

# Blackstone Diversified Multi-Strategy Fund

(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

Blackstone

As of July 31, 2016

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSJG	0.92%	0.92%	(1.20%)	(1.48%)	4.43%	-	-	(0.37)
MSCI World TR (GBP-Hedged)	4.25%	4.25%	5.39%	1.50%	15.07%	0.17	(1.88%)	0.09
Barclays Gbl Agg (GBP-Hedged)	0.76%	0.76%	9.86%	9.28%	5.36%	(0.24)	0.61%	1.71

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%						(1.20%)

## Investment approach

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

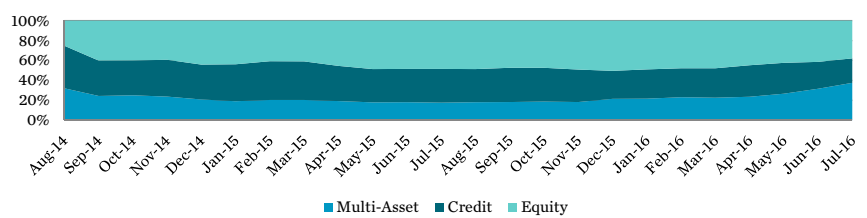
## Fund highlights

Fund Assets (Mn)	\$1,534.84
NAV per Share	£9.84
Currency	GBP
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.<sup>(5)</sup>

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

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



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

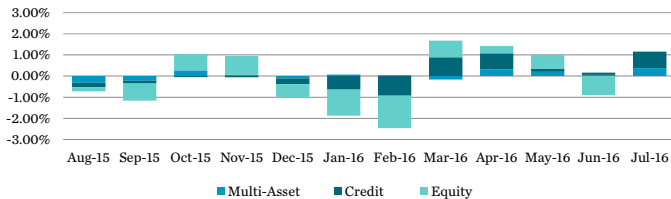
SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
Rail Splitter	Fundamental	Equity (Long/Short)	38%
GSIS	Fundamental	Equity (Long/Short)	
HealthCor	Fundamental	Equity (Long/Short)	
Wellington	Fundamental	Equity (Long/Short)	
Senfina <sup>(8)</sup>	Fundamental	Equity (Market Neutral)	
Cerebellum <sup>(9)</sup>	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
BAIA-Direct <sup>(10)</sup>	Multi-Strategy	Multi-Asset (Multi-Strategy)	25%
Chatham	Opportunistic Trading	Credit	
Cerberus	Opportunistic Trading	Credit (MBS/ABS)	
Bayview	Fundamental	Credit (MBS/ABS)	
Caspian	Fundamental	Credit	
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall	Fundamental	Credit (MBS/ABS)	

- Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2016. Net performance for the Fund as well as indices is from 7/6/15 to 7/31/16 and is annualized.
- 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 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.
- Performance is presented through July 31, 2016. Performance is estimated and unaudited for 2016. 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. Additional information and current performance data is available at [www.blackstone.com/bxdms](http://www.blackstone.com/bxdms). BXDMSJG launched on July 6, 2015 and thus performance for July 2015 is limited to July 6 through July 31.
- The portfolio allocations in the table 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.
- The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS prospectus and supplement.
- The Fund will pay to Blackstone a performance fee equal to 15% of any returns the relevant class achieves above any losses carried forward from previous periods. The Fund may also pay to Blackstone an additional performance fee equal to the amount of any performance fees owed by Blackstone to the sub-advisers. Any such additional performance fee will be deducted from Blackstone's performance fee before it is paid in subsequent quarterly performance periods. The performance fee together with any additional performance fee are subject to a cap of 4.95% of the NAV of the class.
- Blackstone has agreed to reimburse the Fund so that certain of the Fund's "Other Expenses" will not exceed 0.45% annually. Please see important disclosure information at the end of this document for further explanation.
- Blackstone Senfina Advisors L.L.C. "Senfina" is an indirect wholly-owned subsidiary of The Blackstone Group L.P., a publicly traded master limited partnership that has units that trade on the New York Stock Exchange under the symbol "BX." Senfina is an affiliate of BAIA, the Fund's investment adviser, on the basis that it is under common control with BAIA. The investment by BXDMS with Senfina benefits Blackstone and a withdrawal from Senfina would be detrimental to Blackstone.
- Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.
- BAIA manages a portion of the Fund's assets directly. Such assets ("BAIA-Direct") include allocations to a risk premia trading strategy and may also include collective investment schemes and/or opportunistic trades. BAIA's fees on directly managed assets are not reduced by a payment to a sub-adviser.

