

# 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 July 31, 2018

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSIU	1.22%	1.22%	0.09%	1.88%	3.28%	-	-	0.39
MSCI World TR Index	3.15%	3.15%	3.93%	8.35%	11.18%	0.16	0.53%	0.69
Barclays Gbl Agg Index	(0.17%)	(0.17%)	(1.62%)	0.61%	5.04%	(0.07)	1.96%	0.00

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

	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%	-	-	-	-	-	0.09%

## 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)	\$2,049.06
NAV per Share	\$10.75
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

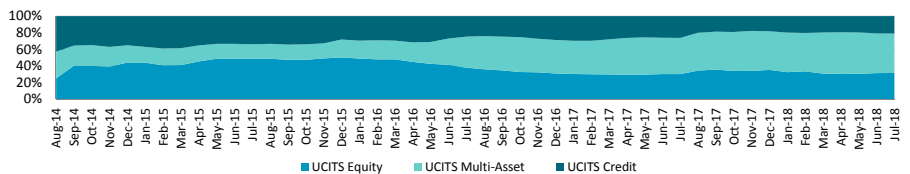
## Fund Terms – Share Class I (USD) Acc. <sup>(4)</sup>

Minimum Initial Investment (Mn)	\$5.00
Management Fee	1.40%
Performance Fee <sup>(5)</sup>	15.00%
Other Expenses <sup>(6)</sup>	Capped 0.45%

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

	6/28/2013 - 6/30/2014	6/30/2014 - 6/30/2015	6/30/2015 - 6/30/2016	6/30/2016 - 6/30/2017	6/30/2017 - 6/29/2018
BXDMSIU	N/A	N/A	(1.65%)	5.71%	(1.03%)
MSCI World TR Index	N/A	N/A	(2.19%)	18.86%	11.70%
Barclays Gbl Agg Index	N/A	N/A	8.87%	(2.18%)	1.36%

## Asset Allocation by Sub-Strategy <sup>(3)</sup>



## Portfolio Allocation <sup>(3)(9)</sup>

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
HealthCor	Fundamental	Equity (Long/Short)	32%
Endeavour	Fundamental	Equity (Market Neutral)	
Cerebellum <sup>(7)</sup>	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
GSA	Global Macro	Multi-Asset (Macro Systematic)	48%
H20 <sup>(7)</sup>	Global Macro	Multi-Asset (Discretionary Thematic)	
NWI	Global Macro	Multi-Asset (Discretionary Thematic)	
BAIA-Direct <sup>(8)</sup>	Multi-Strategy	Multi-Asset (Multi-Strategy)	
DE Shaw	Multi-Strategy	Multi-Asset (Multi-Strategy)	
Magnetar	Event Driven	Risk Arbitrage	
Cerberus <sup>(7)</sup>	Opportunistic Trading	Credit (MBS/ABS)	21%
Bayview	Fundamental	Credit (MBS/ABS)	
Caspian	Fundamental	Credit	
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall <sup>(7)</sup>	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 2018. Net performance for the Fund as well as indices is from 9/10/14 to 7/31/18 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 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.

(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. BXDMSIU launched September 10, 2014, prior allocations are for the share class with the longest track record, BXDMSKE.

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

(5) The Fund will pay to Blackstone a performance fee equal to 15% of any returns the relevant class achieves above any losses carried forward from previous periods. The Fund may also pay to Blackstone an additional performance fee equal to the amount of any performance fees owed by Blackstone to the sub-advisers. Any such additional performance fee will be deducted from Blackstone's performance fee before it is paid in subsequent quarterly performance periods. The performance fee together with any additional performance fee are subject to a cap of 4.95% of the NAV of the class.

(6) Blackstone has agreed to reimburse the Fund so that certain of the Fund's "Other Expenses" will not exceed 0.45% annually. Please see important disclosure information at the end of this document for further explanation.

