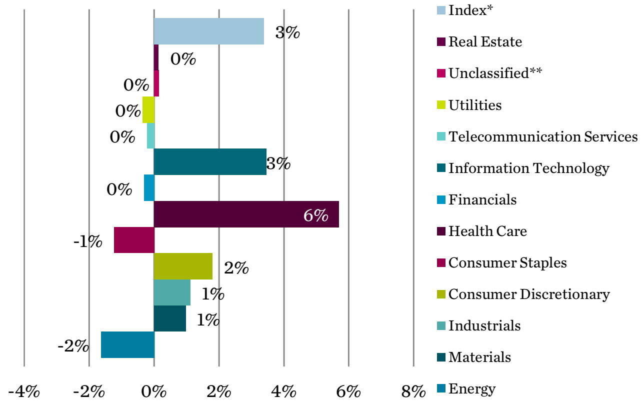
Region	Long	Short	Net
US/Canada	100.73%	57.03%	43.70%
Latin America/Caribbean	7.20%	1.73%	5.47%
Core Europe	28.67%	22.84%	5.83%
Peripheral Europe	5.99%	1.71%	4.28%
Middle East/Africa	1.87%	1.49%	0.39%
China/HK/Taiwan	2.03%	0.75%	1.27%
Asia general	13.06%	3.97%	9.09%
Japan	6.50%	10.11%	-3.61%
Total	**166.04%**	**99.62%**	**66.42%**

Currency Exposure[4]

Region	Long	Short	Net
US/Canada	0.61%	5.94%	-5.33%
Latin America	1.59%	0.84%	0.75%
Core Europe	5.86%	10.64%	-4.78%
Peripheral Europe	0.71%	0.65%	0.06%
Middle East/Africa	1.26%	0.22%	1.04%
China/HK/Taiwan	0.90%	0.32%	0.58%
Asia general	9.16%	1.49%	7.67%
Japan	3.46%	2.13%	1.33%
Total	**23.55%**	**22.25%**	**1.30%**

(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. Net performance for the Fund as well as indices is from 10/15/15 to 6/30/17 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%.

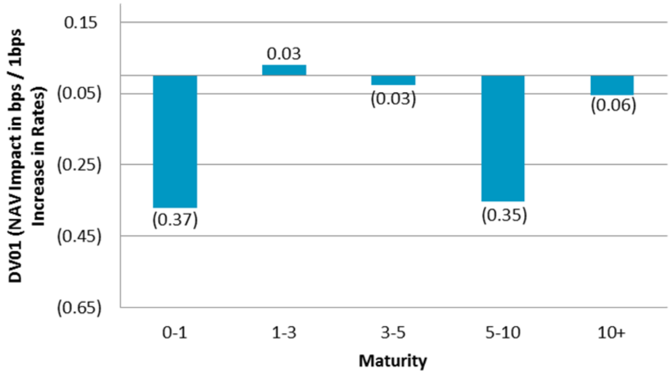
Equity Exposure – Net Sector Breakdown[1]



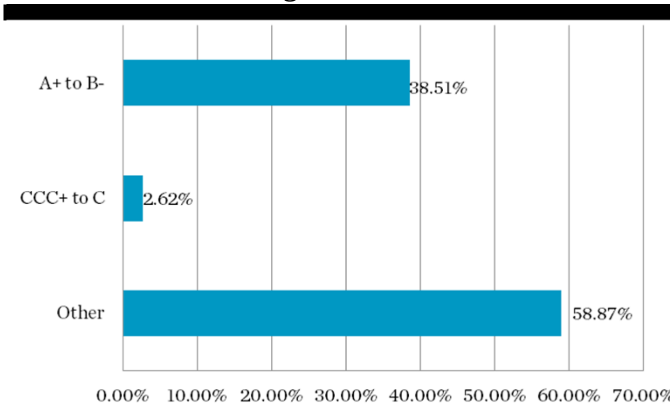
Equity Exposure – Sector Breakdown[1]