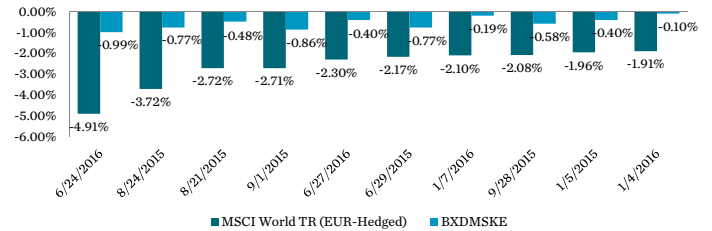
## Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(5)</sup>		MTD		QTD		ITD Cumulative Performance	
	7/29/2016	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	37.87%	0.01%	0.01%	0.01%	0.01%	(1.60%)	(0.71%)	
Credit	24.58%	2.42%	0.78%	2.42%	0.78%	1.38%	0.37%	
Multi-Asset	37.55%	0.73%	0.37%	0.73%	0.37%	3.55%	1.08%	
Expenses and Other			(0.25%)		(0.25%)		(2.34%)	
Net Return <sup>(2)</sup>			0.92%		0.92%		(1.60%)	

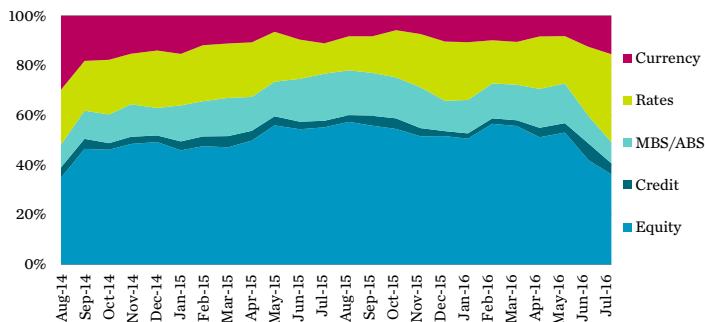
## Performance Contribution by Sub-Strategy<sup>(3)</sup>



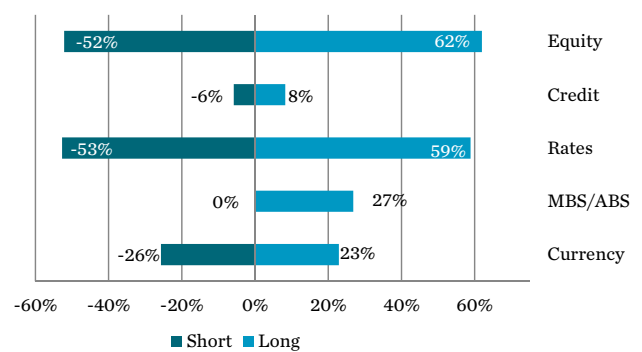
## Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception<sup>(2)(6)(7)</sup>



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



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



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

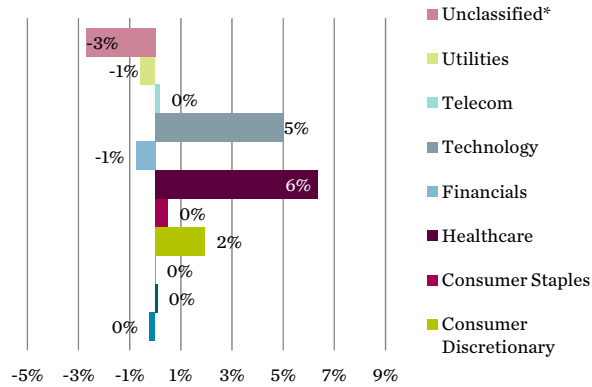
Region	Long	Short	Net
US/Canada	88.14%	67.01%	21.13%
Latin America/Caribbean	7.47%	0.22%	7.26%
Core Europe	48.75%	30.55%	18.20%
Peripheral Europe	12.35%	2.34%	10.01%
Middle East/Africa	1.82%	3.13%	-1.32%
China/HK/Taiwan	1.10%	1.29%	-0.19%
Asia general	3.48%	21.61%	-18.12%
Japan	15.73%	10.30%	5.43%
<b>Total</b>	<b>178.84%</b>	<b>136.43%</b>	<b>42.41%</b>

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

Region	Long	Short	Net
US/Canada	1.61%	2.54%	-0.94%
Latin America	0.74%	0.02%	0.72%
Core Europe	8.30%	13.33%	-5.02%
Peripheral Europe	1.19%	0.78%	0.41%
Middle East/Africa	0.63%	2.07%	-1.44%
China/HK/Taiwan	0.05%	0.89%	-0.84%
Asia general	2.08%	5.02%	-2.94%
Japan	8.31%	1.09%	7.22%
<b>Total</b>	<b>22.91%</b>	<b>25.74%</b>	<b>-2.83%</b>

- (1) Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
- (2) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2016. Net performance for the Fund as well as indices is from 7/6/15 to 7/31/16 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 is for BXDMSKE, the BXDMS share class with the longest track record. MSCI World represents MSCI World (EUR-Hedged) to be consistent with BXDMSKE currency. Please see the additional disclosure on the last page for additional index definitions.

