

Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSJG: Class I (GBP) Dis.) - A sub-fund of Blackstone Alternative Investment Funds plc, an umbrella fund established as a UCITS with segregated liability between sub funds
For Reporting Purposes Only

As of June 30, 2019

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)	\$2,064.50
NAV per Share	£10.35
Currency	GBP
Fund Inception Date	August 11, 2014
Share Class Inception Date	July 6, 2015
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Distributing
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSJG ID
ISIN	IE00BN8SYD72

Fund terms – share class I (GBP) dis. (2)

Minimum Initial Investment (Mn)	£5.00
Management Fee	1.40%
Performance Fee ⁽³⁾	15.00%
Other Expenses ⁽⁴⁾	Capped 0.45%

Investment committee

Name	Years at Blackstone
Gideon Berger	17 Years
Min Htoo	2 Years
Robert Jordan	8 Years
Ian Morris	9 Years
Alberto Santulin	16 Years
Stephen Sullens	18 Years

Fund net performance⁽¹⁾

Fund Net Performance ⁽¹⁾⁽²⁾	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSJG	1.07%	1.37%	4.86%	1.28%	3.13%	-	-	0.27
MSCI World TR (GBP-Hedged)	6.50%	3.75%	16.35%	7.43%	11.56%	0.14	(0.16%)	0.60
Barclays Gbl Agg (GBP-Hedged)	2.09%	2.85%	4.65%	2.63%	4.65%	(0.05)	0.94%	0.47
HFRX Global Hedge Fund Index (GBP-Hedged)	1.48%	1.15%	3.31%	(0.76%)	3.39%	2.77	4.18%	(0.36)

12 month performance periods – to last quarter end⁽¹⁾

	6/29/2018 - 6/28/2019	6/30/2017 - 6/29/2018	6/30/2016 - 6/30/2017	6/30/2015 - 6/30/2016	6/30/2014 - 6/30/2015
BXDMSJG	5.38%	(2.41%)	4.94%	N/A	N/A
MSCI World TR (GBP-Hedged)	5.10%	10.29%	18.12%	N/A	N/A
Barclays Gbl Agg (GBP-Hedged)	4.03%	0.08%	(2.79%)	N/A	N/A
HFRX Global Hedge Fund Index (GBP-Hedged)	(3.63%)	1.18%	5.34%	N/A	N/A

Alternative strategies cumulative net performance



- (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 2019. Net performance for the Fund as well as indices is from 7/6/2015 to 6/30/2019 and is annualized. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Beta and Alpha represents BXDMSJG 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.
- (2) The above terms are summarised and qualified in their entirety by the more detailed information set forth in the BXDMS prospectus and supplement.
- (3) 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.
- (4) 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.

None of the indices presented are benchmarks or targets for the Fund. Indices are unmanaged and investors cannot invest in an index. Please see end of document for additional disclosures regarding indices presented.

Sub-adviser allocations^{(4) (5)}

Manager	Strategy	Sub-strategy	Classification
Active Sub-Advisers			
HealthCor	Equity Hedge	Equity Long Short	Equity
Endeavour	Equity Hedge	Equity Market Neutral	
Two Sigma Advisers	Equity Hedge	Equity Market Neutral	
Bayview	Relative Value	Fixed Income - Asset Backed	Credit
BRESSA ⁽⁵⁾	Relative Value	Fixed Income - Asset Backed	
EJF	Relative Value	Fixed Income - Asset Backed	
Good Hill	Relative Value	Fixed Income - Asset Backed	
GSO ⁽⁵⁾	Relative Value	Fixed Income - Asset Backed	
Sorin	Relative Value	Fixed Income - Asset Backed	
Caspian	Event Driven	Distressed/Restructuring	Multi-Asset
Sage Rock	Event Driven	Multi-Strategy	
Magnetar ⁽⁵⁾	Event Driven	Risk Arbitrage	
Emso	Macro	Discretionary Thematic	
NWI	Macro	Discretionary Thematic	
IPM	Macro	Systematic Diversified	
D.E. Shaw	Multi-Strategy	N/A	
BAIA-Direct ⁽⁶⁾	Multi-Strategy	N/A	
Inactive Sub-Advisers⁽⁷⁾			
Cerberus	Relative Value	Fixed Income - Asset Backed	Inactive
Waterfall	Relative Value	Fixed Income - Asset Backed	
H2O	Macro	Discretionary Thematic	
GSA	Macro	Systematic Diversified	

