

Blackstone Diversified Multi-Strategy Fund: Class I (JPY) Acc. - BXDMSIJ

A sub-fund of Blackstone Alternative Investment Funds plc, an umbrella fund established as a UCITS with segregated liability between sub funds.



September 30, 2015 | Investment Summary

Fund Net Performance ⁽¹⁾⁽²⁾	ITD	YTD	QTD	MTD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSIJ	2.42%	2.42%	0.01%	(1.20%)	3.83%	-	-	0.94
MSCI World TR (JPY - Hedged)	(4.00%)	(4.00%)	(8.37%)	(3.66%)	13.31%	0.21	3.13%	(0.43)
Barclays Gbl Agg (JPY - Hedged)	(2.19%)	(2.19%)	0.81%	0.49%	5.63%	(0.20)	1.98%	(0.56)

Fund Highlights

Fund Assets (Mn)	¥66,755.18
NAV Per Share Class I	¥1,024.21
Inception Date for Share Class I	February 2, 2015
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily

Investment Approach

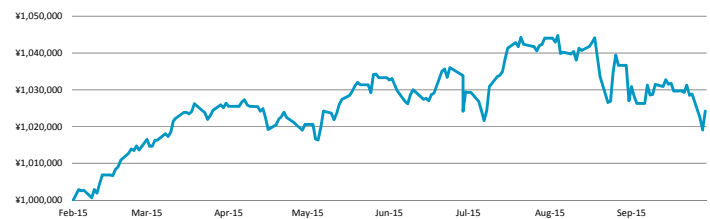
The Fund's investment objective is to seek capital appreciation. The Fund seeks this objective by allocating its assets among a variety of discretionary sub-advisers with experience managing non-traditional or "alternative" investment strategies. Blackstone is responsible for selecting the strategies, 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 Terms – Share Class I (JPY) Acc. ⁽⁶⁾

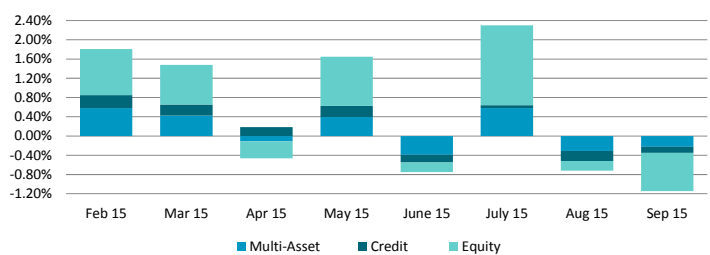
Minimum Initial Investment (Mn)	¥500
Management Fee	1.40%
Performance Fee ⁽⁷⁾	15.00%
Other Expenses ⁽⁸⁾	0.45%

- (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 2015. Net performance for the Fund as well as indices is from 2/2/15 to 9/30/15.
- (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) This graph represents the hypothetical Net Asset Value if a client were to invest ¥1,000,000 into BXDMSIJ, on February 2, 2015, the inception of BXDMSIJ.
- (4) 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.
- (5) 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.
- (6) The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS prospectus and supplement.
- (7) 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.
- (8) 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.
- (9) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

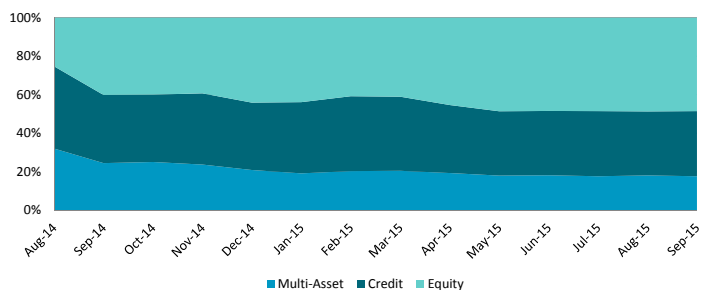
Growth of ¥1,000,000 Since Inception ⁽¹⁾⁽³⁾