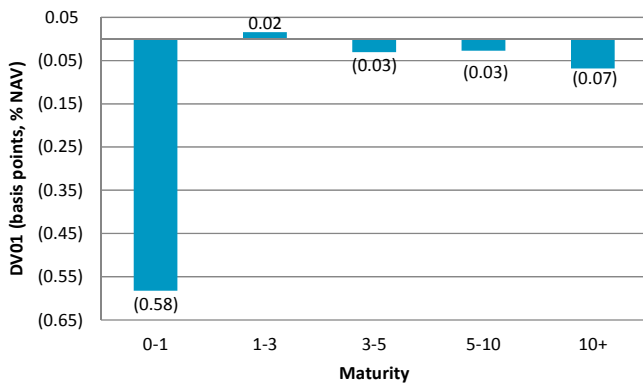
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



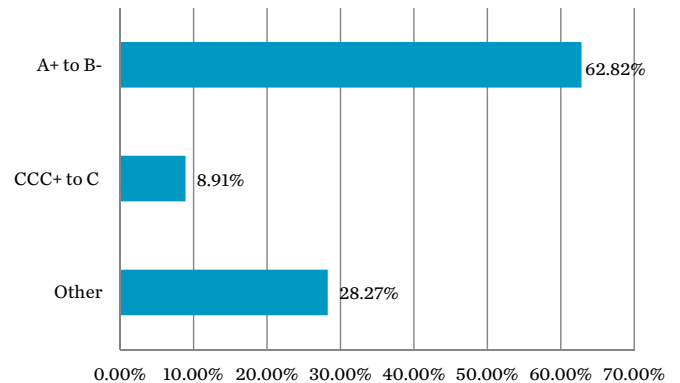
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	1.21%	1.43%	-0.23%
Materials	1.93%	1.85%	0.09%
Industrials	3.01%	3.01%	0.01%
Consumer Discretionary	8.12%	6.17%	1.95%
Consumer Staples	3.16%	2.66%	0.50%
Healthcare	14.81%	8.46%	6.35%
Financials	2.55%	3.30%	-0.75%
Technology	8.77%	3.76%	5.02%
Telecom	1.18%	0.99%	0.19%
Utilities	0.43%	1.01%	-0.57%
Unclassified*	16.80%	19.51%	-2.71%
<b>Total</b>	<b>61.97%</b>	<b>52.14%</b>	<b>9.84%</b>

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



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



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

Date	VaR
7/31/16	2.01%

- (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 change in value of a security for a 1 basis point change as a percentage of fund NAV.

- (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

## July Market Commentary

It wasn't just the sweltering heat across much of the United States that led to a hot July. Stocks started heating up too. The S&P 500 hit an all-time high on July 22nd, capping a week of better-than-expected corporate earnings reports that drove up stock prices. But investors are beginning to question some of these equity valuations and whether the recent rally is justified.

More than half of the S&P 500 companies had reported second-quarter earnings by the end of July with 71% beating estimates<sup>1</sup>. At the surface, this appears to be a strong economic indicator; however, in reality, it is largely the result of a lower bar being set for corporate earnings during this cycle. Roughly 75% of S&P 500 companies typically meet or beat analyst expectations<sup>2</sup>. Actual Q2 figures still reveal a decline in earnings which, if sustained by the end of the reporting season, would mark the fifth consecutive quarterly drop<sup>1</sup>. Thus, the equity rally appears to be a classic case of price/earnings multiple expansion, perhaps driven partly by continued loose monetary policy.

As expected, the U.S. Federal Reserve ("Fed") left the target Fed Funds rate unchanged on July 27th, citing inflation levels that remain below the Fed's 2% target. Signs of a strengthening labor market and moderate economic expansion did leave the door open for a potential rate hike in September, but investors don't seem to believe that it will actually happen. Fed Fund futures indicate the chances of a rate hike to be only 18% in September and 21% in November<sup>3</sup>. The market may be focused on the fact that U.S. GDP continues to grow at a frustratingly slow pace and business spending remains soft. A future Fed rate hike may require a prolonged steady flow of positive economic data as well as calm markets.

