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 September 30, 2017

Fund Net Performance [1][2]	MTD	QTD	YTD	ITD	St Dev.	Beta	Alpha	Sharpe
					ITD STATISTICS			
BXDMSJG	(0.39%)	0.89%	4.69%	1.43%	3.48%	-	-	0.29
MSCI World TR (GBP-Hedged)	2.23%	4.78%	16.06%	8.93%	11.50%	0.16	(0.45%)	0.74
Barclays Glbl Agg (GBP-Hedged)	(0.95%)	1.58%	5.82%	3.74%	5.37%	(0.07)	1.82%	0.62

Monthly Net Performance[1]

	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%)				**4.69%**

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)	$1,961.66
NAV per Share	£10.25
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

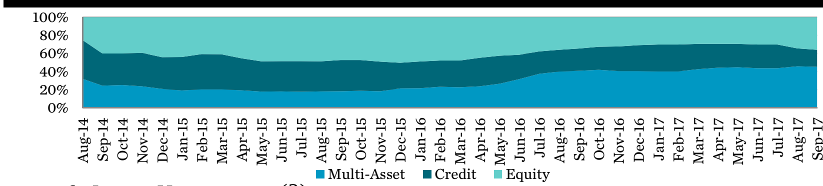
Fund Terms – Share Class I (GBP) Dis.[4]

Minimum Initial Investment (Mn)	£5.00
Management Fee	1.40%
Performance Fee[5]	15.00%
Other Expenses[6]	Capped 0.45%

12 Month Performance Periods – To Last Quarter End[1][2]

	9/30/2012-9/30/2013	9/30/2013-9/30/2014	9/30/2014-9/30/2015	9/30/2015-9/30/2016	9/30/2016-9/30/2017
BXDMSJG	N/A	N/A	N/A	N/A	4.26%
MSCI World TR (GBP-Hedged)	N/A	N/A	N/A	N/A	18.27%
Barclays Glbl Agg Index (GBP-Hedged)	N/A	N/A	N/A	N/A	(1.72%)

Asset Allocation by Sub-Strategy[3]



Portfolio Allocation[3]

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
GSIS	Fundamental	Equity (Long/Short)	*36%*
HealthCor	Fundamental	Equity (Long/Short)	
Cerebellum[7]	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	*45%*
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	*19%*
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 7/6/15 to 9/30/17 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 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.

(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. BXDMSJG launched July 6, 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.

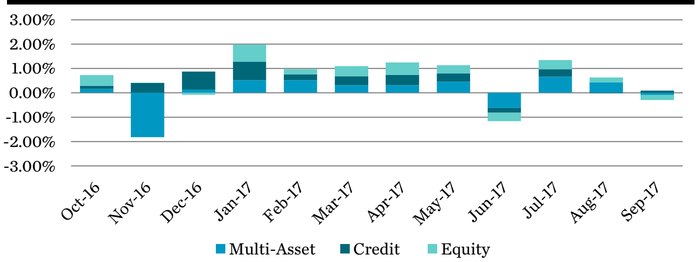
(7) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

(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

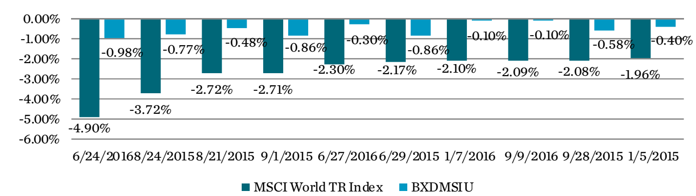
Performance Summary

Sub-Strategy Performance [1]	Allocation at [5] 9/29/2017	MTD Return	MTD Attribution	QTD Return	QTD Attribution	YTD Return	YTD Attribution	ITD Cumulative Performance Return	ITD Cumulative Performance Attribution
Equity	35.96%	(0.63%)	(0.21%)	1.19%	0.36%	6.04%	2.21%	4.46%	1.47%
Credit	18.74%	0.49%	0.10%	1.60%	0.40%	8.83%	2.79%	17.51%	5.13%
Multi-Asset	45.30%	(0.21%)	(0.09%)	2.21%	1.00%	5.11%	2.56%	6.95%	2.74%
Expenses and Other			(0.19%)		(0.87%)		(2.87%)		(6.12%)
Net Return [2]			(0.39%)		0.89%		4.69%		3.22%

