

Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSIU: Class I (USD) 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 March 31, 2019

Investment approach

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

Fund highlights

| | |
|----------------------------|--|
| Fund Assets (Mn) | \$1,881.77 |
| NAV per Share | \$11.14 |
| Currency | USD |
| Fund Inception Date | August 11, 2014 |
| Share Class Inception Date | September 10, 2014 |
| Investment Manager | Blackstone Alternative Investment Advisors LLC |
| Subscriptions | Daily |
| Redemptions | Daily |
| Distributing/Accumulating | Accumulating |
| Cut-off | 3pm (Ireland) |
| Bloomberg Ticker | BXDMSIU ID |
| ISIN | IE00BN8SY379 |

Fund terms – share class I (USD) acc.⁽²⁾

| | |
|---------------------------------|--------------|
| Minimum Initial Investment (Mn) | \$5.00 |
| Management Fee | 1.40% |
| Performance Fee ⁽³⁾ | 15.00% |
| Other Expenses ⁽⁴⁾ | Capped 0.45% |

Investment committee

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

Fund net performance⁽¹⁾

| Fund Net Performance ⁽¹⁾⁽²⁾ | MTD | QTD | YTD | ITD | ITD STATISTICS | | | |
|--|-------|--------|--------|-------|----------------|--------|-------|--------|
| | | | | | St Dev. | Beta | Alpha | Sharpe |
| BXDMSIU | 0.54% | 4.11% | 4.11% | 2.40% | 3.18% | - | - | 0.49 |
| MSCI World TR Index | 1.38% | 12.65% | 12.65% | 6.98% | 11.52% | 0.15 | 1.30% | 0.53 |
| Barclays Gbl Agg Index | 1.25% | 2.20% | 2.20% | 1.10% | 4.80% | (0.06) | 2.51% | 0.05 |

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

| | 3/31/2014 - 3/31/2015 | 3/31/2015 - 3/31/2016 | 3/31/2016 - 3/31/2017 | 3/31/2017 - 3/29/2018 | 3/29/2018 - 3/29/2019 |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| BXDMSIU | N/A | (2.81%) | 5.99% | 0.56% | 4.31% |
| MSCI World TR Index | N/A | (2.90%) | 15.43% | 14.13% | 4.67% |
| Barclays Gbl Agg Index | N/A | 4.57% | (1.90%) | 6.98% | (0.39%) |

Alternative strategies cumulative net performance



(1) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2018 and 2019. Net performance for the Fund as well as indices is from 9/10/14 to 3/31/19 and is annualized. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Beta and Alpha represents BXDMSIU compared to the specific indices. Standard deviation and Sharpe calculations are annualized. All Inception to Date Statistics are calculated using daily performance since Inception and uses the local currency rate.

- (2) The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS prospectus and supplement.
- (3) The Fund will pay to Blackstone a performance fee equal to 15% of any returns the relevant class achieves above any losses carried forward from previous periods. The Fund may also pay to Blackstone an additional performance fee equal to the amount of any performance fees owed by Blackstone to the sub-advisers. Any such additional performance fee will be deducted from Blackstone's performance fee before it is paid in subsequent quarterly performance periods. The performance fee together with any additional performance fee are subject to a cap of 4.95% of the NAV of the class.
- (4) Blackstone has agreed to reimburse the Fund so that certain of the Fund's "Other Expenses" will not exceed 0.45% annually. Please see important disclosure information at the end of this document for further explanation.

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

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

| Manager | Strategy | Sub-strategy | Classification |
|--|----------------|-----------------------------|----------------|
| Active Sub-Advisors | | | |
| HealthCor | Equity Hedge | Equity Long Short | Equity |
| Endeavour | Equity Hedge | Equity Market Neutral | |
| Two Sigma Advisers | Equity Hedge | Equity Market Neutral | |
| Bayview | Relative Value | Fixed Income - Asset Backed | Credit |
| BRESSA ⁽⁴⁾ | Relative Value | Fixed Income - Asset Backed | |
| EJF | Relative Value | Fixed Income - Asset Backed | |
| Good Hill | Relative Value | Fixed Income - Asset Backed | |
| Sorin | Relative Value | Fixed Income - Asset Backed | |
| Caspian | Event Driven | Distressed/Restructuring | Multi-Asset |
| Magnetar ⁽⁴⁾ | Event Driven | Risk Arbitrage | |
| Emso | Macro | Discretionary Thematic | |
| NWI | Macro | Discretionary Thematic | |
| IPM | Macro | Systematic Diversified | |
| D.E. Shaw | Multi-Strategy | N/A | |
| BAIA-Direct ⁽⁷⁾ | Multi-Strategy | N/A | |
| Inactive Sub-Advisors⁽⁶⁾ | | | |
| Cerberus | Relative Value | Fixed Income - Asset Backed | Inactive |
| Waterfall | Relative Value | Fixed Income - Asset Backed | |
| H2O | Macro | Discretionary Thematic | |
| GSA | Macro | Systematic Diversified | |