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

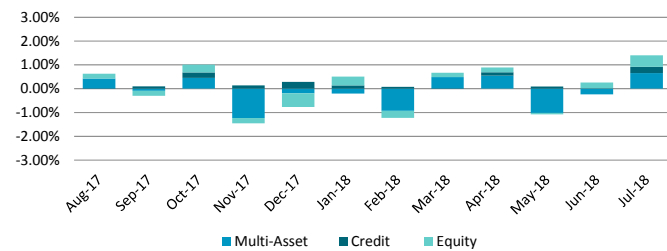
(8) BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic a risk premia trading strategy and may also include opportunistic trades. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.

(9) 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.

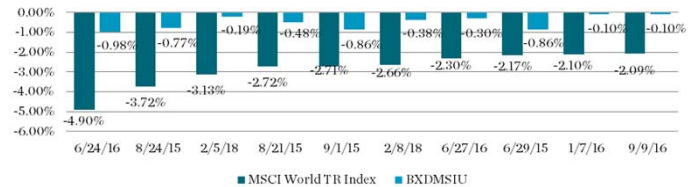
## Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(5)</sup> 7/31/2018	MTD		QTD		YTD		ITD Cumulative Performance	
		Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	31.52%	1.33%	0.48%	1.33%	0.48%	3.17%	1.09%	15.31%	6.13%
Credit	20.78%	1.10%	0.27%	1.10%	0.27%	3.27%	0.73%	26.97%	7.48%
Multi-Asset	47.70%	1.14%	0.65%	1.14%	0.65%	(1.65%)	(0.69%)	9.07%	2.48%
Expenses and Other			(0.17%)		(0.17%)		(1.04%)		(8.59%)
Net Return <sup>(2)</sup>			1.22%		1.22%		0.09%		7.50%

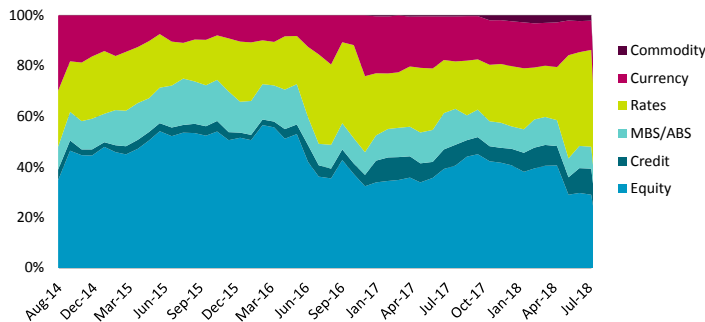
## Trailing 12 months performance contribution by Sub-Strategy<sup>(3)</sup>



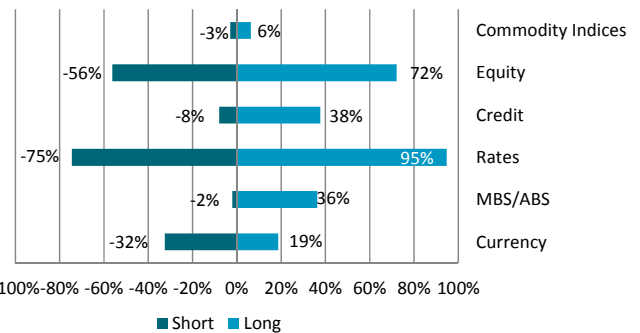
## Downside Protection: Worst 10 Days for MSCI World vs BXDMSI Fund Since Inception<sup>(6)(8)</sup>



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



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



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

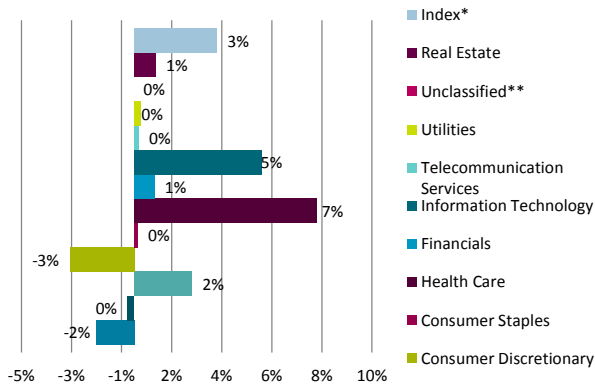
Region	Long	Short	Net
US/Canada	153.37%	87.49%	65.88%
Latin America/Caribbean	5.37%	1.24%	4.13%
Core Europe	76.42%	58.33%	18.09%
Peripheral Europe	2.76%	0.73%	2.03%
Middle East/Africa	2.82%	2.53%	0.30%
China/HK/Taiwan	0.43%	2.33%	-1.90%
Asia general	15.67%	18.73%	-3.06%
Japan	9.11%	4.70%	4.42%
<b>Total</b>	<b>265.96%</b>	<b>176.07%</b>	<b>89.89%</b>

