

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 September 30, 2016

Fund Net Performance ⁽¹⁾⁽²⁾	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSIU	0.98%	1.58%	(0.39%)	1.49%	3.88%	-	-	0.36
MSCI World TR Index	0.58%	4.99%	6.06%	2.36%	12.98%	0.17	1.30%	0.17
Barclays Gbl Agg Index	0.55%	0.82%	9.85%	1.96%	5.18%	(0.17)	2.55%	0.36

Monthly Net Performance ⁽¹⁾⁽³⁾

	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%				(0.39%)

Investment approach

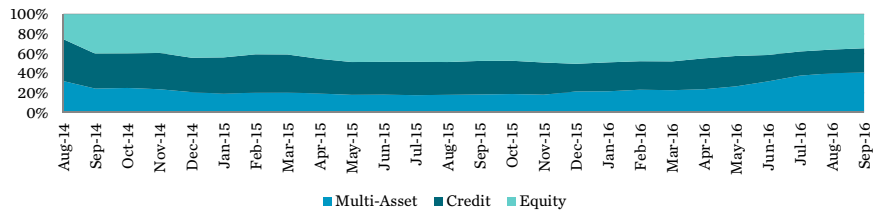
The Fund's investment objective is to seek capital appreciation. The Fund seeks this objective by allocating its assets among a variety of discretionary sub-advisers with experience managing non-traditional or "alternative" investment strategies. Blackstone is responsible for selecting the strategies,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

12 Month Performance Periods – To Last Quarter End ⁽¹⁾⁽²⁾

	9/30/2011 - 9/30/2012	9/30/2012- 9/30/2013	9/30/2013 - 9/30/2014	9/30/2014- 9/30/2015	9/30/2015- 9/30/2016
BXDMSIU	N/A	N/A	N/A	3.30%	(0.10%)
MSCI World TR	N/A	N/A	N/A	(4.57%)	12.02%
Barclays Gbl Agg Index	N/A	N/A	N/A	(3.27%)	8.83%

Fund highlights

Fund Assets (Mn)	\$1,672.23
NAV per Share	\$10.31
Currency	USD
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



Portfolio Allocation ⁽⁴⁾

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION	
Rail Splitter	Fundamental	Equity (Long/Short)	35%	
GSIS	Fundamental	Equity (Long/Short)		
HealthCor	Fundamental	Equity (Long/Short)		
Wellington	Fundamental	Equity (Long/Short)		
Senfina ⁽⁸⁾	Fundamental	Equity (Market Neutral)		
Cerebellum ⁽⁹⁾	Quantitative	Equity (Market Neutral)		
Two Sigma Advisers	Quantitative	Equity (Market Neutral)		
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)		41%
IPM	Quantitative	Multi-Asset (Macro Systematic)		
Emso	Global Macro	Multi-Asset (Macro EM-Credit)		
BAlA-Direct ⁽¹⁰⁾	Multi-Strategy	Multi-Asset (Multi-Strategy)	25%	
Chatham	Opportunistic Trading	Credit		
Cerberus	Opportunistic Trading	Credit (MBS/ABS)		
Bayview	Fundamental	Credit (MBS/ABS)		
Caspian	Fundamental	Credit		
Good Hill	Fundamental	Credit (MBS/ABS)		
Sorin	Fundamental	Credit (MBS/ABS)		
Waterfall	Fundamental	Credit (MBS/ABS)		

Fund Terms – Share Class I (USD) Acc. ⁽⁵⁾

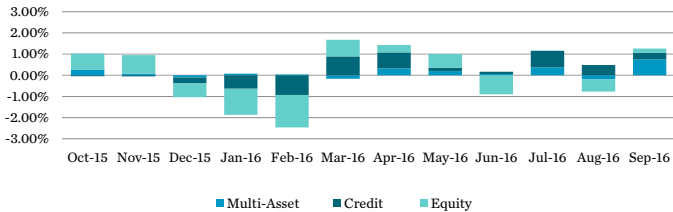
Minimum Initial Investment (Mn)	\$5.00
Management Fee	1.40%
Performance Fee ⁽⁶⁾	15.00%
Other Expenses ⁽⁷⁾	Capped 0.45%

- Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2016. Net performance for the Fund as well as indices is from 9/10/14 to 9/30/16 and is annualized.
- 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.
- Performance is presented through September 30, 2016. Performance is estimated and unaudited for 2016. Net performance is net of all fees and expenses. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Additional information and current performance data is available at www.blackstone.com/bxdms. BXDMSIU launched on September 10, 2014 and thus performance for September 2014 is limited to September 10 through September 30.
- 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.
- The above terms are summarised and qualified in their entirety by the more detailed information set forth in the UCITS prospectus and supplement.
- 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.
- 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.
- Blackstone Senfina Advisors L.L.C. "Senfina" is an indirect wholly-owned subsidiary of The Blackstone Group L.P., a publicly traded master limited partnership that has units that trade on the New York Stock Exchange under the symbol "BX." Senfina is an affiliate of BAlA, the Fund's investment adviser, on the basis that it is under common control with BAlA. The investment by BXDMS with Senfina benefits Blackstone and a withdrawal from Senfina would be detrimental to Blackstone.
- Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.
- BAlA manages a portion of the Fund's assets directly. Such assets ("BAlA-Direct") include allocations to a risk premia trading strategy and may also include collective investment schemes and/or opportunistic trades. BAlA's fees on directly managed assets are not reduced by a payment to a sub-adviser.

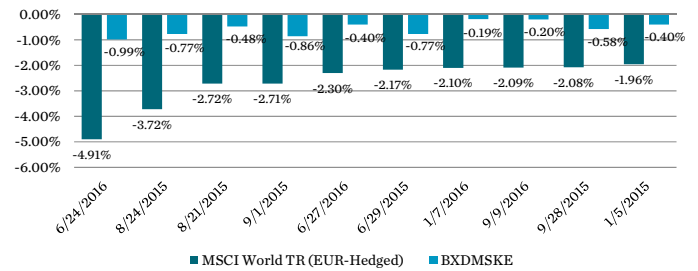
Performance Summary

Sub-Strategy Performance ⁽²⁾	Allocation at ⁽⁵⁾		MTD		QTD		YTD		ITD Cumulative Performance	
	9/30/2016	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	34.65%	0.45%	0.20%	(0.83%)	(0.38%)	(4.45%)	(2.25%)	5.64%	2.79%	
Credit	24.57%	1.06%	0.31%	5.19%	1.58%	6.09%	1.84%	5.66%	1.83%	
Multi-Asset	40.78%	1.54%	0.75%	1.90%	0.94%	3.91%	1.44%	10.29%	2.97%	
Expenses and Other			(0.28%)		(0.57%)		(1.41%)		(4.49%)	
Net Return ⁽²⁾			0.98%		1.58%		(0.39%)		3.10%	

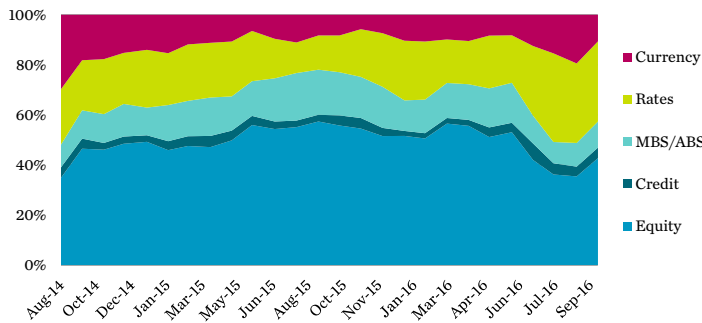
Trailing 12 months performance contribution by Sub-Strategy⁽³⁾