	Long	Short	Net
Energy	0.75%	2.38%	-1.63%
Materials	2.08%	1.11%	0.97%
Industrials	3.73%	2.61%	1.12%
Consumer Discretionary	7.50%	5.70%	1.80%
Consumer Staples	1.37%	2.60%	-1.22%
Health Care	13.11%	7.40%	5.70%
Financials	1.95%	2.26%	-0.31%
Real Estate	0.61%	0.46%	0.15%
Information Technology	8.57%	5.10%	3.47%
Telecommunication Services	0.13%	0.34%	-0.21%
Utilities	1.41%	1.76%	-0.35%
Index*	17.25%	13.87%	3.38%
Unclassified**	0.15%	0.00%	0.15%
Total	**58.61%**	**45.59%**	**13.02%**

Fixed Income Interest Rate Sensitivity[2]



Fixed Income Ratings[1]



VaR Analysis[3]

Date	VaR
6/30/17	1.78%

(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

June Market Commentary

June trailed off with a number of unresolved political and economic questions. The U.S. Senate presented its rendition of a healthcare bill in response to the House bill's passage in May, but with just a short while to go before Congress's summer recess, it remains unclear whether Republican leadership will be able to corral a majority of the GOP-controlled Senate chamber to move the ball forward. Given the significance of such potential reform on healthcare service expenditures, particularly through cuts to and changes to eligibility requirements for Medicaid, we remain highly attuned to these developments.

The Conference Board and the University of Michigan's consumer confidence surveys this month – which, since President Trump's victory in last November's election, have reached record levels – showed potential signs of weakness, perhaps even suggestive of gradual convergence of such 'soft data' with 'hard data' like economic growth or auto sales. While confidence survey readings remained high relative to this time last year, they have leveled off from their recent highs, and a survey of short-term outlook registered a decline in optimism about the next six months. While such soft data is subject to many factors, it's worth considering whether these readings mark shifting attitudes that could be harbingers of a coming market downturn.

In other news, in a closely watched speech late in the month, European Central Bank ("ECB") President Mario Draghi hinted that Europe's ″strengthening and broadening″ economic recovery may merit the unwinding of the ECB's large monetary stimulus. This more hawkish tone caught markets off-guard and spurred a broad rate re-pricing, somewhat reminiscent of 2013's "taper tantrum". Later, ECB′s vice president Vítor Constâncio suggested that markets overreacted – mixed messaging that left markets without clear direction at the end of the month.

On this side of the Atlantic, the U.S. Federal Reserve (″Fed") once again voted to hike the benchmark federal funds rate another quarter percentage point, and Fed Chairwoman Janet Yellen issued guidance that one more such increase may be in store later in 2017. However, a number of Fed bank presidents have voiced concerns about low inflation, thereby setting the stage for an increasingly divided Fed at upcoming meetings. In related news, all 34 major U.S. financial institutions passed the Fed's stress testing and received approval for dividend increases and share buybacks in June. In addition, the U.S. Treasury Department released a report in June that included a number of policy objectives that appear favorable to financial players, which, along with the stress test results, helped to propel that sector higher this month as hopes renewed for an improved regulatory environment on the horizon – not altogether unlike the rally that occurred last November.

In stark contrast to the rally in financials, tech stocks suffered in June, amidst a sharp technical reversal that has since been dubbed the 'tech tantrum'. In just a couple days of trading, technology firms' stocks plummeted, shedding billions in market capitalization, all without readily perceivable cause. Facebook, Amazon, Apple, Netflix, and Google – the so-called "FAANG" stocks – alone lost over $100 billion on Friday, June 9th. It's thought that some combination of valuation-leery investors pulling money, factor crowding, and cautioning research notes brought about this violent swing, but whatever the cause, it's enough to give us pause to consider the importance of a diversified portfolio to help protect capital in times of sudden market fluctuation.

Meanwhile, one year after Britons' monumental 'Brexit' vote to sever Great Britain from membership in the European Union, Theresa May's bid to bump up a Tory majority in Parliament flopped, thus setting Britons on a rockier path as the Tories will need to forge a coalition majority in order to conduct successful divorce proceedings. Additionally, global geopolitical tumult intensified in June, without any clear resolution in sight. North Korea tested several missiles and an ICBM rocket engine, prompting varying reactions from the major world powers. The existing conflict in Syria came to a head, and tensions escalated between the U.S. and Russia. While global and domestic equity markets withstood these tensions, such rising pressures have the potential to trigger market stress down the road.