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

Region	Long	Short	Net
US/Canada	3.80%	1.96%	1.84%
Latin America	0.13%	0.49%	-0.36%
Core Europe	9.31%	23.79%	-14.48%
Peripheral Europe	0.11%	0.39%	-0.28%
Middle East/Africa	0.02%	1.29%	-1.28%
China/HK/Taiwan	-	0.59%	-0.59%
Asia general	2.43%	2.26%	0.17%
Japan	2.83%	1.69%	1.14%
<b>Total</b>	<b>18.64%</b>	<b>32.46%</b>	<b>-13.82%</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 2018. Net performance for the Fund as well as indices is from 9/10/14 to 7/31/18 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 prior to the inception of this share class is for BXDMSKE.
- Please see the additional disclosure on the last page for additional index definitions. The average daily return for BXDMSI for the 10 best MSCI World TR days is 0.34%, while the average return of MSCI World TR for the 10 best MSCI World TR days was 2.12%.

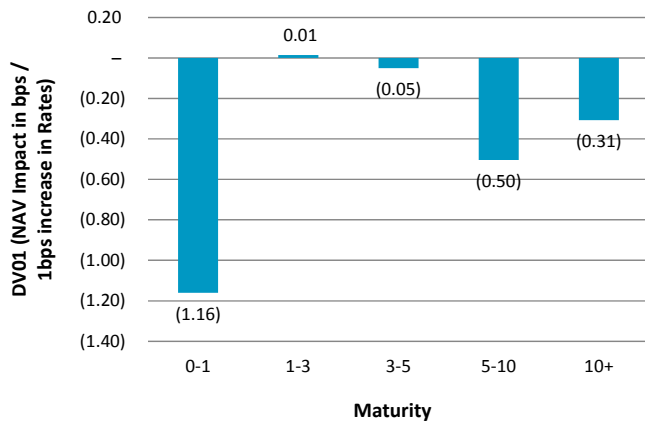
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



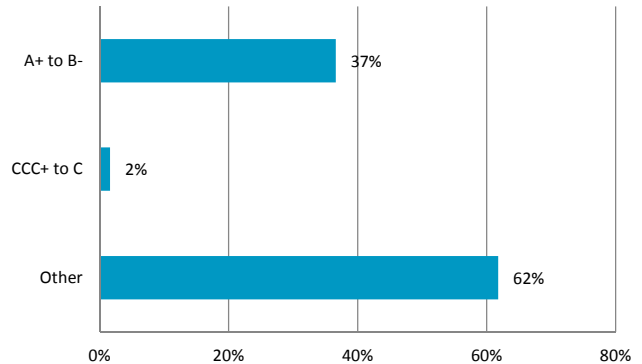
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	1.78%	3.30%	-1.52%
Materials	1.18%	1.43%	-0.25%
Industrials	5.48%	3.17%	2.31%
Consumer Discretionary	5.55%	8.12%	-2.56%
Consumer Staples	2.87%	2.74%	0.14%
Health Care	13.83%	6.55%	7.28%
Financials	7.54%	6.74%	0.80%
Real Estate	1.75%	0.90%	0.85%
Information Technology	10.37%	5.27%	5.10%
Telecommunication Services	0.78%	0.60%	0.18%
Utilities	1.14%	0.89%	0.25%
Index*	19.85%	16.55%	3.30%
Unclassified**	0.00%	0.00%	0.00%
<b>Total</b>	<b>72.10%</b>	<b>56.24%</b>	<b>15.86%</b>

