

# Blackstone Diversified Multi-Strategy Fund

Blackstone

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

As of November 30, 2016

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSIJ	(1.67%)	(1.23%)	(2.29%)	0.12%	3.75%	-	-	(0.00)
MSCI World TR (JPY - Hedged)	1.43%	(0.55%)	5.08%	3.50%	12.96%	0.16	(0.85%)	0.26
Barclays Gbl Agg (JPY - Hedged)	(4.03%)	(6.74%)	2.07%	(0.63%)	5.39%	(0.10)	0.00%	(0.14)

## Monthly Net Performance<sup>(1)(3)</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	-	1.36%	1.13%	(0.59%)	1.40%	(0.89%)	1.94%	(0.71%)	(1.20%)	0.66%	0.61%	(1.12%)	2.57%
2016	(2.08%)	(2.57%)	1.27%	1.15%	0.83%	(0.98%)	0.97%	(0.55%)	0.96%	0.45%	(1.67%)		(2.29%)

## Investment approach

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

## Fund highlights

Fund Assets (Mn)	\$1,582.63
NAV per Share	¥1,002.22
Currency	JPY
Share Class Inception Date	February 2, 2015
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSIJ ID
ISIN	IE00BTR4S46

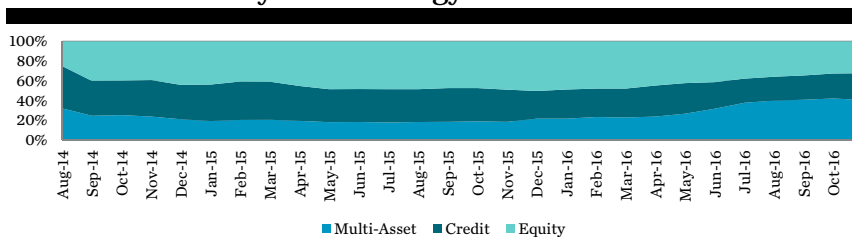
## Fund Terms – Share Class I (JPY) Acc.<sup>(5)</sup>

Minimum Initial Investment (Mn)	¥500
Management Fee	1.40%
Performance Fee <sup>(6)</sup>	15.00%
Other Expenses <sup>(7)</sup>	Capped 0.45%

## 12 Month Performance Periods – To Last Quarter End<sup>(1)(2)</sup>

	9/30/2011 - 9/30/2012	9/30/2012 - 9/30/2013	9/30/2013 - 9/30/2014	9/30/2014 - 9/30/2015	9/30/2015 - 9/30/2016
BXDMSIJ	N/A	N/A	N/A	N/A	(0.93%)
MSCI World TR (JPY-Hedged)	N/A	N/A	N/A	N/A	11.54%
Barclays Gbl Agg Index (JPY-Hedged)	N/A	N/A	N/A	N/A	8.37%

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



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

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
Railsplitter	Fundamental	Equity (Long/Short)	32%
GSIS	Fundamental	Equity (Long/Short)	
HealthCor	Fundamental	Equity (Long/Short)	
Wellington	Fundamental	Equity (Long/Short)	
Senfina <sup>(8)(9)</sup>	Fundamental	Equity (Market Neutral)	
Cerebellum <sup>(9)</sup>	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	40%
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)	27%
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)	

(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 2016. Net performance for the Fund as well as indices is from 2/2/15 to 11/30/16 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 BXDMSIJ 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) Performance is presented through 11/30/16. 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). BXDMSIJ launched on 2/2/15 and thus performance for February 2015 is limited to February 2 through February 28.

(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) The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS prospectus and supplement.

(6) 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.

(7) 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.

(8) 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 BAI, the Fund's investment adviser, on the basis that it is under common control with BAI. The investment by BXDMS with Senfina benefits Blackstone and a withdrawal from Senfina would be detrimental to Blackstone.

