

# Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSKE: Class K (EUR) 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 January 31, 2017

Fund Net Performance <sup>(1)(2)</sup>	MTD	QTD	YTD	ITD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSKE	1.67%	1.67%	1.67%	1.32%	3.74%	-	-	0.32
MSCI World TR Index (EUR-Hedged)	2.35%	2.35%	2.35%	4.46%	12.15%	0.17	0.55%	0.36
Barclays Gbl Agg Index (EUR-Hedged)	1.05%	1.05%	1.05%	(2.00%)	5.44%	(0.11)	1.46%	(0.39)

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	-	-	-	-	-	-	-	0.30%	(0.40%)	0.60%	(0.20%)	(0.10%)	0.20%
2015	0.40%	1.39%	1.18%	(0.48%)	1.27%	(0.77%)	1.84%	(0.76%)	(1.15%)	0.78%	0.58%	(1.05%)	3.19%
2016	(2.03%)	(2.57%)	1.22%	1.20%	0.79%	(0.98%)	0.99%	(0.59%)	1.09%	0.49%	(1.75%)	0.49%	(1.74%)
2017	1.67%												1.67%

## 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)	\$1,348.03
NAV per Share	€10.33
Currency	EUR
Share Class Inception Date	August 11, 2014
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSKE ID
ISIN	IE00BN8SYL56

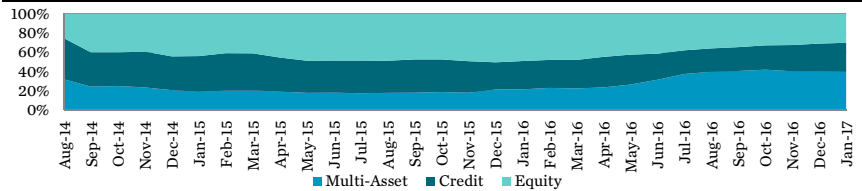
## Fund Terms – Share Class K (EUR) Acc.<sup>(5)</sup>

Minimum Initial Investment (Mn)	€125.00
Management Fee	1.25%
Performance Fee <sup>(6)</sup>	15.00%
Other Expenses <sup>(7)</sup>	Capped 0.45%

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

	12/31/2011-12/31/2012	12/31/2012-12/31/2013	12/31/2013-12/31/2014	12/31/2014-12/31/2015	12/31/2015-12/31/2016
BXDMSKE	N/A	N/A	N/A	3.19%	(1.74%)
MSCI World TR (EUR-Hedged)	N/A	N/A	N/A	(0.56%)	7.38%
Barclays Gbl Agg Index (EUR-Hedged)	N/A	N/A	N/A	(3.39%)	1.36%

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



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

SUB-ADVISOR	STRATEGY	SUB-STRATEGY	ALLOCATION
GSIS	Fundamental	Equity (Long/Short)	30%
HealthCor	Fundamental	Equity (Long/Short)	
Wellington <sup>(8)</sup>	Fundamental	Equity (Long/Short)	
Cerebellum <sup>(8)</sup>	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	40%
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
BAIA-Direct <sup>(9)</sup>	Multi-Strategy	Multi-Asset (Multi-Strategy)	30%
DE Shaw	Multi-Strategy	Multi-Asset (Multi-Strategy)	
Chatham	Opportunistic Trading	Credit	
Cerberus	Opportunistic Trading	Credit (MBS/ABS)	
Bayview	Fundamental	Credit (MBS/ABS)	30%
Caspian	Fundamental	Credit	
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall	Fundamental	Credit (MBS/ABS)	

(1) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2016. Net performance for the Fund as well as indices is from 8/11/14 to 1/27/16 and is annualized. Share class closed effective 1/27/17.

(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 BXDMSKE compared to the specific indices. Standard deviation and Sharpe calculations are annualized. All Inception to Date Statistics are calculated using daily performance since inception.

(3) Performance is presented through 1/27/17. Performance is estimated and unaudited for 2016. Net performance is net of all fees and expenses. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Additional information and current performance data is available at [www.blackstone.com/bxdms](http://www.blackstone.com/bxdms). BXDMSKE launched on 8/11/14 and thus performance for August 2014 is limited to August 11 through August 31.

(4) The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced sub-advisers, strategies or sub-strategies. Blackstone may also add new sub-advisers, strategies or sub-strategies. Accordingly, the allocations are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time.

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

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

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

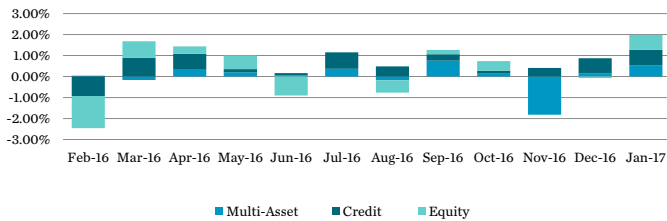
(8) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice. Wellington was terminated as a sub-adviser on 1/25/17.