Looking across the pond, the aftermath of the Brexit vote was almost as much of a surprise as the vote itself. The fact that U.K. equity indices, including domestically-oriented ones such as the FTSE 250, are pretty much back to where they were before the vote was largely unexpected. This is especially true given the enormity of the event, which increasingly looks like it may be triggering a U.K. recession with negative consequences for the rest of Europe. If so, more ECB easing may be required. That, coupled with the Italian referendum on Senate reforms later this year, suggests risks in Europe may be rising.

The second half of 2016, at least for now, looks markedly different from where we started this year. Although the big market movers of six months ago (fears of a hard landing in China, falling commodity prices and lack of liquidity in credit markets) have been pushed to the back burner, heightened risks remain in the global economy. Pockets of dislocation may continue, particularly due to the ongoing risks emanating from Europe, and we at Blackstone are monitoring for opportunities to allocate capital during those episodic pullbacks. BXDMS, with multiple hedge fund strategies and investment styles, and with an aim of capturing opportunities across asset classes and geographies, may offer stability to a broader portfolio during periods of market volatility.

## Review of Fund Performance

The investment objective of Blackstone Diversified Multi-Strategy Fund (the "Fund") is to seek capital appreciation. The Fund aims to achieve its objective by allocating assets among a variety of investment sub-advisers with experience managing non-traditional or "alternative" investment strategies. In July, the Fund's Class I (USD) share class returned 0.99%<sup>4</sup> net of fees and expenses versus 4.25% and 0.75% for the MSCI World and Barclays Global Aggregate Bond Index, respectively<sup>5</sup>. For a summary of Fund performance of the share class to which this report relates, please refer to the "Investment Summary" section of this report.

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1. Source: FactSet Earnings Insight, July 29, 2016.
  2. Gryta, Thomas, Serena Ng, and Theo Francis. "Companies Routinely Steer Analysts to Deliver Earnings Surprises." The Wall Street Journal 4 Aug. 2016.
  3. Based on CME Group 30-Day Fed Fund futures prices as of August 8, 2016.
  4. Performance is shown net of all fees and expenses for Share Class I (USD). Past performance may not be a reliable guide to future performance. The value of shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited.
  5. 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.

### ***Equity Strategies***

Equity strategies contributed to performance with Equity Long/Short strategies posting gains and Equity Market Neutral Strategies ending the month mixed. Healthcare and financials, two of our highest net sector exposures, rallied on the back of several strong earnings results in biotech, medtech and bank sub-sectors. Materials, telecom and technology shorts generated negative alpha as some of the underlying stocks rallied on the back of continued strength in these sectors and also due to better-than-expected quarterly results. We maintain our cautious view on equities given mixed fundamental data, geopolitical uncertainty (i.e. Brexit implications and the upcoming U.S. presidential election), high valuations, depressed Q2 earnings and lowered year-end guidance. This is an environment in which it is increasingly important to have skilled, fundamental stock-pickers that can source attractive long and short opportunities through deep, bottoms-up analysis.

### ***Credit Strategies***

Credit strategies were the largest contributors of gains in July and were also a source of positive alpha on the month. Government-sponsored enterprise (“GSE”) credit risk transfer bonds and certain asset-backed credit exposures experienced gains on the back of positive carry and higher mark-to-market moves. The portfolio also benefited from corporate bond exposures in energy, gaming and media sectors. Losses in the Credit book were primarily due to weakness in commercial mortgage-backed securities index hedges. We are currently focused on opportunities in collateralized loan obligations, which continue to trade at cheap levels, and our sub-advisers are seeing attractive entry points.

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

Multi-Asset strategies generated positive performance on the whole, with Multi-strategy exposures generating strong gains and Macro strategies posting mixed results. Certain special situations, financials, industrials and Japanese index exposures contributed to performance. Systematic sub-strategies benefited from carry strategies, while momentum strategies were mixed and value strategies detracted from performance. From an asset class perspective, systematic strategies in fixed income were the best performers, while FX was mixed. We still think that there are ample opportunities in emerging markets and that, despite this year’s strong rally, emerging markets’ growth premium to developed markets could widen into next year. Additionally, the risk premia between certain sovereign and quasi-sovereign entities has become dislocated as low commodity prices have put the financial position of several state-owned entities under pressure while also affecting the respective government’s fiscal dynamics. As markets question the ability of governments to materially support these quasi-sovereign entities, the yields between them and their underlying sovereign entities has grown wider, and the price action on the debt of some of the quasi-sovereign entities doesn’t reflect the fundamentals and the strategic importance of the entity to the country. This has resulted in potential investment opportunities, and we are focused on those in Brazil, Argentina, Greece and Venezuela.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**MSCI World Index (GBP-Hedged):** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI World is maintained by Morgan Stanley Capital International, and is comprised of stocks from all the developed markets in the world.

#### **Important Disclosure:**

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

#### **Important Risks:**

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

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

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