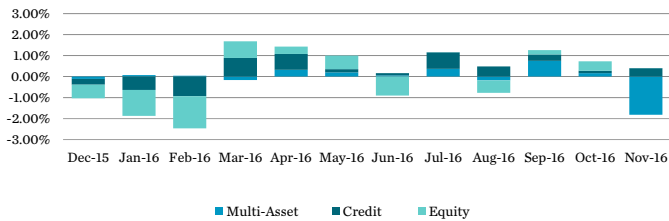
(9) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

(10) BAI 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. BAI's fees on directly managed assets are not reduced by a payment to a sub-adviser.

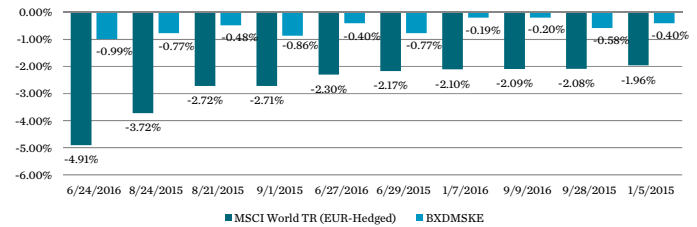
## Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(5)</sup>		MTD		QTD		YTD		ITD Cumulative Performance	
	11/30/2016	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	32.42%	0.02%	0.01%	1.13%	0.46%	(3.36%)	(1.80%)	4.28%	2.11%	
Credit	27.16%	1.22%	0.40%	1.63%	0.53%	7.83%	2.36%	7.82%	2.48%	
Multi-Asset	40.42%	(3.56%)	(1.82%)	(3.24%)	(1.66%)	0.55%	(0.21%)	5.25%	0.83%	
Expenses and Other			(0.27%)		(0.56%)		(2.65%)		(5.20%)	
Net Return <sup>(2)</sup>			(1.67%)		(1.23%)		(2.29%)		0.22%	

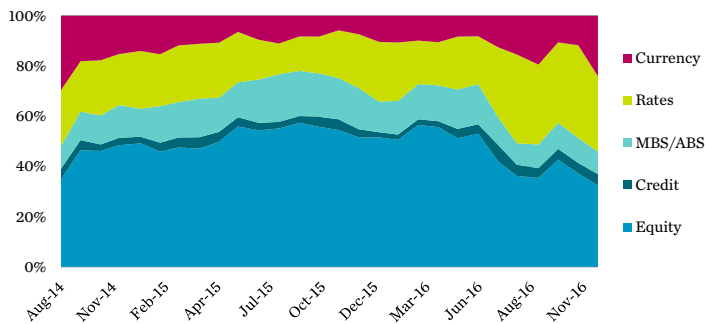
## Trailing 12 months performance contribution by Sub-Strategy<sup>(3)</sup>



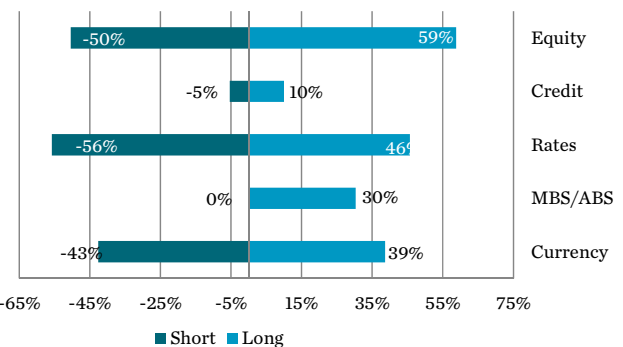
## Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception<sup>(2)(6)(7)</sup>