Performance Contribution by Sub-Strategy ⁽⁴⁾



Asset Allocation by Sub-Strategy ⁽⁵⁾



Portfolio Allocation ⁽⁵⁾

Sub-Adviser	Strategy	Sub-Strategy	Current Allocation	
Rail Splitter	Fundamental	Equity (Long/Short)	48%	
GSIS	Fundamental	Equity (Long/Short)		
HealthCor	Fundamental	Equity (Long/Short)		
Senfina	Fundamental	Equity (Market Neutral)		
Cerebellum ⁽⁹⁾	Quantitative	Equity (Market Neutral)		
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	18%	
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)		
IPM	Quantitative	Multi-Asset (Macro Systematic)		
Verde	Global Macro	Multi-Asset (Macro)		
BTG Pactual ⁽⁹⁾	Global Macro	Multi-Asset (Macro)		
Emso	Global Macro	Multi-Asset (Macro EM-Credit)		
Chatham	Opportunistic Trading	Credit		34%
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)		

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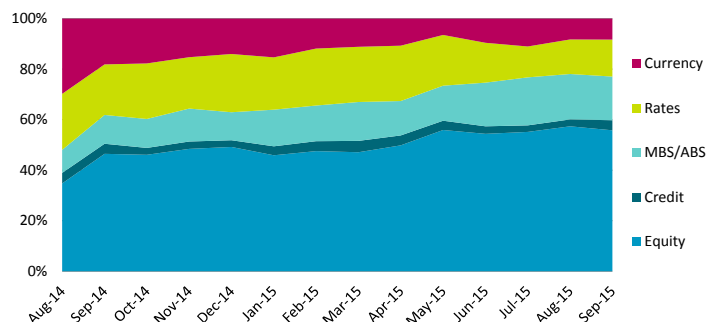
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Blackstone

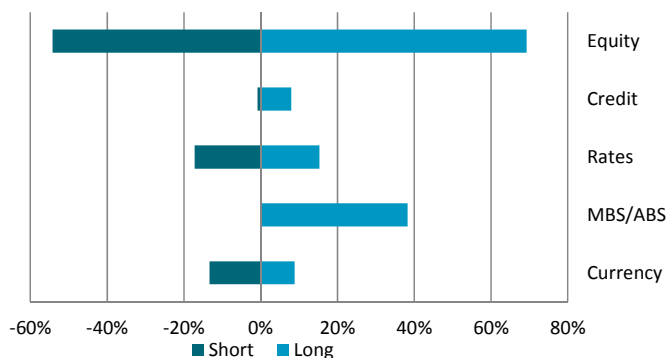
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Sub-Strategy Performance ⁽¹⁾	Allocation at ⁽⁴⁾		MTD		QTD		ITD Cumulative Performance	
	9/30/2015	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	48.51%	(1.50%)	(0.81%)	1.13%	0.63%	5.89%	2.88%	
Credit	33.83%	(0.32%)	(0.13%)	(0.74%)	(0.29%)	1.09%	0.46%	
Multi-Asset	17.66%	(1.15%)	(0.22%)	0.14%	0.05%	4.15%	0.93%	
Expenses and Other			(0.03%)		(0.38%)		(1.85%)	
Net Return ⁽²⁾			(1.20%)		0.01%		2.42%	

Asset Class Gross Historical Exposure⁽³⁾⁽⁵⁾



Asset Class Exposure⁽³⁾



Fund Geographic Exposure⁽³⁾

Region	Long	Short	Net
US/Canada	94.00%	47.77%	46.23%
Latin America	11.51%	0.62%	10.89%
Core Europe	17.67%	19.26%	-1.59%
Peripheral Europe	5.91%	0.39%	5.52%
Middle East/Africa	1.90%	3.86%	-1.96%
China/HK/Taiwan	1.49%	0.68%	0.81%
Asia general	3.88%	3.35%	0.53%
Japan	5.25%	10.50%	-5.25%
Total	141.60%	86.42%	55.18%

- (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 2015. Net performance for the Fund is from 2/2/15 to 9/30/15.
- (3) 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.
- (4) Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.
- (5) BXDMSIJ launched on 2/2/15. Information prior to that date is for BXDMSKE, the BXDMS share class with the longest track record.