Performance summary

| Sub-strategy Performance ⁽¹⁾⁽³⁾ | Allocation at ⁽⁵⁾ 3/29/2019 | | MTD | | QTD | | YTD | | ITD Cumulative Performance | |
|--|---|-------------|---------|-------------|--------|-------------|--------|-------------|----------------------------|-------------|
| | Return | Attribution | Return | Attribution | Return | Attribution | Return | Attribution | Return | Attribution |
| Equity | 33.56% | 0.39% | 0.17% | | 1.84% | 0.83% | 1.84% | 0.83% | 16.36% | 6.94% |
| Credit | 37.79% | 0.52% | 0.25% | | 4.88% | 2.21% | 4.88% | 2.21% | 31.45% | 9.16% |
| Multi-Asset | 28.65% | 0.95% | 0.35% | | 5.67% | 2.38% | 5.67% | 2.38% | 18.20% | 6.19% |
| Expenses and Other | | | (0.24%) | | | (1.31%) | | (1.31%) | | (10.89%) |
| Net Return ⁽²⁾ | | | 0.54% | | | 4.11% | | 4.11% | | 11.40% |

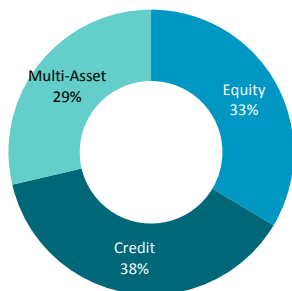
Monthly net performance⁽²⁾

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|---------|---------|-------|---------|---------|---------|-------|---------|---------|---------|---------|---------|---------|
| 2014 | - | - | - | - | - | - | - | - | (0.10%) | 0.60% | (0.20%) | (0.20%) | 0.10% |
| 2015 | 0.40% | 1.39% | 1.18% | (0.39%) | 1.27% | (0.77%) | 1.84% | (0.76%) | (1.05%) | 0.68% | 0.67% | (1.05%) | 3.40% |
| 2016 | (1.93%) | (2.56%) | 1.31% | 1.30% | 0.89% | (0.88%) | 0.99% | (0.39%) | 0.98% | 0.58% | (1.45%) | 0.68% | (0.58%) |
| 2017 | 1.65% | 0.67% | 0.85% | 0.94% | 0.84% | (0.74%) | 1.03% | 0.37% | (0.28%) | 0.74% | (1.28%) | (0.46%) | 4.37% |
| 2018 | 0.09% | (1.21%) | 0.56% | 0.75% | (1.12%) | (0.19%) | 1.22% | 0.28% | 1.21% | (1.47%) | - | (0.47%) | (0.37%) |
| 2019 | 2.43% | 1.09% | 0.54% | - | - | - | - | - | - | - | - | - | 4.11% |

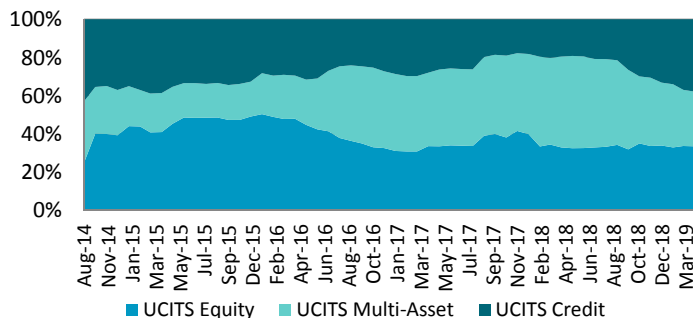
- (1) Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited for 2018 and 2019.
- (2) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2018 and 2019. Net performance for the Fund as well as indices is from 9/10/14 to 3/31/19 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) Blackstone and its affiliates have financial interests in asset managers. Any allocation by Blackstone to a subsidiary or other affiliate benefits The Blackstone Group L.P. and any redemption or reduction of such allocation would be detrimental to The Blackstone Group L.P., creating potential conflicts of interest in allocation decisions. For a discussion of this and other conflicts, please see the Additional Disclosure section at the end of this document.
- (5) 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.
- (6) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.
- (7) BAIA manages a portion of the Fund's assets directly. Such investments presently include opportunistic trades and hedging. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.