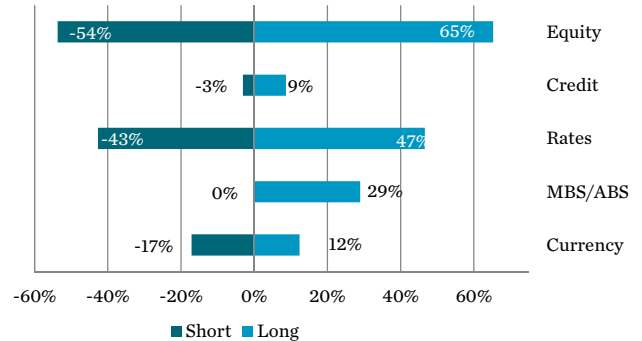
Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception⁽²⁾⁽⁶⁾⁽⁷⁾



Asset Class Gross Historical Exposure⁽⁴⁾⁽⁵⁾⁽⁷⁾



Asset Class Exposure⁽⁴⁾



Fund Geographic Exposure⁽⁴⁾

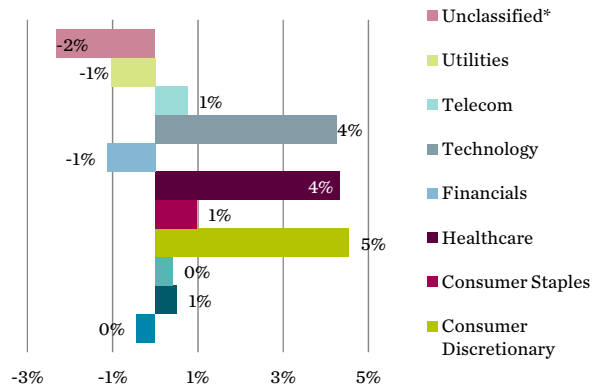
Region	Long	Short	Net
US/Canada	88.01%	56.39%	31.62%
Latin America/Caribbean	12.74%	1.43%	11.30%
Core Europe	38.12%	35.93%	2.19%
Peripheral Europe	5.54%	0.67%	4.86%
Middle East/Africa	1.77%	3.43%	-1.66%
China/HK/Taiwan	1.14%	1.74%	-0.60%
Asia general	7.66%	7.38%	0.28%
Japan	6.94%	9.57%	-2.63%
Total	161.91%	116.54%	45.37%

Currency Exposure⁽⁴⁾

Region	Long	Short	Net
US/Canada	4.49%	0.29%	4.20%
Latin America	2.11%	0.79%	1.32%
Core Europe	0.50%	10.72%	-10.23%
Peripheral Europe	1.84%	0.57%	1.27%
Middle East/Africa	1.61%	1.73%	-0.12%
China/HK/Taiwan	0.01%	0.64%	-0.62%
Asia general	1.28%	1.35%	-0.07%
Japan	0.56%	1.03%	-0.46%
Total	12.40%	17.11%	-4.72%

- (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 2016. Net performance for the Fund as well as indices is from 9/10/14 to 9/30/16 and is annualized. ITD net return is cumulative not annualized.
- (3) Performance contribution represents the contribution of each strategy or sub-strategy to the Fund's total return. Performance contribution is shown gross of all fees and expenses.
- (4) In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. Data is obtained from State Street Fund Services (Ireland) Limited, the administrator for the Fund. The Fund does not guarantee the accuracy of such data.
- (5) Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.
- (6) The indices presented are indicative and for illustrative purposes only. The volatility of the index presented may be materially different from that of the performance of the Fund. In addition, the index employs different investment guidelines and criteria than the Fund; as a result, the holdings in the Fund may differ significantly from the securities that comprise the index. The performance of the index has not been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of the Fund's performance to that of well-known and widely recognized index. A summary of the investment guidelines for the index presented is available upon request. Performance of the index reflects the reinvestment of dividends. Please see glossary of terms at the end of this presentation for index definitions.
- (7) Information is for BXDMSKE, the BXDMS share class with the longest track record. MSCI World represents MSCI World (EUR-Hedged) to be consistent with BXDMSKE currency. Please see the additional disclosure on the last page for additional index definitions.