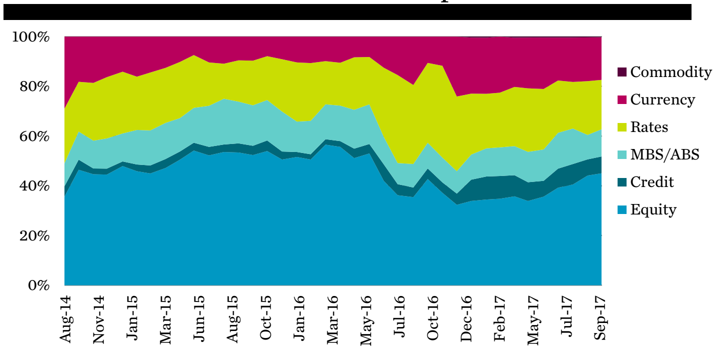
Performance Contribution by Sub-Strategy[3]



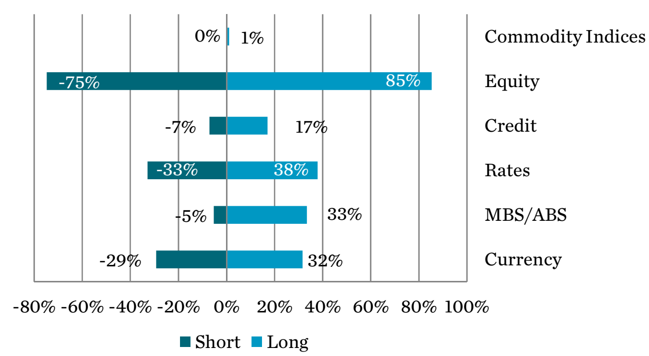
Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception[6][8]



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



Asset Class Exposure[4]



Fund Geographic Exposure[4]

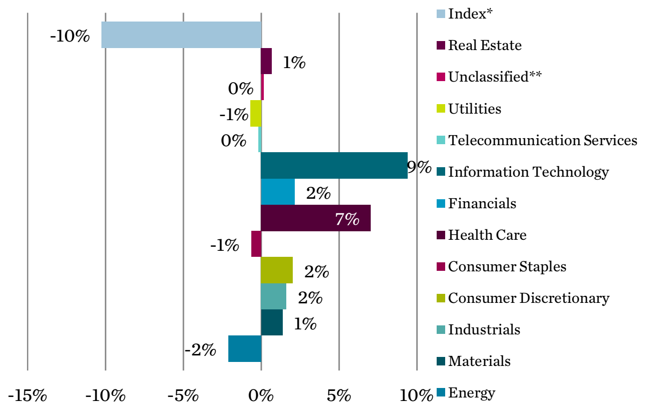
Region	Long	Short	Net
US/Canada	119.80%	89.97%	29.83%
Latin America/Caribbean	6.24%	1.92%	4.32%
Core Europe	44.18%	17.45%	26.73%
Peripheral Europe	3.33%	0.64%	2.69%
Middle East/Africa	1.26%	1.25%	0.02%
China/HK/Taiwan	1.76%	4.20%	-2.43%
Asia general	15.86%	11.90%	3.96%
Japan	13.92%	21.86%	-7.95%
Total	**206.34%**	**149.19%**	**57.16%**

Currency Exposure[4]

Region	Long	Short	Net
US/Canada	3.76%	6.01%	-2.24%
Latin America	1.30%	1.08%	0.23%
Core Europe	9.40%	12.99%	-3.59%
Peripheral Europe	0.43%	0.12%	0.32%
Middle East/Africa	0.88%	0.23%	0.65%
China/HK/Taiwan	0.54%	3.60%	-3.06%
Asia general	10.83%	2.49%	8.34%
Japan	4.46%	2.75%	1.71%
Total	**31.60%**	**29.25%**	**2.35%**

(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 7/6/15 to 9/30/17 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%.