Blackstone Diversified Multi-Strategy Fund (BXDMS)

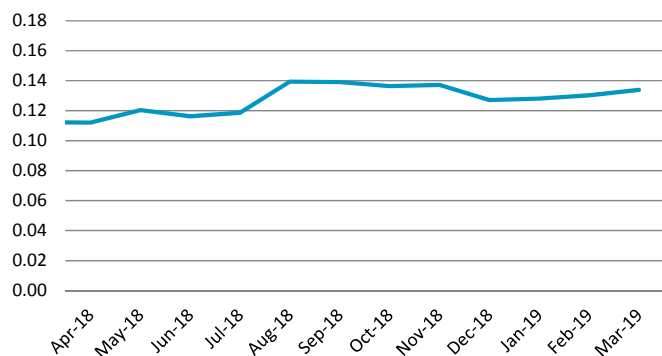
Portfolio allocations⁽¹⁾



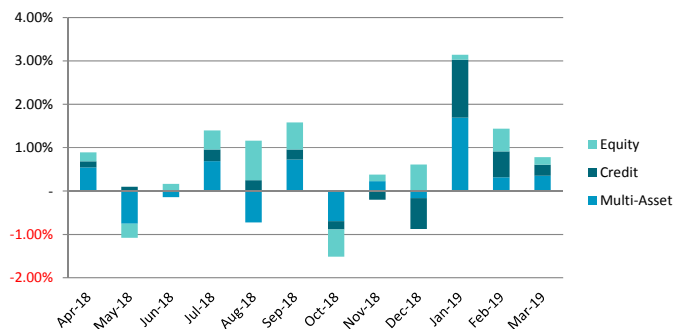
Asset allocation by sub-strategy⁽¹⁾



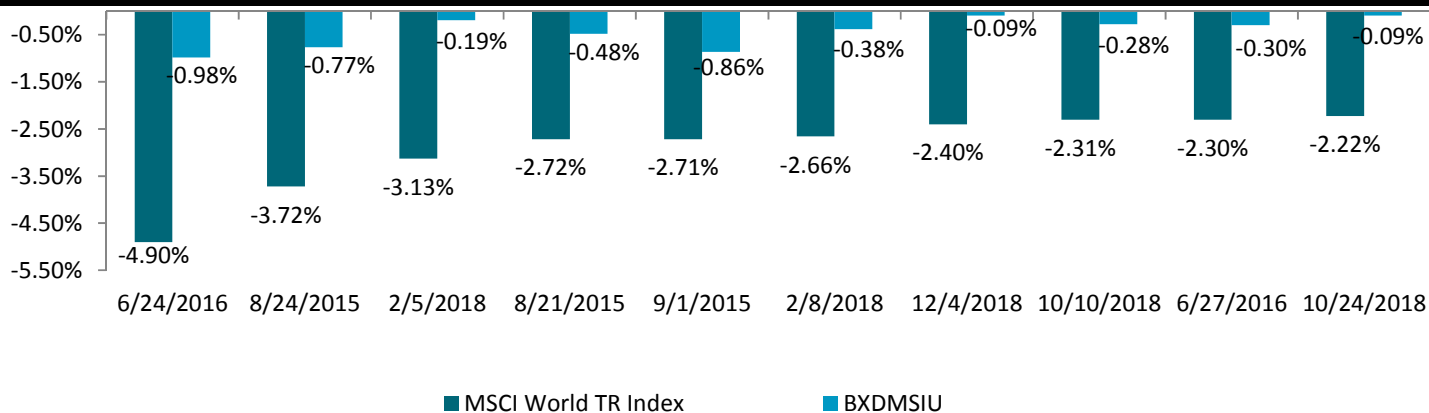
12 months rolling beta against MSCI World⁽³⁾⁽⁴⁾