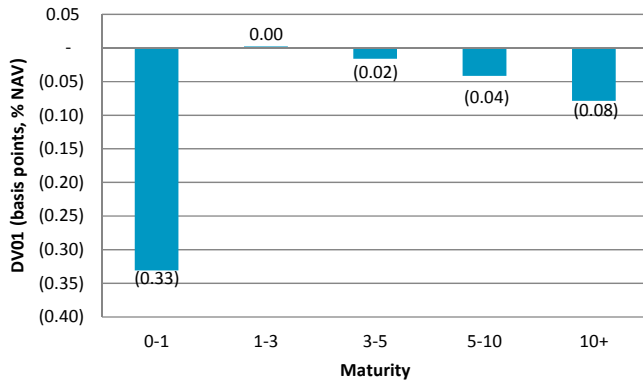
Equity Exposure – Net Sector Breakdown⁽¹⁾



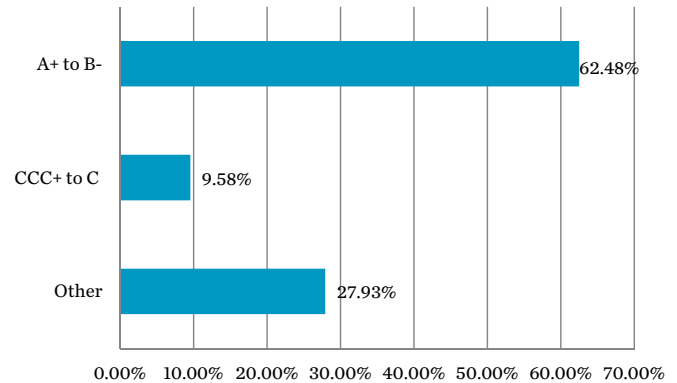
Equity Exposure – Sector Breakdown⁽¹⁾

	Long	Short	Net
Energy	0.74%	1.18%	-0.44%
Materials	1.83%	1.32%	0.51%
Industrials	3.20%	2.80%	0.40%
Consumer Discretionary	10.51%	5.96%	4.55%
Consumer Staples	2.31%	1.33%	0.98%
Healthcare	12.79%	8.45%	4.34%
Financials	1.45%	2.59%	-1.13%
Real Estate	0.72%	0.02%	0.70%
Technology	7.94%	3.67%	4.26%
Telecom	1.27%	0.50%	0.77%
Utilities	0.12%	1.16%	-1.04%
Unclassified*	22.40%	24.72%	-2.32%
Total	65.27%	53.69%	11.58%

Fixed Income Interest Rate Sensitivity⁽²⁾



Fixed Income Ratings⁽¹⁾



VaR Analysis⁽³⁾

Date	VaR
9/30/16	1.91%

- (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 change in value of a security for a 1 basis point change in interest rates as a percentage of fund NAV.
- (3) Value at Risk ("VaR") is calculated at a 99% confidence level for a one month holding period (20 business days) using a model based on historical Fund data. Please see the Glossary of Terms for a further explanation of VaR.

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

September Market Commentary

After the August lull, during which the S&P 500 went without so much as a daily 1% move in either direction, U.S. equity markets experienced some large swings in September, only to finish the month fairly flat with the S&P 500 up 0.02%. Early in the month and in the lead-up to September's Federal Reserve Board ("Fed") meetings, fears that the central bank might tighten monetary policy earlier than expected prompted investors to sell out of risk assets. But stocks and bonds rebounded in the wake of the 20th – 21st meetings, as the Fed punted on a rate hike, albeit with internal dissent.

Healthcare stocks, while still lagging on the year, got a boost from the biotech sub-sector. Towards the end of the month, financials rebounded from lows after some turmoil stemming from uncertainty and concerns over regulatory enforcement and hearings, yet still finished the month as the worst performing sector. And in the world of commodities, crude rose in September, with traders reacting to OPEC members' tentative – and perhaps fragile – agreement to pull back on production.