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



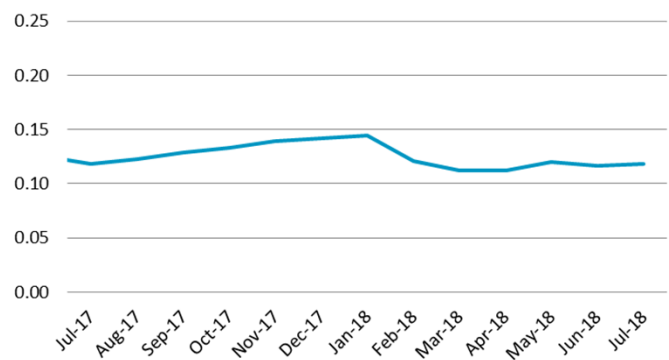
## Fixed Income Ratings<sup>(1)</sup>



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

Date	VaR
7/31/18	3.00%

## 12 months rolling beta against MSCI World<sup>(4)</sup>



- (1) In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. Data is obtained from State Street Fund Services (Ireland) Limited, the administrator for the Fund. The Fund does not guarantee the accuracy of such data. Using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings.
- (2) Dv01 represents the estimated change in NAV for the fund, expressed in basis points, for a 1 basis point increase in interest rates across each of the maturity ranges shown. Fixed income instruments are typically held across a number of different currencies.
- (3) Value at Risk ("VaR") is calculated at a 99% confidence level for a one month holding period (20 business days) using a model based on historical Fund data. Please see the Glossary of Terms for a further explanation of VaR.
- (4) Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/10/2014-7/31/2018. The volatility of the index presented may be materially different from that of the performance of the fund. In addition, the index employs different investment guidelines and criteria than the fund; as a result, the holdings in the fund may differ significantly from the securities that comprise the index. The performance of the index has not been selected to represent an appropriate benchmark to compare to the performance of the fund, but rather is disclosed to allow for comparison of the fund's performance to that of a well-known and widely recognized index. A summary of the investment guidelines for the index presented is available upon request.

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

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

## July Market Commentary

On July 27<sup>th</sup>, the U.S. Bureau of Economic Analysis released its estimate of second quarter GDP growth for the United States. The Bureau's estimate of 4.1% is the highest reading since 2014, marking a meaningful divergence from the rate exhibited over the course of the current economic expansion. In fact, from Q3 2009 through Q1 2018, GDP growth has averaged only a meager 2.3%<sup>1</sup>. The recent uptick in growth has sparked a debate about whether its driving forces, namely consumer and business spending, are sustainable. While the durability of growth in the world's largest economy remains to be seen, such strong near-term readings offer investors compelling investment opportunities along with a number of threats to portfolios.

If this GDP figure represents an inflection point for the current expansion, investors may be forced to reacquaint themselves with two potentially disruptive forces which have been largely absent to date: higher interest rates and higher inflation. In recent months, we have spent considerable time discussing the potentially adverse impact of rising rates on fixed income portfolios. As rates increase, the value of fixed income portfolios may decline as buyers are attracted to higher yielding investments. As we have also mentioned, interest rates are influenced by the Federal Reserve's ("Fed") Federal Funds rate, which the Fed will increase or decrease depending on their interpretation of the strength of the economy. A strong GDP reading supports higher interest rates, and one can reasonably expect the Fed to continue to raise rates, as is widely anticipated by markets.

Also supportive of higher interest rates are higher levels of inflation. While the Fed attempts to support stable economic growth, it also attempts to support stable inflationary levels. Inflation that is interpreted to be too low will warrant accommodative Fed policies (as seen throughout this recovery) and inflation that is too high will warrant restrictive Fed policies. Given how anemic inflation has been dating back to the Global Financial Crisis, runaway inflation has not been a concern. Notably, the opposite has largely been true, and the Fed has concentrated on deploying its resources to support stronger inflation. After years of accommodative efforts, it looks as though inflation is finally beginning to take root. On July 12<sup>th</sup>, the United States Bureau of Labor Statistics released its summary of the Consumer Price Index, a widely observed reading of U.S. inflation which measures the change in daily prices paid by consumers for goods and services. The report cited an increase in inflation of 2.9% year-over-year, the highest such reading since February 2012<sup>2</sup>. Of course, this does not begin to approach the 5%+ readings from mid-2008 or the IMF's projected 1,000,000% inflation in Venezuela this year<sup>3</sup>, but it is notable nonetheless, and investors and the Fed alike have begun to take a closer look.