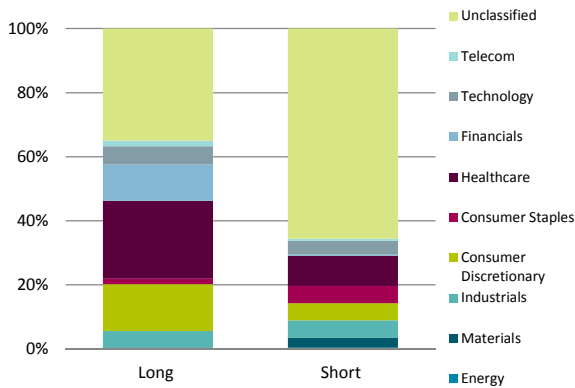
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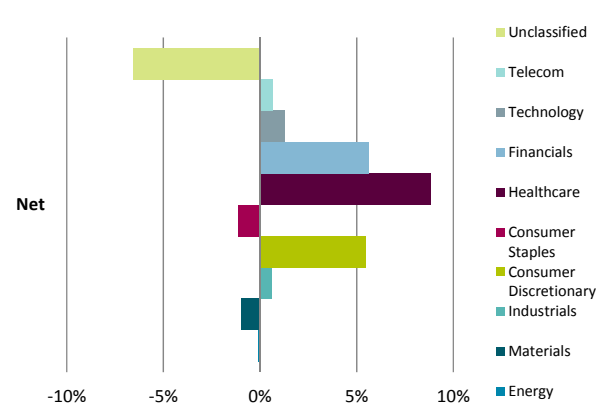


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Equity Exposure – Sector Breakdown⁽¹⁾⁽²⁾



Equity Exposure – Net Sector Breakdown⁽¹⁾⁽²⁾



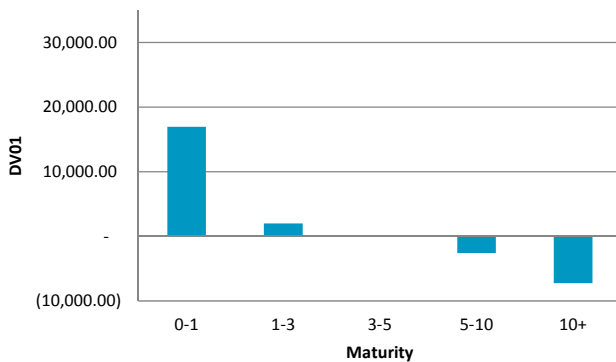
Currency Exposure⁽¹⁾

Region	Long	Short	Net
Asia general	0.00%	2.19%	-2.19%
China/HK/Taiwan	0.00%	0.56%	-0.56%
Core Europe	1.82%	6.73%	-4.91%
Japan	1.24%	0.00%	1.24%
Latin America	1.79%	0.00%	1.79%
Middle East/Africa	0.89%	1.94%	-1.05%
Peripheral Europe	1.17%	0.00%	1.17%
US/Canada	0.00%	0.01%	-0.01%
Total	6.91%	11.42%	-4.52%

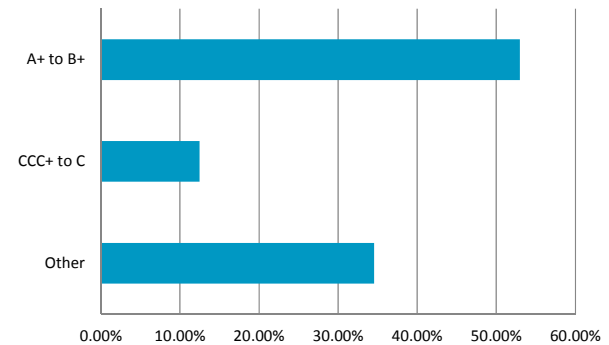
Equity Exposure – Sector Breakdown⁽¹⁾⁽²⁾

	Long	Short	Net
Energy	0.05%	0.14%	-0.09%
Materials	0.17%	1.15%	-0.98%
Industrials	2.62%	2.03%	0.59%
Consumer Discretionary	7.47%	1.98%	5.49%
Consumer Staples	0.86%	2.01%	-1.15%
Healthcare	12.34%	3.49%	8.85%
Financials	5.77%	0.14%	5.63%
Technology	2.90%	1.61%	1.29%
Telecom	0.89%	0.22%	0.67%
Unclassified**	17.79%	24.36%	-6.57%
Total	50.85%	37.12%	13.73%

Fixed Income Interest Rate Sensitivity⁽⁴⁾



Fixed Income Ratings⁽¹⁾



VaR Analysis⁽³⁾

Date	VaR
9/30/15	2.67%

- (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) Equity sector exposure information may exclude some information pursuant to confidentiality agreements with managers. Comprised of index futures, options on index futures, ETFs and ETF options
- (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) Dv01 represents the change in value of a security for a 1 basis point change in interest rates.

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

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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/UCITS. 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 (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 ACWI is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets.