Performance summary^{(1) (2) (3) (4)}

Sub-Strategy Performance	Allocation at 6/28/2019	MTD		QTD		YTD		ITD Cumulative Performance	
		Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	31.93%	(0.41%)	(0.16%)	1.12%	0.46%	2.98%	1.30%	8.67%	3.29%
Credit	39.77%	1.02%	0.49%	2.64%	1.22%	7.65%	3.46%	32.96%	9.38%
Multi-Asset	28.30%	3.45%	1.17%	2.39%	0.83%	8.20%	3.24%	14.96%	5.52%
Hedging Expenses			(0.09%)		(0.48%)		(1.56%)		(4.50%)
Expenses and Other			(0.33%)		(0.66%)		(1.58%)		(8.47%)
Net Return			1.07%		1.37%		4.86%		5.22%

Monthly net performance⁽²⁾

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	-	-	-	-	-	-	1.00%	(0.50%)	(1.29%)	0.81%	0.70%	(1.09%)	(0.40%)
2016	(2.01%)	(2.56%)	1.37%	1.24%	0.82%	(0.91%)	0.92%	(0.41%)	1.02%	0.51%	(1.51%)	0.61%	(1.00%)
2017	1.52%	0.70%	0.70%	0.89%	0.79%	(0.88%)	0.89%	0.39%	(0.39%)	0.59%	(1.26%)	(0.79%)	3.15%
2018	0.05%	(1.29%)	0.30%	0.70%	(1.29%)	(0.30%)	1.11%	0.20%	1.10%	(1.48%)	(0.20%)	(0.21%)	(1.35%)
2019	2.13%	0.89%	0.39%	0.69%	(0.39%)	1.07%	-	-	-	-	-	-	4.86%

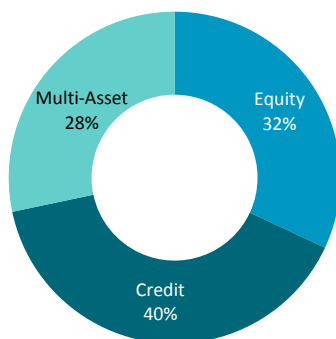
- (1) Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited for 2019.
- (2) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2019. Net performance for the Fund as well as indices is from 7/6/2015 to 6/30/2019 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) 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.
- (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.
- (6) BAIA manages a portion of the Fund's assets directly. Such investments presently include opportunistic trades and hedging. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.
- (7) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

Blackstone Diversified Multi-Strategy Fund (BXDMS)