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

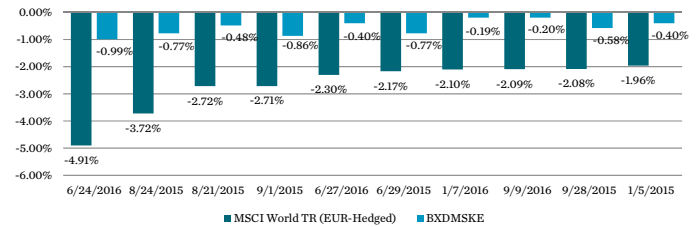
# Performance Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(6)</sup>		MTD		QTD		YTD		ITD Cumulative Performance	
	1/31/2017	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	30.23%	1.90%	0.70%	1.90%	0.70%	1.90%	0.70%	9.35%	4.06%	
Credit	29.71%	1.76%	0.76%	1.76%	0.76%	1.76%	0.76%	11.50%	3.87%	
Multi-Asset	40.07%	1.08%	0.52%	1.08%	0.52%	1.08%	0.52%	8.33%	2.04%	
Expenses and Other			(0.31%)		(0.31%)		(0.31%)		(6.66%)	
Net Return <sup>(2)</sup>			1.67%		1.67%		1.67%		3.30%	

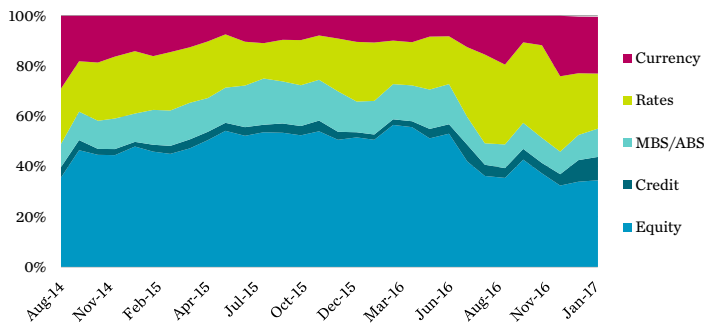
## Trailing 12 Months Performance Contribution by Sub-Strategy<sup>(3)</sup>



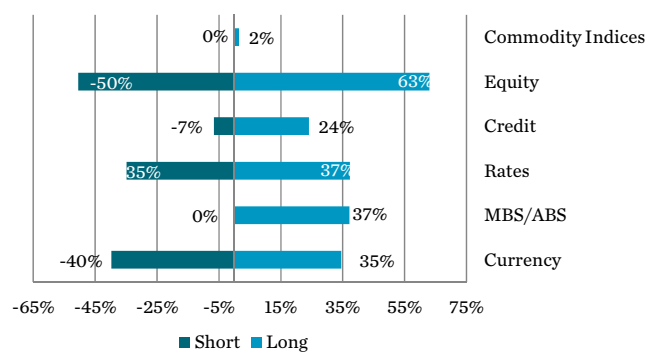
## Downside Protection: Worst 10 Days for MSCI World vs BXDMS Fund Since Inception<sup>(2)(6)</sup>



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



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



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

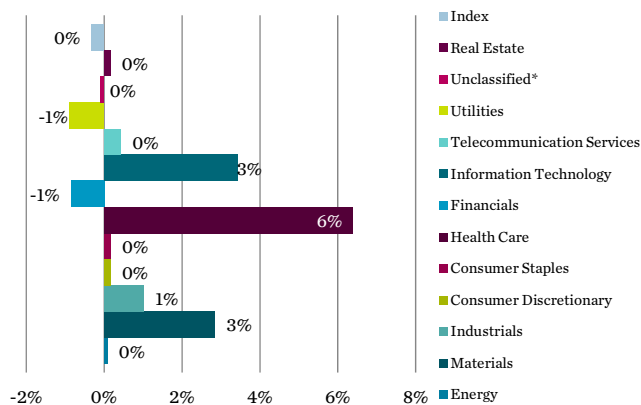
Region	Long	Short	Net
US/Canada	115.35%	57.84%	57.51%
Latin America/Caribbean	9.49%	2.31%	7.18%
Core Europe	37.69%	44.24%	-6.55%
Peripheral Europe	8.07%	0.64%	7.43%
Middle East/Africa	1.57%	2.45%	-0.88%
China/HK/Taiwan	0.54%	1.13%	-0.59%
Asia general	12.04%	7.74%	4.30%
Japan	12.95%	15.38%	-2.43%
<b>Total</b>	<b>197.70%</b>	<b>131.73%</b>	<b>65.98%</b>

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

Region	Long	Short	Net
US/Canada	3.79%	6.09%	-2.31%
Latin America	1.08%	0.76%	0.32%
Core Europe	10.18%	22.61%	-12.43%
Peripheral Europe	1.94%	0.57%	1.36%
Middle East/Africa	0.83%	1.75%	-0.92%
China/HK/Taiwan	0.02%	0.91%	-0.89%
Asia general	6.20%	6.18%	0.02%
Japan	10.48%	0.91%	9.57%
<b>Total</b>	<b>34.51%</b>	<b>39.78%</b>	<b>-5.28%</b>

- Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
- Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2016 and 2017. Net performance for the Fund as well as indices is from 8/11/14 to 1/27/17 and is annualized. ITD net return is cumulative not annualized. Share class closed effective 1/27/17.
- 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. The average daily return for BXDMSKE for the 10 best MSCI World TR (EUR) days is 0.35%, while the average return of MSCI World TR (EUR) for the 10 best MSCI World TR (EUR) days was 2.06%.