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



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



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

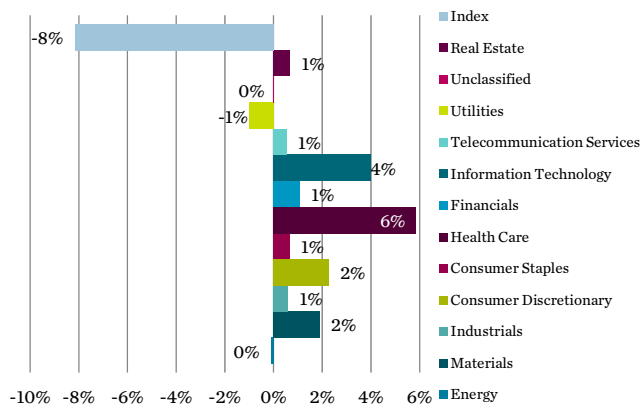
Region	Long	Short	Net
US/Canada	89.87%	62.44%	27.43%
Latin America/Caribbean	11.40%	1.35%	10.05%
Core Europe	36.48%	55.13%	-18.65%
Peripheral Europe	15.64%	6.91%	8.74%
Middle East/Africa	1.71%	7.09%	-5.38%
China/HK/Taiwan	0.77%	1.74%	-0.98%
Asia general	16.06%	8.92%	7.14%
Japan	11.50%	10.54%	0.96%
<b>Total</b>	<b>183.43%</b>	<b>154.12%</b>	<b>29.31%</b>

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

Region	Long	Short	Net
US/Canada	1.28%	6.32%	-5.04%
Latin America	1.84%	0.54%	1.30%
Core Europe	15.21%	20.83%	-5.61%
Peripheral Europe	3.93%	0.96%	2.98%
Middle East/Africa	1.52%	4.80%	-3.28%
China/HK/Taiwan	0.04%	0.62%	-0.57%
Asia general	5.02%	7.97%	-2.95%
Japan	9.80%	0.59%	9.20%
<b>Total</b>	<b>38.65%</b>	<b>42.63%</b>	<b>-3.98%</b>

- Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
- 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 2/2/15 to 11/30/16 and is annualized. ITD net return is cumulative not annualized.
- 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.
- 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.
- Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.
- 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.
- 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. The average daily return for BXDMSKE for the 10 best MSCI World TR (EUR) days is 0.35%, while the average return of MSCI World TR (EUR) for the 10 best MSCI World TR (EUR) days was 2.06%.

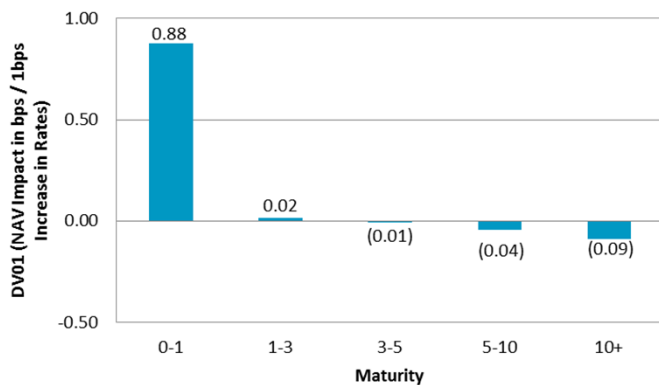
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



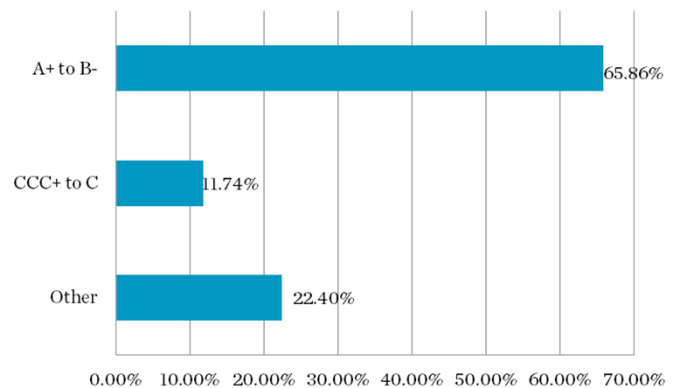
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	0.93%	1.02%	-0.10%
Materials	2.50%	0.61%	1.89%
Industrials	2.55%	1.94%	0.61%
Consumer Discretionary	8.08%	5.82%	2.26%
Consumer Staples	1.86%	1.20%	0.66%
Health Care	13.05%	7.21%	5.84%
Financials	4.25%	3.16%	1.08%
Real Estate	0.71%	0.02%	0.69%
Information Technology	7.06%	3.04%	4.02%
Telecommunication Service	0.64%	0.10%	0.54%
Utilities	0.08%	1.07%	-0.99%
Index	17.06%	25.23%	-8.17%
Unclassified*	0.03%	0.00%	0.03%
<b>Total</b>	<b>58.79%</b>	<b>50.42%</b>	<b>8.37%</b>