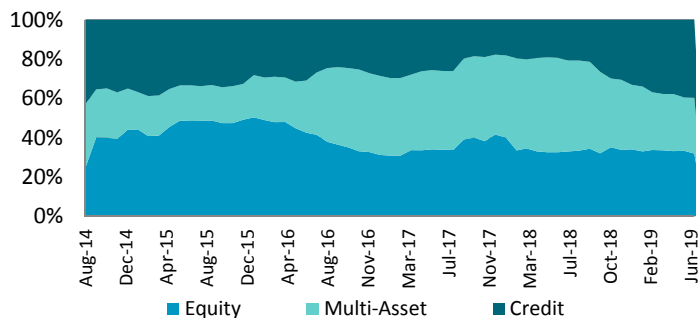
Blackstone

As of June 30, 2019

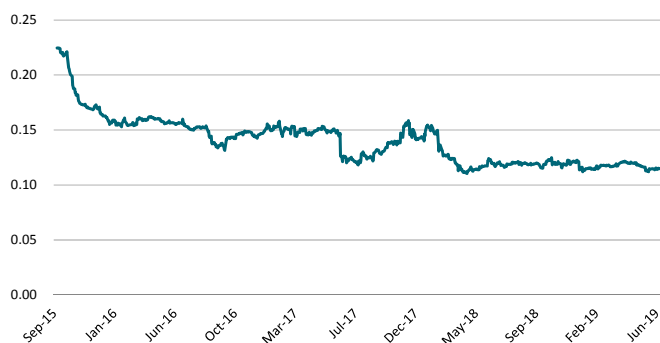
Portfolio allocations⁽¹⁾



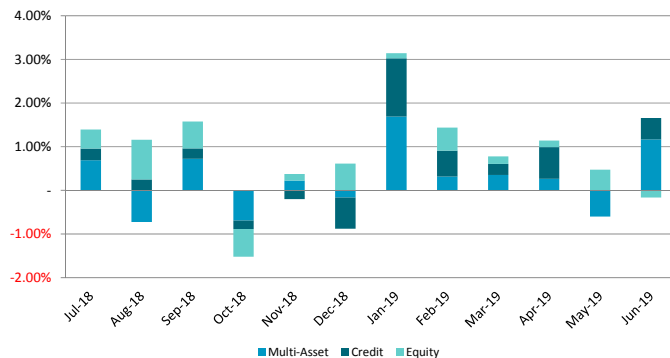
Asset allocation by sub-strategy⁽¹⁾



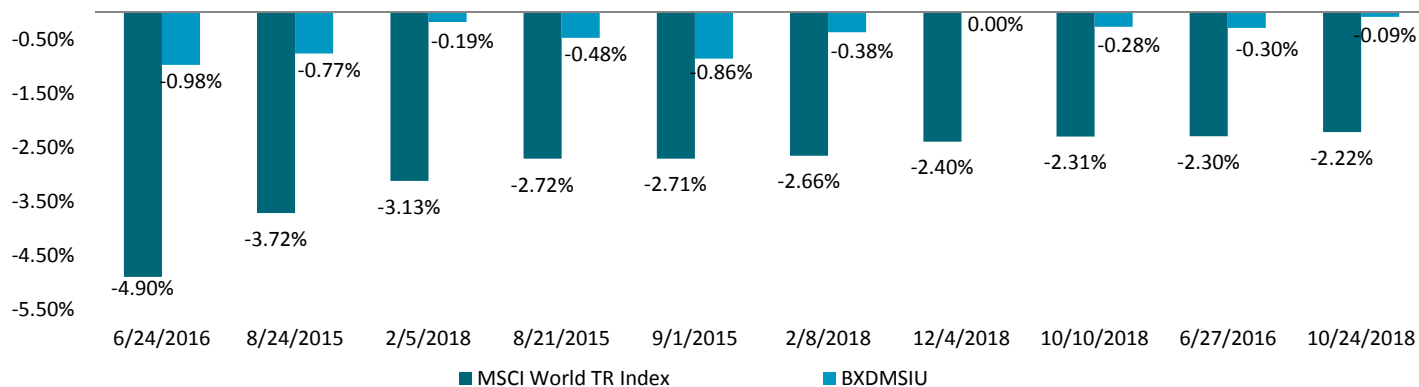
12 months rolling beta against MSCI World⁽³⁾⁽⁴⁾



Trailing 12 months performance contribution by sub-strategy⁽²⁾

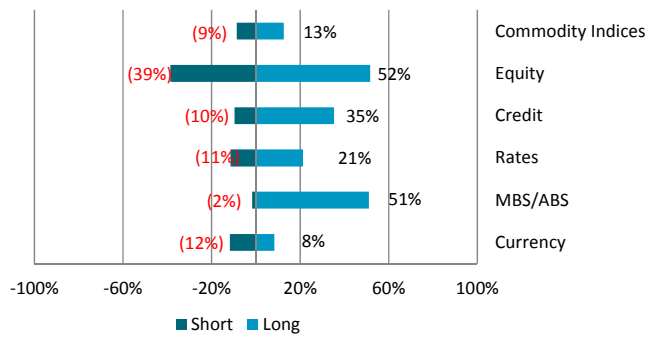


BXDMS performance on worst 10 days for MSCI World since inception⁽³⁾

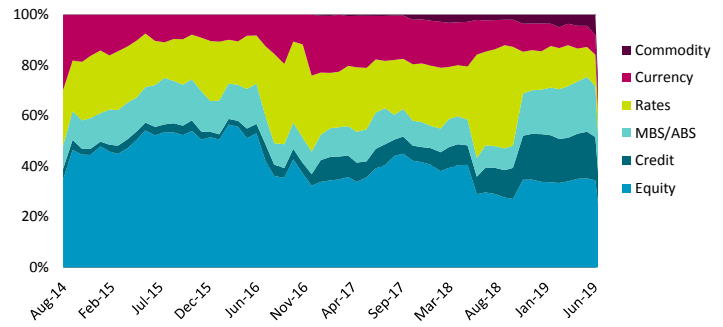


- The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced sub-advisers, 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.
- 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.
- Because of the broadly diversified and low beta nature of the portfolio, BXDMS is not expected to participate in the full upside of broader equity markets. The average daily return for BXDMSIU for the 10 best MSCI World TR days is 0.35%, while the average return of MSCI World TR for the 10 best MSCI World TR days was 2.28%. **The indices presented MSCI World is indicative and presented for illustrative purposes only. The MSCI World is not benchmark or target for the Fund. Please see Important Disclosure Information.**
- Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/11/2014-6/30/2019. 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.