Amid these many loose ends at the close of June, we reiterate our view that equity markets continue to be priced relatively expensively and may be prone to elevated downside risk in the coming months. Therefore, we continue to manage our equity beta accordingly. Among these efforts, this month we implemented a new strategy to simultaneously hedge residual net long exposure from our Equity Long/Short strategies, while also seeking to capture alpha through single-name short equity positions (more on that strategy below). In addition, at this juncture in the credit cycle, we are also moderating our exposure to such strategies and have been rounding out the portfolio with some additional diversifiers – including a new Macro-focused sub-adviser added this past month (more on that strategy below).

1. A Financial System That Creates Economic Opportunities, U.S. Department of the Treasury, 12 June 2017.

Review of Fund Performance[2]

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 BAIA[3]) or by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or "alternative" investment strategies. In June, the Fund's Class I share class[4] returned (0.74%)[5] net of fees and expenses versus 0.62% and 0.42% for the S&P 500 and MSCI World indices, respectively, and versus (0.09%) for the Barclays Global Aggregate Bond Index.

Equity Strategies

Equity strategies detracted over the course of June, with losses coming largely from a factor reversal and a slight selloff in momentum that took a toll on quantitative strategies. Meanwhile, long tech exposure weighed on equity long/short strategies, with the tech sector experiencing a slight reversal of fortune after months of strong performance. One healthcare sub-sector – biotech – detracted on the short side as it rallied on diminished concerns about drug pricing risk following a Trump Administration executive order that was less severe than expected and was even potentially industry-friendly. Losses were tempered by some gains among financials – particularly regional banks – and some healthcare players as the 'Trump Trade' ostensibly revived, though perhaps less in response to Administration policy progress as had been the case in the aftermath of the November election. Certain large banks, for instance, benefitted following the announcement of higher dividends and expected share buybacks in the wake of all 34 major U.S. financial institutions passing the Fed's stress tests.

Credit Strategies

Credit strategies ended the month modestly positive. Oil and rate volatility generated turbulence in credit markets, with yields widening among energy bonds as oil's plummet into a bear market heightened risk among energy players. Against this backdrop, carry from Credit (MBS/ABS) sub-strategies generated steady gains, as did exposures to government-sponsored enterprise credit risk transfer bonds, which we described in April's commentary, and commercial real estate in the form of commercial mortgage-backed securities ("CMBS"). In addition, some slight gains came from certain corporate debt positions, including senior secured bonds of an industrial shipping company that announced a new rail service this month and benefitted from takeover rumors. Certain distressed/restructuring debt positions came out marginally in the red on the month.

Multi-Asset Strategies

In June, Multi-Asset strategies detracted from Fund performance, largely due to headwinds faced by Macro Systematic sub-strategies, particularly in the wake of the selloff in global rates at the end of the month. Long rates positions detracted as ECB President Draghi's comments spurred a market re-pricing. FX and fixed income momentum models suffered losses, offset in part by other equity and fixed income models. Currencies were notable detractors in June, with long exposure to Japan, France, and Germany and short exposures to Canadian and U.S. dollars driving losses. Additionally, long exposure to Argentine local bonds and short exposure to the South African rand detracted from Fund performance. Losses were moderated by gains attributable to long exposure to Egyptian and Greek credit, with the latter rising upon news of an E.U.-Greece bailout agreement.

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2. 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.
3. 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 typically not reduced by a payment to a sub-adviser.
4. For a summary of Fund performance of other share classes, please refer to the Fund's website: http://www.blackstone.com/bxdms
5. 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.

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.