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

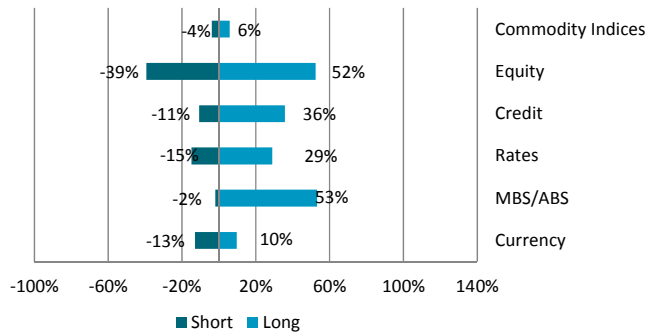


BXDMS performance on worst 10 days for MSCI World since inception⁽³⁾

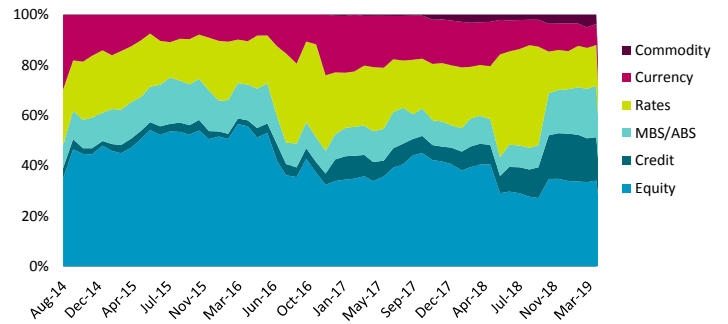


- The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced sub-advisers, strategies or sub-strategies. Blackstone may also add new sub-advisers, strategies or sub-strategies. Accordingly, the allocations are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time.
- Performance contribution represents the contribution of each strategy or sub-strategy to the Fund's total return. Performance contribution is shown gross of all fees and expenses.
- 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. 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 0.35%, while the average return of MSCI World TR for the 10 best MSCI World TR days was 2.28%.
- Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/11/2014-3/31/2019. The volatility of the index presented may be materially different from that of the performance of the fund. In addition, the index employs different investment guidelines and criteria than the fund; as a result, the holdings in the fund may differ significantly from the securities that comprise the index. The performance of the index has not been selected to represent an appropriate benchmark to compare to the performance of the fund, but rather is disclosed to allow for comparison of the fund's performance to that of a well-known and widely recognized index. A summary of the investment guidelines for the index presented is available upon request.

Asset class exposure⁽¹⁾



Asset class gross historical exposure⁽¹⁾



Fund geographic exposure⁽¹⁾

| Region | Long | Short | Net |
|-------------------------|----------------|---------------|----------------|
| US/Canada | 132.97% | 57.61% | 75.36% |
| Latin America/Caribbean | 10.53% | 1.36% | 9.17% |
| Core Europe | 23.59% | 10.90% | 12.70% |
| Peripheral Europe | 2.06% | 0.36% | 1.70% |
| Middle East/Africa | 6.18% | 1.41% | 4.78% |
| China/HK/Taiwan | 0.70% | 2.76% | -2.06% |
| Asia general | 5.22% | 7.61% | -2.39% |
| Japan | 4.59% | 1.71% | 2.89% |
| Total | 185.85% | 83.71% | 102.14% |

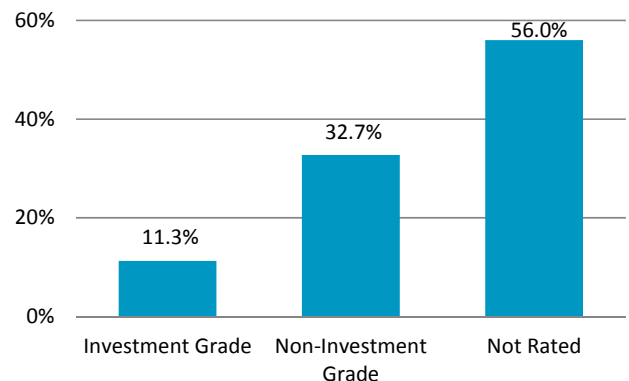
Currency exposure⁽¹⁾

| Region | Long | Short | Net |
|--------------------|--------------|---------------|---------------|
| US/Canada | 0.00% | 3.64% | -3.64% |
| Latin America | 0.48% | - | 0.48% |
| Core Europe | 2.73% | 7.66% | -4.93% |
| Peripheral Europe | 0.00% | 0.26% | -0.26% |
| Middle East/Africa | 0.00% | 0.34% | -0.34% |
| China/HK/Taiwan | 0.00% | 0.19% | -0.19% |
| Asia general | 3.51% | 0.24% | 3.26% |
| Japan | 3.02% | 0.70% | 2.32% |
| Total | 9.73% | 13.03% | -3.29% |