Asset class exposure⁽¹⁾



Asset class gross historical exposure⁽¹⁾



Fund geographic exposure⁽¹⁾

Region	Long	Short	Net
US/Canada	137.64%	(56.54%)	81.10%
Core Europe	14.82%	(14.15%)	0.67%
Peripheral Europe	3.71%	(0.31%)	3.40%
Lat. Am./Caribbean	9.72%	(1.26%)	8.45%
Middle East/Africa	4.67%	(0.96%)	3.71%
Japan	1.38%	(1.89%)	(0.50%)
Asia general	7.28%	(4.67%)	2.61%
China/HK/Taiwan	1.04%	(1.93%)	(0.89%)
Total	180.27%	(81.72%)	98.55%

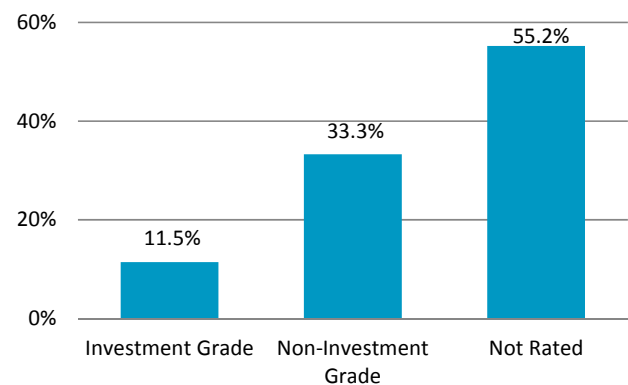
Currency exposure⁽¹⁾

Region	Long	Short	Net
US/Canada	0.00%	(1.20%)	(1.20%)
Core Europe	2.64%	(7.90%)	(5.26%)
Peripheral Europe	0.00%	(0.17%)	(0.16%)
Lat. Am./Caribbean	0.26%	-	0.26%
Middle East/Africa	0.00%	(0.22%)	(0.22%)
Japan	0.03%	(1.73%)	(1.70%)
Asia general	5.41%	(0.35%)	5.07%
China/HK/Taiwan	0.00%	(0.19%)	(0.19%)
Total	8.34%	(11.76%)	(3.42%)

Equity exposure – sector breakdown⁽¹⁾

Sector	Long	Short	Net
Energy	1.88%	(1.48%)	0.40%
Materials	0.66%	(1.22%)	(0.56%)
Industrials	3.58%	(1.61%)	1.97%
Consumer Discretionary	5.93%	(4.54%)	1.40%
Consumer Staples	1.18%	(1.71%)	(0.53%)
Health Care	13.00%	(5.98%)	7.03%
Financials	5.11%	(6.66%)	(1.54%)
Real Estate	1.02%	(0.15%)	0.88%
Information Technology	9.54%	(6.40%)	3.14%
Communication Services	2.16%	(3.33%)	(1.16%)
Utilities	0.57%	(0.80%)	(0.24%)
Index*	5.49%	(4.72%)	0.77%
Unclassified**	1.54%	(0.00%)	1.54%
Total	51.69%	(38.59%)	13.10%

Fixed income ratings⁽¹⁾



VaR analysis⁽²⁾

Date	VaR
6/30/2019	3.48%

- (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) 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

Blackstone Diversified Multi-Strategy Fund (BXDMS)

Blackstone

As of June 30, 2019

Fund Net Performance^{1,2}

	<i>As of June 30, 2019</i>				<i>Inception to Date Statistics</i>			
	MTD	QTD	YTD	ITD	St. Dev.	Beta	Alpha	Sharpe
BXDMSIU	1.16%	1.71%	5.89%	2.64%	3.12%			0.54
HFRX Global HF Index	1.61%	1.58%	4.22%	(0.15%)	3.50%	0.48	4.57%	(0.31)
Barclays Global Agg Index	2.22%	3.29%	5.57%	1.72%	4.73%	(0.06)	1.74%	0.17
MSCI World Index	6.63%	4.20%	17.38%	7.52%	11.43%	0.15	0.72%	0.58

Q2 2019 Market Commentary

Following a bout of volatility in May, global equity markets recouped their losses in June and ultimately helped the MSCI World Index achieve its strongest first half since 1997. Despite concerns over an ongoing trade war with China, the U.S. was a significant contributor to year-to-date gains, as a dovish shift in sentiment from the Federal Reserve (“Fed”) indicated an increased likelihood of interest rate cuts in 2019 and helped propel the S&P 500 Index to a new record high.