This past month, we also added a new Multi-Asset sub-adviser to the platform: H2O AM LLP ("H2O"), effective June 1, 2017. H2O is a discretionary macro manager that trades FX, equities and fixed income. We think H2O offers a differentiated cross-asset class portfolio, and given the changing geopolitical and macroeconomic environment, we feel it is important for BXDMS to have access to a specialist that can trade a diversified book across broader macro themes. In addition, effective March 31, 2017, we implemented a new strategy via a non-discretionary sub-adviser relationship with Gracian Capital LLC ("Gracian"). Gracian is an equity fundamental short specialist that applies a repeatable short-selling approach to a large target universe of uncrowded, large cap U.S. stocks. We believe that Gracian's use of forensic accounting to identify companies at risk of earnings underperformance will help us to capture short alpha while also hedging net long exposure from existing Equity Long/Short sub-advisers in the portfolio.

Review of Fund Performance – Second Quarter 2017[7]

Despite experiencing a challenging June, over the second quarter of 2017, the Fund's Class I share class returned 1.04%[8] net of fees and expenses versus 3.09% for the S&P 500 Index, 4.21% for the MSCI World Index, and 2.60% for the Barclays Global Aggregate Bond Index.

Equity strategies contributed positively on the quarter, with gains coming from both Equity Long/Short and Equity Market Neutral sub-strategies. Among the former strategies, healthcare exposure generated particularly meaningful gains, with managed care and surgical medtech positions, among others, leading gains on the heels of the U.S. House of Representatives' passage of the American Health Care Act and the Senate GOP's unveiling of its own such bill. While the Fund is diversified across a number of sectors, healthcare has been among our largest overweights this year and quarter on the belief that increased sub-sector dispersion could continue to spur trading opportunities. Later in the quarter, financials contributed positively to Equity Long/Short sub-strategies after good stress test results spurred dividend increases and share buybacks; losses attributable to June's so-called 'tech tantrum', however, ate into these gains. Meanwhile, although quantitative equity strategies endured a challenging end to the second quarter, in line with that of the broader quantitative hedge fund universe, they still ended the quarter in positive territory. We remain optimistic about the opportunity set for the Fund's Equity strategies, given the diversity of ideas and reduced crowding over the past quarter and first half of 2017.

Credit strategies were once again the Fund's largest performance driver for the quarter, with gains generated primarily by Credit (MBS/ABS) sub-strategies, though other credit sub-strategies were marginally in the black. Exposures to GSE CRT bonds continued to be key drivers of performance among the Fund's Credit strategies, and commercial real estate exposures led to gains due to improving underlying fundamentals. Carry provided additional gains. Tepid performance from certain corporate credit exposure can be attributed, in part, to mark-to-market losses. Going forward, in applying our top-down economic views, we have begun to trim our Credit exposure to reduce risk at this point in the credit cycle.

Finally, Multi-Asset strategies also added to performance for the last three months through June, with gains driven by Multi-Strategy sub-strategies, reduced slightly by some losses among Systematic Diversified sub-strategies. Several emerging market debt positions generated gains over the quarter amid Brazilian political drama and following the E.U.'s inking of an €8.5 billion deal with Greece in June. On the flip side, certain Macro Systematic sub-strategies' FX and fixed income models struggled over the quarter, but losses were partially offset by equity models.

Amid our efforts to reduce equity beta and slim our exposure to credit strategies, diversifying Multi-Asset strategies have come to play a larger role in the portfolio. This quarter, we added three such sub-advisers – GSA Capital Partners LLP, H2O AM LLP, and Gracian Capital LLC[9] – each of which, we believe, will provide us with new and attractive diversifying exposures that may help the Fund provide downside protection and generate uncorrelated returns to traditional markets.

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6. As a 'non-discretionary' sub-adviser, Gracian Capital provides BAIA with a model portfolio for allocating assets. Trade ideas provided to BAIA by Gracian are implemented by BAIA in its sole discretion.
7. 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. Source: Bloomberg, as of 1 Jul. 2017.
8. 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.
9. Gracian Capital, unlike the other two sub-advisers, is a 'non-discretionary' sub-adviser, meaning that Gracian provides BAIA with a model portfolio for allocating assets; trade ideas provided to BAIA by Gracian are implemented by BAIA in its sole discretion.

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

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 redisseminated 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 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