To illustrate this point, the following chart compares the number of inflation mentions in July 2018's Summary of Commentary on Current Economic Conditions, more commonly known as the Beige Book, against those of July Beige Books in the previous five years. As you will see, the previous five years' releases averaged six inflation mentions, whereas the Fed mentioned inflation 15 times in this year's July edition<sup>4</sup>.

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<sup>1</sup> Source: U.S. Bureau of Economic Analysis.

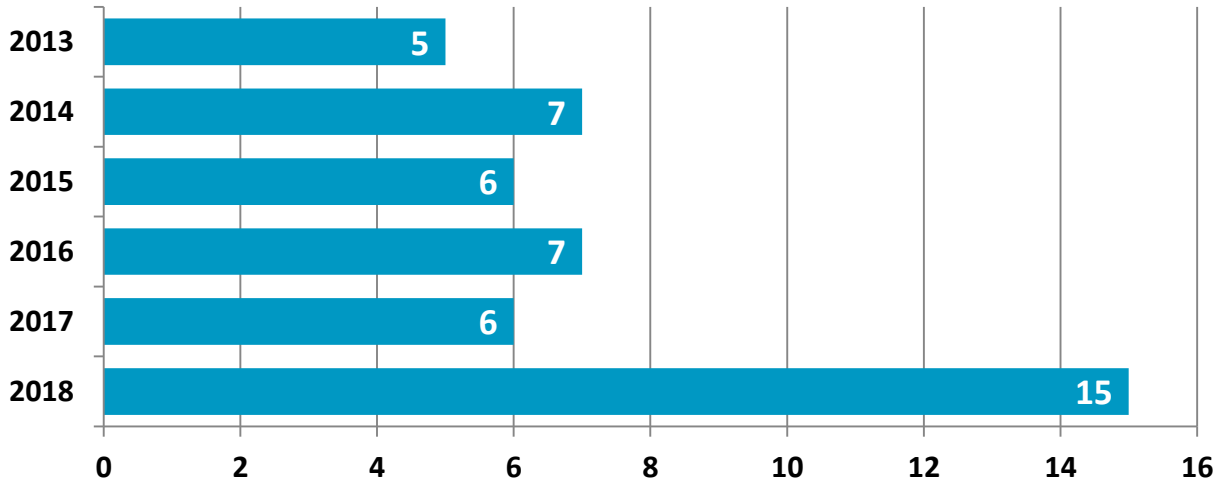
<sup>2</sup> Source: U.S. Bureau of Labor Statistics.

<sup>3</sup> Source: "Outlook for the Americas: A Tougher Recovery," IMF Blog, July 2018.

<sup>4</sup> Source: U.S. Federal Reserve, Blackstone.

*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. BAIA does not guarantee the accuracy or completeness of such information.*

## "Inflation" Mentions in July Beige Book



Taken together, an improved GDP reading in the second quarter and higher inflation in June depict a strengthening economy, a bullish signal for investors in risk assets. That said, faster growth carries implications regarding how quickly the Fed will increase interest rates and how quickly inflation will increase. The impact that such factors can have on portfolio values and purchasing power are important to understand and evaluate. Given these factors, investors should consider conducting a thorough investigation of their fixed income portfolios' duration, a measure of interest rate sensitivity, and quantify the impact that higher prices on everyday items could have on their income needs.

### Review of July 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 BAIA<sup>5</sup>). In July, the Fund's Class I (USD) share class returned 1.22%<sup>6</sup> net of fees and expenses versus 3.72% and 3.15% for the S&P 500 and MSCI World indices, respectively and versus -0.17% for the Barclays Global Aggregate Bond Index<sup>7</sup>.

### Equity Strategies

<sup>5</sup> BAIA manages a portion of the Fund's assets directly. Such investments presently include allocations to BAIA's systematic risk premia trading strategy and may include other opportunistic trades in the future. BAIA's fees on directly managed assets are not reduced by a payment to a sub-adviser.