The Fed’s signal for lower rates followed the receipt of a mixed bag of economic data. Real GDP growth came in at a solid 3.1% for Q1³, though it is expected to fall significantly below that mark in Q2⁴. Positive news came on the jobs front, where the economy added 224,000 jobs in June following a modest gain of 72,000 the month prior⁵; however, economists noted that average hourly earnings growth remains slow compared to previous cycles, especially given the low unemployment rate⁶. Despite the strong rebound in job creation in June, unemployment ticked up slightly to 3.7% during the second quarter, which alone is not a reason for worry, but is important to monitor given its importance within the context of Fed policy.

Perhaps more concerning, though, were manufacturing levels. For the second month in a row, the June U.S. Manufacturing PMI estimates came in at lower levels than the economy has experienced since September 2009⁷, which is tough timing, given that consumer confidence hit its lowest mark since September 2017⁸. Uncertainty around the aforementioned trade war almost certainly contributed to the data, but nonetheless, questions regarding potential cracks in the economy remain.

One impact of the recent ease in monetary policy worth monitoring is the U.S. bond market. Like its equity counterpart, the price of domestic bonds appreciated in Q2 (Barclays U.S. Agg: +3.1%) following the Fed’s indication of an increased likelihood for rate cuts later this year. This move did not surprise policy makers, who expect an inverse relationship between bond prices and interest rates, but it did occur alongside a noteworthy event: an inversion of the yield curve.

Because of the broadly diversified and low beta nature of the portfolio, BXDMS is not expected to participate in the full upside of broader equity and fixed income markets. None of the indices presented are benchmarks or targets for the Fund. Please see end of document for important disclosure information.

¹ Performance is presented through June 30, 2019. Net performance is net of all fees and expenses. Performance data quoted represents past performance and does not guarantee future results. All ITD statistics above are calculated using daily performance and are annualized. 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 quoted. Information is estimated and unaudited. Additional information and performance data current to the most recent month-end is available at www.bxdms.com.

² Inception to Date statistics are as of BXDMS’ inception on September 10, 2014 through June 30, 2019. Measures beta or alpha of BXDMS are to the respective index.

³ [Source: Bureau of Economic Analysis](https://www.bea.gov/newsroom/2019/06/06/2019-06-06)

⁴ [Source: Federal Reserve Bank of Atlanta](https://www.federalreserve.org/pressroom/pr03694a)

⁵ [Source: Bureau of Labor Statistics](https://www.bls.gov/news.release/archives/cepu190627.pdf)

⁶ [Source: American Institute for Economic Research](https://www.aier.org/insights/economic-research)

⁷ [Source: IHS Markit \(June 2019\)](https://www.markit.com/US/Confidence)

⁸ [Source: Consumer Confidence Survey® \(June 2019\)](https://www.consumersentiment.com/)

For those unfamiliar with the term, “yield curve” refers to the spread between interest rates on short- and long-term bonds of the same credit quality. Under normal market conditions, the yield curve is upward-sloping to reflect markets’ requirement of greater compensation for higher levels of risk. Given that bonds with longer-dated maturities are exposed to additional risks like changes in interest rates and inflationary pressures that would potentially reduce the value of coupon payments, it is natural that investors would expect to be compensated more to assume those risks.

Following a brief inversion in late March, the U.S. 3-Month and 10-Year Treasury yield curve inverted again on May 23 and has remained downward-sloped since then. This means that the annual coupon paid to investors holding 10-Year U.S. Treasuries (2.00%) is lower than that paid to holders of 3-Month U.S. Treasuries (2.18%), and hence, investors are paid less for making riskier, longer-term U.S. treasury investments⁹. Many economic studies have highlighted the predictive power of the U.S. treasury yield curve in forecasting recessions, which it has done successfully for each elongated period of economic decline since 1970¹⁰. As this new market dynamic continues to take shape, we maintain that alternative investment strategies may help in weathering potentially volatile market conditions in the future.