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



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



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

Date	VaR
11/30/16	1.95%

- (1) In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. Data is obtained from State Street Fund Services (Ireland) Limited, the administrator for the Fund. The Fund does not guarantee the accuracy of such data. Using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings.
- (2) Dv01 represents the estimated change in NAV for the fund, expressed in basis points, for a 1 basis point increase in interest rates across each of the maturity ranges shown. Fixed income instruments are typically held across a number of different currencies.
- (3) Value at Risk ("VaR") is calculated at a 99% confidence level for a one month holding period (20 business days) using a model based on historical Fund data. Please see the Glossary of Terms for a further explanation of VaR.

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

## November Market Commentary

Global financial markets shifted dramatically in November in reaction to the U.S. election results, with re-pricing occurring across a swath of asset classes, sectors and between developed and emerging markets more broadly. This asset re-pricing appears to have been driven largely by higher growth expectations, higher inflation expectations and a steeper yield curve in the U.S., and implications of potential de-regulation and a protectionist U.S. administration under President-elect Donald Trump.

In developed market equities, we saw an aggressive rotation out of defensive stocks and into consumer discretionary, energy and materials, and financials sectors, reflecting the re-pricing of U.S. growth expectations mentioned above. Fixed income posted one of its worst months in years, as the Barclays Global Aggregate Bond Index lost 4% and yields on U.S. 10-year Treasuries climbed 60 basis points from 1.8% to 2.4% in a matter of weeks. Commodities experienced dramatic price swings as well, with copper returning 20% in November, boosted by the prospect of a large-scale infrastructure investment program under the new U.S. administration. By contrast, Emerging Market (“EM”) export commodities such as coffee, cocoa and sugar suffered sharp losses driven by the negative implications of Trump’s potential trade policies.

While it is still too early to have definitive views on the implications of a Trump presidency on financial markets, we are currently in the process of assessing the potential near-term and medium-term implications for our portfolio. We will be closely watching the appointments that Donald Trump makes as personnel choices will provide important indications of the direction that policy will take under the new administration.

Although Trump was an unconventional candidate, early indications are that many of his policies may be more conventional, pro-growth policies, such as:

- Lower corporate tax rates
- Tax efficient repatriation of foreign assets (creating incentives for U.S. corporations to bring cash back onshore)
- De-regulation, especially in financials, energy, and healthcare
- More benign energy policies as it relates to traditional oil and gas sectors
- Increased infrastructure spending and fiscal stimulus

Ultimately, these initiatives should be pro-growth, and collectively they have the potential to increase the growth rate of the U.S. economy.

There are other areas where policy may be less conventional, or where we do not have enough information to form an initial judgment. We will be watching for signals in the following areas:

- Trade/protectionism
- Foreign policy (e.g., relationship with China, Russia, Middle East, Mexico)
- Long term interest rates (wage inflation and deficit spending)
- Impact of potential repeal of the Affordable Care Act (“ACA”) on the U.S. healthcare sector

In total, the combination of these policies has the potential to stimulate higher growth through lower taxes, less regulation, and higher spending on infrastructure. These policies also have the potential to increase the rate of inflation due to stronger growth, higher input prices (if trade restrictions are implemented), and higher wages (due to infrastructure projects and energy capex in an environment where unemployment is already low by historical standards). These policies could also lead to larger fiscal deficits, higher interest rates, and a steeper yield curve.