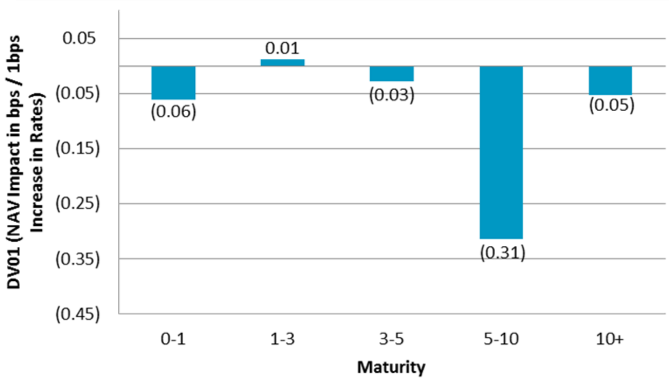
Equity Exposure – Net Sector Breakdown(1)



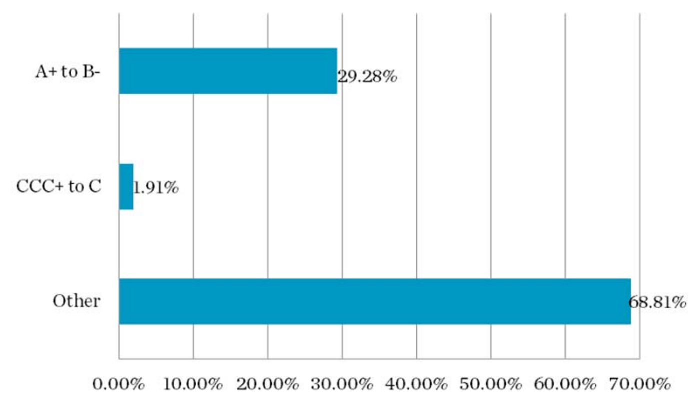
Equity Exposure – Sector Breakdown(1)

	Long	Short	Net
Energy	1.16%	3.28%	-2.12%
Materials	2.76%	1.38%	1.38%
Industrials	5.42%	3.81%	1.61%
Consumer Discretionary	9.10%	7.07%	2.03%
Consumer Staples	1.76%	2.40%	-0.64%
Health Care	15.24%	8.21%	7.04%
Financials	5.06%	2.93%	2.13%
Real Estate	1.31%	0.63%	0.68%
Information Technology	14.72%	5.32%	9.40%
Telecommunication Services	0.14%	0.32%	-0.19%
Utilities	1.01%	1.71%	-0.70%
Index*	27.46%	37.70%	-10.23%
Unclassified**	0.15%	0.00%	0.15%
Total	**85.31%**	**74.76%**	**10.55%**

Fixed Income Interest Rate Sensitivity(2)



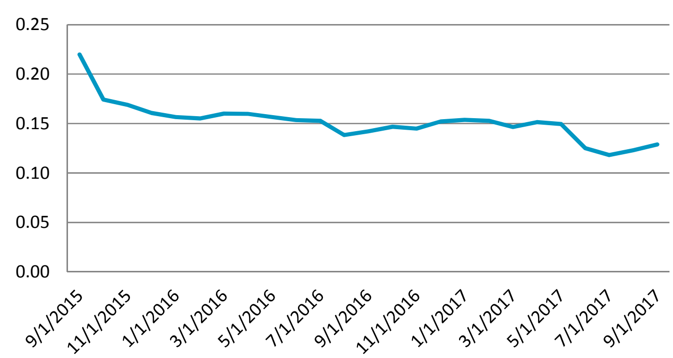
Fixed Income Ratings(1)



VaR Analysis(3)

Date	VaR
9/30/17	2.40%

12 months rolling beta against MSCI World(4)



(1) In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. Data is obtained from State Street Fund Services (Ireland) Limited, the administrator for the Fund. The Fund does not guarantee the accuracy of such data. Using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings.