As we head into the fourth quarter, a number of uncertainties persist. The Fed's decision to abandon a rate hike in September still leaves the door open to a hike before year-end. Manufacturing rebounded modestly after an August contraction and some non-manufacturing industries had a strong showing in September, while the Housing Market Index reached its highest point since 2005; however, other indicators such as rental & leasing and auto sales were generally tepid this month. And while consumer confidence reached a post-recession high in mid-September, suggesting potential for more robust economic growth, corporate fundamentals deteriorated with S&P 500 earnings expected to drop 2.1% for the third quarter¹. To top things off, the impending U.S. presidential election has been cause for continued market uncertainty and investor jitters.

Review of Fund Performance²

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 BAIA³ and a variety of investment sub-advisers, each with experience managing non-traditional or "alternative" investment strategies. In August, the Fund's Class I (USD) share class returned 0.98%⁴ net of fees and expenses versus 0.58% and 0.55% for the MSCI World and Barclays Global Aggregate Bond Index, respectively. 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.

In light of the near-term concerns described above, we continue to position the portfolio with low beta to equities and maintain allocations to diversifying strategies as we seek to curtail downside risk. With multiple alternative strategies and styles, we target opportunities across asset classes and geographies and may offer stability in times of volatility.

Equity Strategies

Equity strategies posted gains in aggregate, where the story of the month was strong alpha production, particularly in Equity Long/Short sub-strategies. Equity Market Neutral sub-strategies declined, however, with weakness coming from longer term quantitative models and from short exposure to takeover speculation. Long exposures to healthcare, specifically within the pharmaceuticals sub-sector, generated positive alpha, as did exposure to media and biotech sectors, which continue to be rich with M&A activity. The banking sector accounted for gains on both the long and short side of the book, despite the fact that the sector as a whole continued to struggle and was down nearly 4% for the month.

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1. Wall Street Journal (citing FactSet), "Third Quarter: Riskier Stocks Make a Comeback" (3 Oct. 2016)
 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. Source: Bloomberg, as of 30 Sep. 2016.
 3. BAIA manages a portion of the Fund's assets directly. Such assets ("BAIA-Direct") include allocations to a risk premia trading strategy and investment funds and may also include opportunistic trades. BAIA's fees on directly managed assets are not reduced by a payment to a sub-advisor.
 4. Performance is shown net of all fees and expenses for Share Class I (USD). Past performance may not be a reliable guide to future performance. The value of shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited.

Credit Strategies

Credit strategies also contributed to the Fund's performance in September. Asset-Backed Credit exposures led gains, driven largely by positive carry and tailwinds of spread tightening. Corporate Fixed Income exposures benefitted from a rally in high yield as investors continued to buy riskier assets as a source of yield in the wake of both the Fed's and the Bank of Japan's decisions to maintain benchmark rates at current levels. Distressed / Restructuring strategies performed particularly well, with gains coming largely from corporate and convertible bond positions in financials, broadcasting, and industrials.

Multi-Asset Strategies

Multi-Asset strategies were the largest contributors to performance over the month. Within our Systematic sub-strategies, momentum and value strategies led gains across FX, while carry strategies detracted across several asset classes. The Fund's emerging markets ("EM") exposures benefitted from a rally in EM credit as well as rosier views of fiscal reforms in Latin America that caused spreads to tighten. Positive developments in Brazil, Argentina, and Venezuela, in particular, contributed to performance, with sovereign and quasi-sovereign credit realizing gains. With the U.S. presidential election looming, our sub-advisors are weighing opportunities with foreign currencies that may be affected.

Review of Fund Performance – Third Quarter

During the third quarter of 2016, the Fund's Class I share class returned 1.58% net of fees and expenses versus 3.85% for the S&P 500 Index, 4.99% for the MSCI World Index, and 0.82% for the Barclays Global Aggregate Bond Index.