Equity exposure – sector breakdown⁽¹⁾

| | Long | Short | Net |
|------------------------|---------------|-----------------|---------------|
| Energy | 2.14% | (1.81%) | 0.34% |
| Materials | 0.78% | (0.97%) | (0.19%) |
| Industrials | 3.01% | (1.11%) | 1.90% |
| Consumer Discretionary | 6.93% | (4.80%) | 2.13% |
| Consumer Staples | 1.09% | (2.14%) | (1.04%) |
| Health Care | 12.55% | (7.62%) | 4.93% |
| Financials | 5.32% | (6.10%) | (0.78%) |
| Real Estate | 1.34% | (0.27%) | 1.07% |
| Information Technology | 10.06% | (6.70%) | 3.36% |
| Communication Services | 2.40% | (3.32%) | (0.92%) |
| Utilities | 0.49% | (0.97%) | (0.47%) |
| Index* | 6.08% | (3.52%) | 2.55% |
| Unclassified** | 0.30% | - | 0.30% |
| Total | 52.49% | (39.33%) | 13.17% |

Fixed income ratings⁽¹⁾



VaR analysis⁽²⁾

| Date | VaR |
|---------|-------|
| 3/31/19 | 3.65% |

- (1) In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. Data is obtained from State Street Fund Services (Ireland) Limited, the administrator for the Fund. The Fund does not guarantee the accuracy of such data. Using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings.
- (2) Value at Risk ("VaR") is calculated at a 99% confidence level for a one month holding period (20 business days) using a model based on historical Fund data. Please see the Glossary of Terms for a further explanation of VaR.

*Comprised of index futures, options on index futures, ETFs, and ETF options
 **Underlying instruments do not have a corresponding GICS sector assignment

Blackstone Diversified Multi-Strategy Fund (BXDMS)

Blackstone

As of March 31, 2018

Fund Net Performance^{1,2,3}

| Fund Net Performance | MTD | QTD | YTD | ITD | ITD STATISTICS | | | |
|------------------------|-------|--------|--------|-------|----------------|--------|-------|--------|
| | | | | | St Dev. | Beta | Alpha | Sharpe |
| BXDMSIU | 0.54% | 4.11% | 4.11% | 2.40% | 3.18% | - | - | 0.49 |
| MSCI World TR Index | 1.38% | 12.65% | 12.65% | 6.98% | 11.52% | 0.15 | 1.30% | 0.53 |
| Barclays Gbl Agg Index | 1.25% | 2.20% | 2.20% | 1.10% | 4.80% | (0.06) | 2.51% | 0.05 |

Market Commentary

This quarter, the focus of our commentary is Emerging Markets (“EM”) which experienced difficulty in 2018, marked by the EMBI Global Diversified High Yield Index’s worst performance since 2008, ending the year 6.2% lower. This unfavorable environment was driven by a perfect storm of forces: global central banks increased interest rates, the Federal Reserve (“Fed”) shrunk its balance sheet, and the U.S.-China trade war escalated.

Fortunately for EM investors, conditions changed a great deal in the first quarter of 2019. In fact, EM faces virtually none of the aforementioned risks today as valuations appear more attractive (in large part due to the selloff in 2018). Additionally, the potential end of tensions between the U.S. and China could help ease investor sentiment which would stand to benefit EM. We maintain a favorable outlook for EM in the year ahead, a thesis which depends heavily on last year’s headwinds becoming this year’s tailwinds.

Historically, EM performance has been closely tied to the value of the U.S. dollar (“USD”). USD strength ebbs and flows based upon the projected growth rate of the U.S. economy, which also informs the Fed’s interest rate policy. In recent history, the U.S. economy has remained in a prolonged expansion, leading to USD strength and encouraging the Fed to hike the Federal Funds rate, which they did four times in 2018 alone. This has pressured EM assets, and this pressure was most pronounced in emerging economies with accounts holding USD-denominated debt. In 2019, the Fed signaled an end to both rate hikes and the shrinking of its balance sheet. This reversal in monetary policy has bolstered first quarter returns for EM, along with most global risk assets.