Review of Q2 2019 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 BAIA¹¹). In Q2, the Fund’s Class I USD accumulating share class returned 1.71%¹² net of fees and expenses versus 1.58% for the HFRX Global Hedge Fund Index, 3.29% for the Barclays Global Aggregate Bond Index and 4.20% for the MSCI World index¹³.

Equity Strategies

Equity strategies (+1.12%)¹⁴ generated gains in Q2 as stock markets continued their upward trajectory. The Fund’s exposure to Equity Market Neutral sub-strategies led gains, benefitting from the positive performance of quantitative strategies. Exposure to the Financials sector was slightly positive, as gains in April and May offset pain in June. One factor influencing sector performance was monetary policy, as financials companies can be sensitive to interest rates. To that effect, one of the Fund’s biggest sector losers was a bank that traded down with rate expectations.

Exposure to the Health Care sector detracted for Q2 within the equity portfolio, as gains in the long book were offset by losses on short positions. One of the Fund’s largest detractors in the Health Care sector was a short position in a pharmaceutical company, which moved against the sub-adviser managing the position after news broke regarding the company’s potential acquisition. On the positive side, one of the largest contributors was a diagnostics and research company.

Credit Strategies

Credit strategies (+2.64%)¹⁴ were the largest contributor to Fund performance in the second quarter. Exposure to credit risk transfer bonds benefited from periodic spread tightening throughout the quarter, which encouraged the sale of a select portion of seasoned bonds.

⁹ As of June 30, 2019.

¹⁰ [Source: Federal Reserve Bank of Chicago](#)

¹¹ BAIA manages a portion of the Fund’s assets directly. Such investments include opportunistic trades and hedging. BAIA allocations are subject to change and BAIA’s fees on directly managed assets are not reduced by a payment to a sub-adviser.

¹² Performance is presented through June 30, 2019. Net performance is net of all fees and expenses. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Information is estimated and unaudited. Additional information and performance data current to the most recent month-end is available at www.bxdms.com.

¹³ **Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks or targets 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. Please see end of document for additional disclosures regarding indices presented.**

¹⁴ Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.

Positive performance was also driven by carry and the periodic tightening of commercial mortgage backed securities (“CMBS”) indices. After spreads on synthetic CMBS indices widened during May’s uptick in market volatility, the Fund increased its purchasing volume. Additional gains resulted from exposures to portfolios of credit and auto loans.

Within Fixed Income – Corporate sub-strategies, the largest contributors to Fund performance were positions in a U.S. utility company, a specialty store retailer and a global technology and communications company. The largest detractor within the sub-strategy was an exposure to the bonds and loans of a commercial bank that is in the midst of a legal battle and traded down in the second quarter on revised expectations for an extended litigation timeline. Despite the short-term losses of the position, the sub-adviser maintains conviction in the bank’s ability to cover its future liabilities.

Multi-Asset Strategies

Multi-Asset strategies (+2.39%)¹⁴ also ended the quarter in positive territory. Multi-Strategy sub-strategies were the largest contributor to gains, as the Fund’s sub-advisers generated positive performance across their underlying credit, emerging market and interest rate strategies. Event Driven strategies, like risk arbitrage, produced slight gains. These merger-linked strategies, which attempt to exploit pricing inefficiencies caused by corporate events by taking long positions in target companies and selling acquirers short, benefited from acquisition activity in Q2. Top contributors within these strategies included pairs of healthcare providers, technology companies and semiconductor manufacturers, while leading detractors were combinations of telecommunications, pharmaceutical and financial services companies.

Discretionary Thematic sub-strategies delivered positive performance in Q2, driven primarily by long exposure to emerging market sovereign debt. The Fed’s shift toward a more dovish tone was a boon to the asset class, given that potentially lower U.S. interest rates would reduce foreign governments’ borrowing costs on dollar-denominated debt.

Though the Multi-Asset portfolio as a whole was positive, there were some detractors. Systematic Diversified sub-strategies posted negative performance, as these strategies were hurt by exposure to developed market currencies. Short positions on global bonds also experienced losses, though shorts on the U.S. Dollar helped offset some of the pain.

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 second quarter of 2019, we added two new sub-advisers.