<sup>6</sup> Performance is shown net of all fees and expenses for the USD denominated Share Class I Accumulating. 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. Information is estimated and unaudited. For a summary of Fund performance of other share classes, please refer to the Fund's website: [www.blackstone.com/bxdms](http://www.blackstone.com/bxdms).

<sup>7</sup> Indices are provided for illustrative purposes only. There is no guarantee the Fund will outperform the indices shown. 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. The indices may include holdings that are substantially different than investments held by the Fund and do not reflect the strategy of the Fund. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that may differ from the Fund. The indices do not reflect the deduction of fees or expenses. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Indices are unmanaged and investors cannot invest in indices.

Equity strategies (+1.33%)<sup>8</sup> contributed positive performance in July. As mentioned in previous editions of our commentary, we have reduced the Fund's equity beta and have sought to employ the Fund's equity exposure within sectors we believe are undergoing meaningful change. To that end, the Fund's exposure to health care was accretive in July. Long exposure to a healthcare names drove performance as companies exhibited strong Q2 earnings. The portfolio was also helped by its tilt to value securities within health care as the performance of value securities relative to growth securities has improved. Similar to health care, the Fund's exposure to the financials industry also contributed to gains as performance divergence among companies within the sector allowed Equity Market Neutral Strategies to identify relative value opportunities. Short exposure to a community bank added to gains on the Fund's thesis that the stock price was inflated due to a rumored acquisition. Management's focus on this transaction as an exit strategy caused the bank to grow too quickly. Ultimately, the bank was acquired below the market price in an all stock transaction, and the short thesis was accretive.

Conversely, long exposure to a commercial bank detracted from performance resulting from lower announced growth and a decline in the company's taxi medallion loan portfolio. Additionally, short exposure to a traditional thrift dragged on performance as the company posted good results in the second quarter.

### **Credit Strategies**

Credit strategies (+1.10%)<sup>8</sup> contributed positive performance for the month. As has been the case in previous months, a big driver of strong credit performance was the Fund's allocation to Credit Risk Transfer bonds. As these securities continue to season they have become more attractive to the market, causing spreads to tighten as prices appreciate. Additionally, the Fund's exposure to CMBX, an index which tracks commercial mortgage-backed securities, was a contributor on the month as spreads across certain series in the portfolio tightened.

These gains were tempered by the Fund's long exposure to a pre-Financial Crisis legacy CMBX index that widened in July. This index is lightly traded and the Fund views this widening as a potential opportunity to add exposure.

### **Multi-Asset Strategies**

Multi-Asset strategies (1.14%)<sup>8</sup> were accretive to Fund performance in July. In our May and June commentary we mentioned emerging markets as a detractor from Fund performance. July largely saw a reversal in the negative sentiment across emerging markets as price action stabilized and the Fund's exposure provided significant positive contributions. Long positioning in Greek government bonds rallied as the market viewed the restructuring of Greece's European Union debt favorably. Systematic risk premia strategies added to strong performance as Equity Operating Profit Yield (which favors companies with stronger operating margins) and Equity Carry (which favors higher yielding securities) allocations generated gains. These gains were partially offset by allocations to Equity Value (which favors securities with cheaper valuations) and Commodity Carry (which favors higher yielding commodities) signals.

Macro Systematic strategies detracted from fund performance as long positions in developed market currencies including the Swiss Franc and Canadian Dollar absorbed losses. The Fund's S&P 500 hedges (which are used with the aim of neutralizing the equity beta in the portfolio) also detracted during July as the index ended the month over 3.5% higher.

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<sup>8</sup> Sub-strategy performance is shown gross of all fees and expenses for the USD denominated Share Class I Accumulating. Performance is estimated and unaudited.



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.

#### **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. or 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. or 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.
  - BAAM, an affiliate of BAIA, has entered into a joint venture with NWT to create Blackstone NWT Asset Management L.L.C. ("BNAM"), an emerging markets asset manager. BNAM, BAAM and NWT share certain personnel and infrastructure.
  - Blackstone is in the process of onboarding 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 BAAM 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.

**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 (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.

#### **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)