In addition, the U.S. dollar could be a countervailing force to strong EM performance if history is any guide. In 2017, EM outperformed when the dollar was weak. In 2018, EM lagged when the dollar was strong. In 2019, we expect the dollar to stabilize, which should bolster performance. The absence of dollar strength reduces the pressure on EM central banks to hike rates, potentially creating a virtuous cycle.

Additionally, global central bank easing is likely to benefit EM in 2019. The Fed, the European Central Bank, and the People’s Bank of China have shifted back into neutral or outright easing policies. This marks a sharp contrast to 2018, when 56% of central banks hiked rates and contributed to a rare contraction in the global monetary base. New central bank–provided liquidity is fuel for risk assets, EM chief among them. If this liquidity propels equities higher, we expect EM to benefit as well.

¹ Performance is presented through March 31, 2019. Net performance is net of the Gross Expense Ratio less waived expenses. Performance data quoted represents past performance and does not guarantee future results. All ITD statistics above are calculated using daily performance. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Information is estimated and unaudited. For a summary of Fund performance of other shares classes, please refer to the Fund’s website: www.bxdms.com.

² Inception to Date statistics are as of BXDMS’s inception on September 10, 2014 through the most recent month end. Measures beta or alpha of BXDMS to the respective index.

³ **None of the indices presented are benchmarks or targets for the Fund**, and they are disclosed to allow for comparison of the Fund’s performance to that of well-known and widely recognized indices. Please see end of document for additional disclosures regarding indices presented.

Similar to the Fed's pivot, the trade war between the U.S. and China is likely to come to a favorable short-term resolution for EM. As tensions between the U.S. and China rose, investors became more wary of foreign markets, especially China. Now that fears of a full-on trade war between the U.S. and China have subsided, Chinese stocks have rebounded. This has provided support to EM stock performance. Investors in the first quarter seem bullish on the prospects of the Chinese economy, believing it is on the road to recovery after the sharp decline that took place in 2018.

In line with our favorable outlook for EM, we have increased allocations to certain Macro strategies and exposures over the last year. These strategies are primarily focused on U.S. dollar, sovereign and quasi-sovereign denominated debt, and are largely managed by sub-advisers aiming to capitalize on market dislocations driven by macroeconomic events such as those discussed above.

Review of Q1 2019 Fund Performance

The investment objective of the Blackstone Diversified Multi-Strategy Fund (the "Fund" or "BXDMS") is to seek capital appreciation. The Fund aims to achieve its objective by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or "alternative" investment strategies and by managing assets directly (via BAIA⁴). In Q1, the Fund's Class I share class returned 4.11%⁵ net of fees and expenses versus 2.60% and 2.20% for the HFRX Global Hedge Fund and Barclays Global Aggregate Bond indices, respectively, and versus 13.65% and 12.65% for the S&P 500 and MSCI World indices, respectively⁶.

Equity Strategies

Equity strategies (+0.83%⁷) were bolstered by strength in global stock markets after a challenging close to 2018. The Fund's exposure to the Health Care sector was the largest contributor to performance for the quarter within the equity portfolio. The sector rallied following the December sell-off that came on the back of a federal court decision to invalidate the Affordable Care Act. During the volatility that ensued, the Fund selectively added long exposure to high conviction names, which ultimately benefited from the broad-based recovery in Q1. One of the largest contributors was long exposure to a global biopharmaceuticals company whose stock price appreciated after a competitor announced a takeover bid.

Sub-strategies with exposure to the Financials sector also generated gains. The leading driver of this performance was long exposure to a commercial bank, which has begun successfully diversifying its loan portfolio while expanding its presence in highly sought after domestic client markets. Short exposure to a Financials company detracted from performance amid broad based sector strength, though conviction remains in the view that the stock is overvalued at its current price. This thesis is rooted in the belief that the stock has meaningfully out-performed the sector of late given net interest margin expansion across its business YTD; however the Fund views this as an overvalued, short term tailwind.

Credit Strategies

Credit strategies (+2.21%⁸) also generated gains for the quarter. Similar to equity markets, fixed income markets reversed course in Q1 following a difficult close to the calendar year. The Fund's exposure to credit risk transfer bonds benefited from broad spread tightening during the quarter.

⁴ BAIA manages a portion of the Fund's assets directly. Such investments include opportunistic trades and hedging. BAIA allocations are subject to change and BAIA's fees on directly managed assets are not reduced by a payment to a sub-adviser.