(2) Dv01 represents the estimated change in NAV for the fund, expressed in basis points, for a 1 basis point increase in interest rates across each of the maturity ranges shown. Fixed income instruments are typically held across a number of different currencies.

(3) Value at Risk ("VaR") is calculated at a 99% confidence level for a one month holding period (20 business days) using a model based on historical Fund data. Please see the Glossary of Terms for a further explanation of VaR.

(4) Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/11/2014-8/31/2017. The volatility of the index presented may be materially different from that of the performance of the fund. In addition, the index employs different investment guidelines and criteria than the fund; as a result, the holdings in the fund may differ significantly from the securities that comprise the index. The performance of the index has not been selected to represent an appropriate benchmark to compare to the performance of the fund, but rather is disclosed to allow for comparison of the fund's performance to that of a well-known and widely recognized index. A summary of the investment guidelines for the index presented is available upon request.

*Comprised of index futures, options on index futures, ETFs, and ETF options

**Underlying instruments do not have a corresponding GICS sector assignment

September Market Commentary

Stocks had a strong run in September with both the S&P 500 and NASDAQ Composite indices ending the month and the third quarter at record highs. The MSCI World index and the Dow Jones Industrial Average also peaked mid-month. Equities got a boost in the last week of the month after the Trump administration and Republican congressional leaders proposed a plan to lower the corporate tax rate. The prospect of companies paying less in taxes translating to a meaningful boost to their bottom lines appeared to lift investors' hopes about the U.S. economy. Couple this optimism with the U.S. dollar hitting a two-month high, unemployment in the U.S. near a decade low and upward revisions to Q2 GDP growth and it's no surprise that some investors are still propagating bullish sentiment.

We believe recent market dynamics may have lulled some investors into complacency, however, as the ever-rising tide of global equities erases memories of the pain associated with market drawdowns. While we are not explicitly calling the top of the market, we are concerned about increasing risks to the downside. We are also not suggesting a recession is imminent, but we are mindful of a few evolving warning signs that could spook investors. Recessions typically strike when investors least expect them, and hindsight is often 20/20. If we were to slip into a recession, there would inevitably be some indicators that we will have wished we had paid more attention to in 2017. And if history is any indication of what may come, a period like the one we are in, marked by high equity market valuations, conflicting economic data, and sustained low volatility, may be followed by a market correction.

The last few years have been a pleasant run for equity markets, with investors pushing asset prices ever-higher. There are numerous metrics employed to value equity markets, but we have yet to find one that is either perfect or complete. Still, one we have been watching is the Cyclically Adjusted Price-to-Earnings ("CAPE") Ratio. This ratio attempts to value stocks by measuring current prices against average earnings over the last ten years (adjusted for inflation). The output helps investors determine how valuations within the S&P 500 Index compare to historical levels given the earnings generated by the underlying companies. The current CAPE Ratio of approximately 30.7x represents a nearly 16-year high[1]. The only two peaks higher than this occurred in 1929 and 1999, and the market events immediately following those time periods (namely the Great Depression and the burst of the Dot-Com Bubble) are well documented. While we cannot predict what's to come and we acknowledge that equity markets may very well continue to grind higher for the foreseeable future, we believe that historical precedent is a reason to be cautious.