Equity strategies detracted from performance of the quarter, with gains from Equity Long/Short sub-strategies offset by losses from Equity Market Neutral strategies. Certain healthcare and financials exposures generated positive alpha over the quarter, while certain other healthcare exposures, and materials, telecom, and technology shorts detracted from overall Equity strategy performance. With macroeconomic uncertainties abounding in the wake of the Brexit decision and ahead of the U.S. presidential election, a diversified and low-beta portfolio may be well suited to weather potential market turmoil⁵.

Credit strategies were the strongest performers in the third quarter, with both Asset-Backed Credit and Corporate Fixed Income posting solid gains. Government-sponsored enterprise ("GSE") credit risk transfer bonds and certain asset-backed credit exposures gained due to positive carry and higher mark-to-market moves. Corporate bonds with exposure to natural resources, financials, and gaming / media sectors also contributed to gains on the quarter.

Multi-Asset strategies also gained over the three-month stretch, led by Discretionary-Thematic and Multi-Strategy exposures. Gains from equity and debt exposures in emerging markets marked a notable theme for the quarter, and we maintain focus on opportunities in Brazil, Argentina, Greece, and Venezuela.

5. There can be no assurance that the Fund (or its underlying managers) will achieve its objective or avoid significant losses.

All investors should consider the investment objectives, risks, charges and expenses of Blackstone Diversified Multi-Strategy Fund (BXDMS) carefully before investing. The Key Investor Information Document ('KIID'), Prospectus and Supplement contain this and other information about BXDMS and are available on the Blackstone website at www.blackstone.com/BXDMS. All KIIDs are available in English, and certain share class specific KIIDs are available in French, German, Dutch, Danish, Finnish, Swedish, Norwegian, Spanish and Italian as indicated on the Blackstone website. All investors are urged to carefully read the Prospectus, Supplement and KIID in their entirety before investing.

Glossary of Terms:

Beta: A measure of the volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole.

Standard Deviation: A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance.

Alpha: A risk-adjusted performance measure that represents the average return on a portfolio over and above that predicted by the capital asset pricing model (CAPM), given the portfolio's beta and the average market return.

Sharpe Ratio: A ratio to measure risk-adjusted performance. The Sharpe Ratio is calculated by subtracting the risk-free rate – such as that of the 10-year U.S. Treasury bond – from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe Ratio, the better its risk-adjusted performance has been.

Delta: The ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative.

Gross Exposure: Reflects the aggregate of long and synthetic short investment positions in relation to the net asset value. For example, if BXDMS has 60% long exposure and 50% synthetic short exposure to a particular asset class, then BXDMS has 110% gross exposure to that asset class. The gross exposure is one indication of the level of leverage in a portfolio.

Net Exposure: This is the difference between long and synthetic short investment positions in relation to the net asset value. For example, if BXDMS has 60% long exposure and 50% synthetic short exposure to a particular asset class, then BXDMS is 10% net exposure to that asset class.

Long: A long position occurs when an individual owns securities.

Synthetic Short: Short selling an underlying security through the use of derivatives. Synthetic Short positions can generate returns when the price of the underlying security declines.

VaR: A statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. Value at risk is used by risk managers in order to measure and control the level of risk which the firm undertakes. The risk manager's job is to ensure that risks are not taken beyond the level at which the firm can absorb the losses of a probable worst outcome.

Glossary of Indices:

Market indices obtained through Bloomberg. Indices are presented are indicative and for illustrative purposes only, are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of BXDMS. In addition, the indices employ different investment guidelines and criteria than BXDMS; as a result, the holdings in BXDMS may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of BXDMS, but rather is disclosed to allow for comparison of BXDMS performance to that of well-known and widely recognized indices. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

Barclays Global Aggregate Bond Index: 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: A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI World is maintained by Morgan Stanley Capital International, and is comprised of stocks from all the developed markets in the world.

Important Disclosure:

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

Important Risks:

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

- General economic and market conditions can affect the price and volatility of investments.
- The success of the Fund depends upon BAlA'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