Q2 2019 Sub-Adviser Additions:

1. Sage Rock (Sage Rock Capital Management LP): Sage Rock is an event driven manager with a focus on special situations investing. Sage Rock’s sub-strategy seeks to capture the embedded value of Special Purpose Acquisition Company (“SPAC”) units (comprised of common stock, warrants and rights). The SPACs sub-strategy involves systematically buying positions in a broad range of outstanding SPAC units and future SPAC unit IPOs, and generally holding the associated common stock, warrants and rights until the completion of a deal.
2. GSO DFM (GSO / Blackstone Debt Funds Management LLC)¹⁵: GSO DFM, a wholly-owned subsidiary of The Blackstone Group Inc. and an affiliate of BAIA, is an investment adviser within Blackstone's global credit investment platform, GSO Capital Partners LP (“GSO”). GSO DFM’s strategy for the Fund is focused primarily on investments in below-investment grade corporate credit. GSO DFM is focused on generating risk-adjusted returns with a strong emphasis on capital preservation across various credit instruments including bank loans, high yield bonds and collateralized loan obligation (“CLO”) securities.

For further detail on these sub-advisers and others within the Fund, please see “Sub-Adviser Profiles” in the “Investor Document” section of our website, www.bxdms.com.

¹⁵ Blackstone and its affiliates have financial interests in asset managers. Any allocation by Blackstone to a subsidiary or other affiliates (such as GSO) 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.

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.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only. Past performance may not be a reliable guide to future performance. The value of BXDMS 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. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Certain of the information provided herein has been obtained from or derived from the Fund's sub-advisers. BAIA does not guarantee the accuracy or completeness of such information.

All investors should consider the investment objectives, risks, charges and expenses of Blackstone Diversified Multi-Strategy Fund (BXDMS) carefully before investing. The Key Investor Information Document ('KIID'), Prospectus and Supplement contain this and other information about BXDMS and are available on the Blackstone website at www.bxdms.com. 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.

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.
- The Fund's investments will include shares, bonds and FDI. Certain investment techniques and FDI may increase the adverse impact to the Fund. In particular, there is a risk of infinite loss when using an FDI that derives its value from other assets decreasing.
- BAIA and sub-advisers have conflicts of interest that could interfere with their management of the Fund, including the allocation of time and investment opportunities.
- 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. Sub-advisers may make investment or hedging decisions which conflict or offset with other sub-advisers
- Increased legal, tax and other regulatory developments may adversely impact the ability of BAIA and the sub-advisers to utilize certain investment techniques or invest in certain assets.
- The Fund may invest in countries or through over investment funds that are subject to a weak legal or financial framework, as a result of which 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.
- The Fund is dependent on BAIA, sub-advisers and other service providers for certain investment management, operational and financial support services. A deficiency in any of these services may have an adverse impact on the Fund.
- 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.bxdms.com.

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. and 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. and 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.
 - Real Estate Special Situations Advisors L.L.C. ("BRESSA"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group L.P., serves as a Sub-Advisor Sub-Adviser. BRESSA invests primarily in liquid, commercial and residential real estate-related debt instruments.
 - GSO / Blackstone Debt Funds Management LLC ("GSO DFM"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group L.P., serves as a Sub-Adviser. GSO DFM invests primarily in below investment grade corporate credit.
 - Blackstone utilizes technology offered by 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 Blackstone Alternative Asset Management L.P. 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 Indices:

Market indices obtained through Bloomberg. HFR Indices obtained through HFR Asset Management. **Barclays Global Aggregate Bond Index:** a broad-based measure of the global investment grade fixed-rate debt markets, comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indexes. **MSCI World Index:** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI World is maintained by Morgan Stanley Capital International, and is comprised of stocks from 23 developed markets in the world. **HFRX Global Hedge Fund Index:** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies falling within four principal strategies: equity hedge, event driven, macro/CTA, and relative value arbitrage. Strategies are asset weighted based on the distribution of assets in the hedge fund industry.

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. Index data is obtained from unaffiliated third parties and is subject to subsequent adjustments. Blackstone makes no assurances as to the accuracy or completeness thereof.

Glossary of Terms:

Gross Exposure: Reflects the aggregate of long and short investment positions in relation to the net asset value. The gross exposure is one indication of the level of leverage in a portfolio. **Net Exposure:** This is the difference between long and short investment positions in relation to the net asset value. The gross exposure is one indication of the level of leverage in a portfolio. **Long Exposure:** A long position occurs when an individual owns securities. **Short Exposure:** Short selling a security not actually owned at the time of sale. Short positions can also generate returns when the price of a security declines. **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. **Beta:** A measure of the volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole. **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. **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. **Delta:** The ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative. **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.