In terms of impact on the portfolio, we are closely monitoring the following exposures:

- Equity – Potentially positive impact from lower corporate tax rates
  - Financials – Potentially positive due to reduced regulation, a steeper yield curve and economic growth
  - Healthcare – Potential repeal of the ACA is potentially positive for managed care and biotech and potentially negative for hospitals and medical devices
- Credit – Impact on traditional credit instruments could be marginally positive; higher rates could theoretically be bad for yielding instruments, but faster growth could cause spread compression
- Emerging Markets – Potentially negative due to higher trade barriers and higher U.S. interest rates

While the market has already reacted to some of these ideas, we caution that it is very early, and that the U.S. political system is complex. Changes can be implemented quickly or slowly, and the impact of any changes can have unexpected consequences. We will continue to actively monitor the portfolio and make adjustments as warranted by new information.

## Review of Fund Performance <sup>1</sup>

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 Blackstone<sup>2</sup> and a variety of investment sub-advisers, each with experience managing non-traditional or “alternative” investment strategies. In November, the Fund’s Class I (USD) share class<sup>3</sup> returned -1.45%<sup>4</sup> net of fees and expenses versus 1.49% and -3.97% for the MSCI World and Barclays Global Aggregate Bond Indices, respectively. For a summary of Fund performance of the share class to which this report relates, please refer to the “Performance Summary” section of this report.

### *Equity Strategies*

The U.S. election results created a significant amount of dispersion across equity sectors, which played to the advantage of select equity exposures within the portfolio. As a result, Equity strategies contributed positively on the month, with returns coming predominantly from healthcare exposures. Certain technology names and financials sector hedges detracted from performance. While we maintain our cautious view of equity markets, the potential implications of the new U.S. administration’s policies, including loosening of the fiscal budget and expansive infrastructure spending, coupled with the increased likelihood of a rate hike in December, make us marginally more constructive on the space.

### *Credit Strategies*

In a particularly difficult month for broader fixed income markets, Credit strategies delivered strong performance with all sub-strategies producing gains in November. Both corporate credit and structured credit benefitted from a combination of dynamics. First, speculation that fiscal stimulus under the new administration will be supportive of high yield markets helped boost corporate credit exposures. Second, interest rate hedges and meaningful exposure to floating rate debt across corporate and structured credit strategies enabled the Fund to absorb the sharp rise in interest rates following the U.S. elections and generate positive alpha. Finally, positive carry and cash flow contributed to further gains.

### *Multi-Asset Strategies*

Underperformance across the Fund’s Multi-Asset strategies offset gains in Equity and Credit, driven largely by price swings across a number of asset classes following the U.S. election results. Long exposures to U.S. Treasuries, the Mexican peso, and short U.S. dollar positions drove the majority of losses in this part of the portfolio. In addition, EM credit and currency exposures detracted due to widening EM spreads and a stronger U.S. dollar as post-Election Day speculation around protectionist U.S. trade policies caused “risk-off” selling in the region. From a factor perspective, value strategies, which typically go long undervalued securities and short overvalued securities, detracted from performance driven by losses in Euro area fixed income and currency positions that sold off following the U.S. elections. Carry strategies also detracted from performance, while momentum strategies, which tend to exhibit trend following return patterns, contributed modest gains driven by fixed income exposures.

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1. 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.

2. Blackstone manages a portion of the Fund’s assets directly. Such assets include allocations to a risk premia trading strategy and investment funds and may also include opportunistic trades. BAIA’s fees on directly managed assets are not reduced by a payment to a sub-adviser.

3. For a summary of Fund performance of other share classes, please refer to the Fund’s website: <http://www.blackstone.com/BXDMS>

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.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only and should not be the basis of any investment decisions. Past performance is not necessarily indicative of future results. There can be no assurance that the Fund or its underlying managers will achieve their investment objectives or avoid significant losses. The Fund is actively managed and allocations are subject to ongoing revision. Certain of the information provided herein has been obtained from or derived from BAIA’s underlying managers. BAAM 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.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 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 (JPY-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 (JPY-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)