⁵ Performance is presented through March 31, 2019. Net performance is net of the Gross Expense Ratio less waived expenses. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Information is estimated and unaudited. For a summary of Fund performance of other shares classes, please refer to the Fund's website: www.bxdms.com.

⁶ Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks or targets for the Fund, but rather are disclosed to allow for comparison of the Fund's performance to that of well-known and widely recognized indices. Please see end of document for additional disclosures regarding indices presented.

⁷ Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.

Fixed Income-Asset Backed sub-strategies also drove gains, as commercial mortgage backed securities (CMBS) indices tightened, reflecting recovery from the large market drawdown in Q4 2018. Corporate credit continued to contribute to returns; the largest driver was a position in a consumer finance company that reported positive annual earnings and highlighted a positive outlook for its prospects in 2019. Exposure to trust preferred securities (TruPs) CDOs also exhibited positive performance. Additionally, exposure to CLOs was accretive to Fund performance as spreads tightened and the yield generated by those securities led to positive attribution to the Fund.

Though the credit book contributed to gains for the quarter, there were some detractors within individual sub-advised portfolios. Small corporate credit exposures experienced losses as a loan to a Health Care company declined due to uncertainty because of delayed reporting, and a loan to a foreign computer services company was marked down amidst the loss of a major revenue contract.

Multi-Asset Strategies

Multi-Asset strategies (+2.38%⁸) were the largest contributor to gains for the quarter. Positive performance was driven by long exposure to nominal interest rates and mortgage backed securities.

Event-driven sub-strategies, such as risk arbitrage, produced gains. These merger-linked strategies, which attempt to exploit pricing inefficiencies caused by corporate events by taking long positions in target companies and selling acquirers short, have benefited from heightened levels of acquisition activity to start the year. Top contributors for the first quarter include two energy companies, a pair of healthcare providers, and a set global telecommunications providers.

Discretionary thematic sub-strategies posted positive performance, driven primarily by long exposure to emerging market sovereign debt. As mentioned earlier in the commentary, the dovish call by the Fed to stop raising interest rates helped hard currency-denominated sovereign debt perform well in Q1.

Though the multi-asset portfolio as a whole was positive, there were some detractors within individual sub-advised portfolios. Systematic Diversified exposure posted negative performance for the quarter. This strategy was hurt by its fixed income exposure, with losses largely coming from short exposure to global bonds.

Sub-Advisers and Strategies Added/Removed

At Blackstone, we believe that managing the optimal mix of strategies across the portfolio and adjusting it over time are key to generating returns in different market environments. Over the course of the first quarter of 2019, we added one new sub-adviser.

Q1 2019 Sub-Adviser Additions:

1. BRESSA (Blackstone Real Estate Special Situations Advisors L.L.C.): BRESSA, a wholly-owned subsidiary of The Blackstone Group L.P. and an affiliate of BAIA, is an investment adviser within the Blackstone Real Estate Debt Strategies group ("BREDS"). BRESSA's investment strategy for the Fund primarily focuses on credit-oriented, liquid high-yield real estate investments including CMBS, RMBS, corporate debt, CDOs, CLOs, CMBX and REITs and seeks to identify relative value opportunities between asset classes.

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

Sub-adviser and strategy additions and terminations are normal events in Blackstone's hedge fund investment process and result from our dynamic evaluation of the top down assessment of the opportunity set for hedge fund strategies as well as the bottom up evaluation of a manager's ability to deliver alpha in a given environment.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only. Past performance may not be a reliable guide to future performance. The value of BXDMS shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. The

Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Certain of the information provided herein has been obtained from or derived from the Fund's sub-advisers. BAI/A does not guarantee the accuracy or completeness of such information.

All investors should consider the investment objectives, risks, charges and expenses of Blackstone Multi-Strategy Fund (BXDMS) and are available on the Blackstone website at www.bxdms.com. All KIIDs are available in English, and certain share class specific KIIDs are available in French, German, Dutch, Danish, Finnish, Swedish, Norwegian, Spanish and Italian as indicated on the Blackstone website. All investors are urged to carefully read the Prospectus, Supplement and KIID in their entirety before investing.