Another worrisome phenomenon is that U.S. equity markets have hit all-time highs this year despite conflicting "soft" and "hard" data. We discussed this briefly in our April market commentary but it's worth another mention. Soft data comprises survey-based economic gauges, such as confidence, which attempt to measure sentiment. Hard data reflects information from definitive and measurable events that have already happened. In a perfect world, these data would correspond to and support one another. However, the persistent divergence between soft and hard data reveals a gap between expectations and reality. Some soft data measures, such as consumer confidence, some Fed officials indicating optimism about further monetary policy tightening, CEO confidence and homebuilder sentiment have largely been positive. However, some hard data measures, such as GDP growth, inflation, small business earnings and construction spending have recently underwhelmed. One could reasonably expect these differing data sets to converge, and such a convergence could manifest itself in one of two ways. Either a tempering of soft data may occur (a potentially negative outcome for markets) or an improvement in hard data may occur (a positive outcome for markets). The longer a divergence persists, the higher the probability of a convergence. The difficulty for investors lies in accurately forecasting which set of data will prevail in reflecting current economic conditions.

Adding to our reservations about the current market environment are extremely low levels of volatility, which suggest that we may be experiencing the calm before the storm. When we examine volatility levels over the past 30 years, we notice a trend: meaningful upticks and spikes in volatility were preceded by sustained periods of sub-10% volatility. Much of the recovery from the 2008 Financial Crisis through today has also been marked by exceptionally low levels of volatility, and there is a risk that investors misconstrue these low readings as signs that market conditions are benign, when, in fact, they may not be.

As you think about your own portfolio and how it's currently positioned, we encourage you to consider how exposed you may be to equity markets. High equity market valuations, conflicting economic data, and sustained low volatility could be contributory catalysts leading to a market decline. Notwithstanding these factors, there are also serious geopolitical tensions that are threatening global financial markets today. While we do not presume to make dire forecasts and sound alarm bells, it is worth considering such scenarios as reminders of the importance of diversified and hedged investment strategies to help protect capital in the event of market volatility. If you are concerned about future market volatility just as we are, consider BXDMS as a potential solution for your portfolio. BXDMS seeks to preserve capital with lower volatility relative to broader equity markets. We take an active approach to portfolio management, and have remained vigilant in positioning our portfolio to seek to maximize risk-adjusted returns with a focus on capital preservation.

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1. Source: Prof. Robert Shiller (http://www.econ.yale.edu/~shiller/data.htm). As of September 2017.

Review of September 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 allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or "alternative" investment strategies or by managing assets directly (via BAIA[3]). In September, the Fund's Class I share class[4] returned -0.28%[5] net of fees and expenses versus 2.28% and -0.90% for the MSCI World and Barclays Global Aggregate Bond indices, respectively.

Equity Strategies

Equity strategies detracted from performance in September. Losses were largely attributable to negative long alpha, although the portfolio did benefit from positive short alpha. Exposures to technology declined due to lower than expected mobile phone sales, which had a negative impact on certain manufacturers and parts suppliers. Long exposures to pharmaceutical companies also detracted. These losses were partially offset by strength in short medtech exposures, which benefited from an apparent overestimation of products in a company's R&D pipeline resulting in analyst downgrades and a corresponding drop in the stock price. Certain U.S. bank exposures also contributed to performance.

Credit Strategies

Credit strategies contributed modest gains during the month. Spreads in credit risk transfer ("CRT") bonds initially widened early in the month, causing mark-to-market losses as investors believed that a temporary increase in delinquencies in the underlying mortgages might result from the damage inflicted by Hurricanes Harvey and Irma in Texas and Florida. Our portfolio has limited exposure to the CRT reference mortgage pools in these areas, and after Fitch Ratings estimated that only about 5% of these pools are in FEMA-declared disaster areas, spreads reversed and compressed further later in the month. While we ultimately saw strength in these residential mortgage-backed exposures, certain commercial mortgage-backed exposures detracted on fears that the continued growth of e-commerce may shrink the physical footprint of brick-and-mortar retailers, leading to large numbers of defaults on mortgage loans to malls.