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 Blackstone'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/UCITS

Performance Commentary

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 September, the Fund’s Class I share class returned -1.05%¹ net of fees and expenses versus -3.64% and 0.68% for the MSCI World and Barclays U.S. Aggregate Bond Index, respectively.² **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.**

Global markets remained tumultuous in September, driven by renewed fears over an economic slowdown in China, uncertainty around how a Chinese slowdown could impact global growth, and a sell-off in healthcare stocks. While views were split on whether the Federal Reserve would hike rates in September, the S&P 500 rose 1.6% from September 1st to September 16th as investors displayed confidence in the US stock market. On September 17th, Federal Reserve Chair Janet Yellen announced that the Fed would keep the benchmark federal funds rate near zero, citing concerns about recent global economic and financial developments that could put further downward pressure on inflation. Despite improving fundamentals in the United States and a continued drop in the unemployment rate (5.1% in August from 5.6% at the start of the year)³, the Fed’s cautious tone caused the S&P 500 to reverse course as investors struggled to interpret the information. Although Yellen indicated that the economy would likely be strong enough to support the start of the Fed rate hikes by the end of this year, markets interpreted her decision as pessimism on the U.S. and global economic outlook, and the S&P 500 fell 3.7% from its September 16th high. Additional events impacting markets included Hillary Clinton’s tweet that she had a plan to stop price gouging by pharmaceutical companies and the debacle surrounding the discovery that automaker Volkswagen purposely equipped 11 million of its diesel cars with software designed to cheat on emission tests.

Equity

The Fund’s Equity strategies ended the month down despite positive performance from the Equity Market Neutral category, which benefitted from fundamental stock picking, particularly in their single-name short books. These gains were offset, however, by the Fund’s Equity Long/Short strategies, which suffered losses partially driven by healthcare and biotech exposures that ended a strong streak of outperformance amid concern that political pressure could bring down the price of prescription drugs. Exposure to financials and the cable/satellite industry also detracted from performance. Although several short positions in healthcare, machinery, and communications companies contributed to performance, they did not offset the losses from the Equity Long/Short strategies.

¹ 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.

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.

³ Source: Bureau of Labor Statistics

Credit

Credit strategies detracted from the Fund's overall performance. While certain mortgage exposures generated gains as the value of their underlying collateral increased, Credit strategies as a whole were hurt by widening spreads and mark-to-market moves across asset-backed securities. Several idiosyncratic positions also experienced positive returns, but overall the Credit category suffered as many positions sold off in line with broader high yield markets.

Multi-Asset

The Fund's Multi-Asset strategies detracted in September, driven by losses from equity and currency positions. Furthermore, the sell-off in Argentina detracted from returns, stemming from election and reserve-related turmoil. Despite ongoing emerging market headwinds, the Fund's exposure to both sovereign and corporate debt in Greece and Russia performed well. Overall, there is a sentiment that Greece is not facing another impending fiscal crisis (at least in the short term), and investors are optimistic that the ceasefire in Ukraine could lead to the lifting of some sanctions if it continues.

3rd Quarter Review

In a quarter with material negative moves in worldwide equity indices, the Fund's Class I share class¹ returned 0.00%, versus -8.33% for the MSCI World and 1.23% for the Barclays U.S. Aggregate Bond Index.

The third quarter of 2015 was one of the most volatile quarters since 2011 and was dominated by stock market turmoil and investor uncertainty. Starting in July with the Greek debt crisis, the rest of the summer was characterized by continued bad news from around the world. The overarching theme is one of investor uncertainty - uncertainty surrounding China, uncertainty around timing of a rate hike, and uncertainty about how to interpret mixed global economic data. In this macroeconomic context, the value of a diversified, low beta portfolio becomes increasingly important.

Equity strategies contributed the majority of positive performance, followed by Multi-Asset strategies. The Equity category benefitted from Blackstone's top-down call to decrease beta by overweighting Equity Market Neutral strategies, which performed well over the quarter, while gains from the Multi-Asset category were led by exposure to emerging market corporate and sovereign debt. While overall Equity Strategies experienced gains, performance was negatively impacted by the Equity Long/Short strategies with higher market directionality, particularly ones with higher exposure to pharmaceuticals and biotech. Credit strategies also detracted during the quarter. On the corporate credit side, spreads have moved wider due to dislocations in energy and commodity markets, resulting in mark to market losses. Meanwhile, structured credit assets have generally been more insulated from the broader market volatility and have been buoyed by their yields.