Conflicts of Interest

Blackstone and the Sub-Advisers have conflicts of interest that could interfere with their management of the Fund. These conflicts, which are disclosed in the Fund's Statement of Additional Information, include, without limitation:

- **Selection of Sub-Advisers.** Blackstone compensates the Sub-Advisers out of the management fee it receives from the Fund. This could create an incentive for Blackstone to select Sub-Advisers with lower fee rates.
- **Financial Interests in Sub-Advisers and Service Providers.** Blackstone, the Sub-Advisers, and their affiliates have financial interests in asset managers and financial service providers. Allocating to an affiliate (or hiring such entity as a service provider) benefits The Blackstone Group L.P. and the relevant Sub-Adviser and redemptions from an affiliate (or terminating such entity as a service provider) would be detrimental to The Blackstone Group L.P. and the relevant Sub-Adviser. For example:
 - Blackstone Strategic Capital Advisors L.L.C. ("BSCA"), an affiliate of BAIA, manages certain funds (the "BSCA Funds") that acquire equity interests in established alternative asset managers (the "Strategic Capital Managers"). One of the Strategic Capital Managers in which the BSCA Funds have a minority interest is Magnetar Capital Partners L.P., a control affiliate of Magnetar Asset Management LLC, a sub-adviser for the Fund. The Fund will not participate in any of the economic arrangements between the BSCA Funds and any Strategic Capital Manager with which the Fund invests.
 - Real Estate Special Situations Advisors L.L.C. ("BRESSA"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group L.P., serves as a Sub-Adviser Sub-Adviser. BRESSA invests primarily in liquid, commercial and residential real estate-related debt instruments.
 - Blackstone utilizes technology offered by Arcesium LLC ("Arcesium") to provide certain middle- and back-office services and technology to the Fund. The parent company of a Sub-Adviser owns a controlling, majority interest in Arcesium and Blackstone Alternative Asset Management L.P. owns a non-controlling, minority interest in Arcesium.
- **Other Activities of Blackstone or the Sub-Advisers.** The activities in which Blackstone, the Sub-Advisers, or their affiliates are involved in on behalf of other accounts may create conflicts of interest or limit the flexibility that the Fund may otherwise have to participate in certain investments. For example, if Blackstone or a Sub-Adviser comes into possession of material non-public information with respect to a company, then Blackstone or the relevant Sub-Adviser generally will be restricted from investing in securities issued by that company. Further, Blackstone generally will be restricted from investing in portfolio companies of its affiliated private equity business.
- **Allocation of Investment Opportunities.** Blackstone and the Sub-Advisers (or their affiliates) manage other accounts and have other clients with investment objectives and strategies that are similar to, or overlap with, the investment objective and strategy of the fund, creating potential conflicts of interest in investment and allocation decisions. These conflicts of interest are exacerbated to the extent that the other clients are proprietary or pay higher fees or performance-based fees.

Glossary of 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.

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 (USD-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 (USD-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 23 developed markets in the world.

HFRX Global Hedge Fund Index: HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe.

Important Disclosure:

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

Important Risks:

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

- General economic and market conditions can affect the price and volatility of investments.
- The success of the Fund depends upon BAIA's skill in determining the Fund's allocation to alternative investment strategies and in selecting the best mix of sub-advisers. There can be no guarantee that sub-advisers will stick to the investment strategy for which they were selected, or that these strategies will be successful.
- The Fund's investments will include shares, bonds and FDI. Certain investment techniques and FDI may increase the adverse impact to the Fund. In particular, there is a risk of infinite loss when using an FDI that derives its value from other assets decreasing.
- BAIA and sub-advisers have conflicts of interest that could interfere with their management of the Fund, including the allocation of time and investment opportunities.
- Some of the sub-advisers selected may hold only a small number of investments, or assets that move closely in line with assets held by other sub-advisers. Sub-advisers may make investment or hedging decisions which conflict or offset with other sub-advisers
- Increased legal, tax and other regulatory developments may adversely impact the ability of BAIA and the sub-advisers to utilize certain investment techniques or invest in certain assets.
- The Fund may invest in countries or through over investment funds that are subject to a weak legal or financial framework, as a result of which it can be hard to enforce ownership rights or repatriate funds.
- The Fund may invest in currencies other than its base currency. The success of measures to protect the Fund or a Class against currency movements cannot be certain.
- The Fund is dependent on BAIA, sub-advisers and other service providers for certain investment management, operational and financial support services. A deficiency in any of these services may have an adverse impact on the Fund.
- The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.
- Low trading volumes, lack of buyers, large positions or legal restrictions may limit or prevent the Fund from selling particular assets quickly and/or at desirable prices.

For further information on the risks faced by the Fund, see "Risk Factors" in the Prospectus and Supplement for the Fund, available from www.bxdms.com.