Multi-Asset Strategies

Multi-Asset strategies were roughly flat on the month. Within Global Macro strategies, divergent central bank policies revealed relative value opportunities. Short exposure to certain sovereign investment grade credit produced gains, as did long exposures to Brazilian quasi-sovereign credit. Long exposure to sovereign high yield credit in Argentina was boosted by tailwinds from Senate primary wins in August as elected officials have expressed an interest in welcoming foreign investment. Additionally, Egyptian T-bill exposures benefited from positive carry and currency appreciation. Within Macro Systematic sub-strategies, longer-term quantitative strategies suffered. The portfolio benefited from strength in the U.S. dollar versus several other currencies. Long exposure to U.K rates and short exposure to Japanese and Canadian rates also led gains. Multi-Strategy exposures were largely negative in September as exposure to a Mexican multimedia company detracted after the Organisation for Economic Co-operation and Development (OECD) suggested recommendations for normalizing regulation across Mexican cable companies, which could potentially alter the competitive landscape. Exposure to German utilities also declined due to election noise as strength in the country's Green Party could mean a focus on environmental concerns and clean energy.

Review of Fund Performance – Third Quarter 2017 [6]

In the third quarter of 2017, the Fund's Class I share class returned 1.12% net of fees and expenses versus 4.96% for the MSCI World Index and 1.76% for the Barclays Global Aggregate Bond Index.

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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.
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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 the Gross Expense Ratio less waived expenses for Class I shares (USD). Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data above. Information is estimated and unaudited.
6. 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.

Equity strategies produced gains on the quarter as increased dispersion among sectors and individual equities created a favorable environment for stock pickers. Equity sub-advisers demonstrated proficiencies in delivering alpha without significant exposure to prevailing market beta, particularly sub-advisers employing quantitative strategies. Amidst Congress' failure to pass the 'skinny repeal' of the Affordable Care Act, healthcare proved to be a relatively weak sector during the quarter. Despite this backdrop, certain of the Fund's healthcare exposures generated gains, as did certain telecom and U.S. bank exposures. While technology exposures contributed gains early in the quarter, they detracted later on. As market support from central banks lessens and market volatility begins to normalize, we anticipate that alpha generation, not market beta, may drive investor returns. The Fund is currently positioned to neutralize beta across Equity Long/Short strategies, and its hedged positions seek to provide investors access to equity exposure without the volatility associated with traditional equity beta.

Credit strategies also contributed positively for the quarter. The Fund continued to benefit from meaningful exposure to government-sponsored enterprise credit risk transfer bonds. Additional gains came from real estate exposures via positions in agency and commercial mortgage-backed securities. Smaller exposures to senior secured and senior unsecured corporate bonds also contributed to performance. Certain commercial mortgage-backed exposures detracted on fears that the continued growth of e-commerce may shrink the physical footprint of brick-and-mortar retailers, leading to large numbers of defaults on mortgage loans to malls. Over the past few months, we have been trimming corporate credit exposures. We believe that certain pockets of structured credit remain attractive, but we are mindful of spreads and may decrease exposure there as well.

Finally, Multi-Asset strategies were the biggest driver of performance for the last three months through September with Multi-Strategy exposures leading the pack. As fears of a nuclear threat from North Korea intensified over the course of the quarter, Multi-Strategy sub-advisers' exposures to safe haven assets rallied. Short equity positioning was accretive, as sub-advisers targeted specific retail sector exposures. The continued evolution of this sector has created few winners and many losers, as traditional retail companies have struggled to keep pace with consumers' massive shift to e-commerce. Within Global Macro strategies, divergent central bank policies revealed relative value opportunities. Positive developments in Brazil, Egypt and Mexico helped emerging markets focused sub-advisers, with long quasi-sovereign debt and local rates exposures in Brazil rallying. Exposure to Egyptian T-bills continued to perform well, driven by carry and currency appreciation. Performance across Macro Systematic sub-strategies was driven by long fixed income positioning across UK, Euro, French and Canadian government bonds. Gains were partially offset late in the quarter by losses in Mexican multimedia and German utilities exposures. Within the Multi-Asset sleeve of the book, we have increased exposure to Global Macro strategies in an attempt to capture relative value across global economies and continue to favor diversifying, uncorrelated strategies.

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