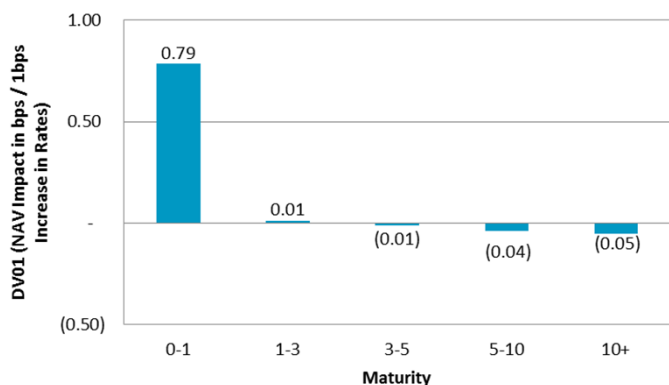
## Equity Exposure – Net Sector Breakdown<sup>(1)</sup>



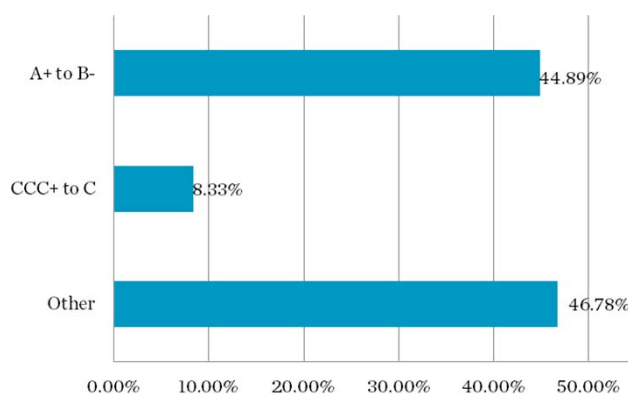
## Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	0.91%	0.82%	0.09%
Materials	3.46%	0.61%	2.85%
Industrials	2.62%	1.59%	1.02%
Consumer Discretionary	7.17%	7.00%	0.17%
Consumer Staples	1.54%	1.36%	0.17%
Health Care	15.78%	9.40%	6.39%
Financials	2.18%	3.03%	-0.85%
Real Estate	0.19%	0.03%	0.16%
Information Technology	7.12%	3.69%	3.43%
Telecommunication Service	0.69%	0.25%	0.43%
Utilities	0.03%	0.92%	-0.89%
Index*	21.38%	21.70%	-0.32%
Unclassified**	0.00%	0.10%	-0.10%
<b>Total</b>	<b>63.04%</b>	<b>50.49%</b>	<b>12.56%</b>

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



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



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

Date	VaR
1/31/17	2.07%

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

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

## January Market Commentary

The new year ushered in a new presidential administration in the U.S., and all eyes were on the man who, whether you agree with him or not, is now one of the most powerful people in the world: President Trump. Stocks continued to climb for most of the month on expectations of new pro-growth policies in the U.S., with the Dow Jones Industrial Average finally crossing the monumental 20,000 mark on January 25<sup>th</sup>. However, President Trump appeared to deliver on some of his controversial campaign promises during his first week in office, causing the major stock indices to pare back some of their previous gains. A newly-enacted travel ban restricting immigration from seven countries and broader protectionist rhetoric made investors wary of corporate earnings prospects. Still, the S&P 500 and MSCI World indices posted their first January gains since 2013. Another Trump campaign promise that has been at the top of investors' minds is the prospect of substantial fiscal spending, which has led to a wave of selling in U.S. 10-year Treasury bonds, pushing up their yields in the months following the election. By the end of January, however, Treasury yields were relatively flat as the administration's immediate focus appeared to be more on protectionism and global trade than infrastructure spending.

BXDMS had a strong start to the year, and we are optimistic about the portfolio in the current environment. While no one can say exactly what the future holds, and we're still waiting for clarity on many of President Trump's policies, one thing we think is clear: change is imminent. From taxes to trade to regulation, so many economic and policy shifts are possible—with much higher volatility conceivably in store for markets. Long story short, we may be on the verge of groundbreaking disruption in various industries and significant changes in the tax code and in trade tariffs that could lead to a wider dispersion between winners and losers within asset classes and sectors. That means the opportunity for active management is growing, and for hedge funds, the field of play is particularly interesting. Across asset classes, including equities, credit, rates and currencies, BXDMS has a diverse group of sub-advisers ready to express their views on both the long and short side—seeking to capture opportunities across the spectrum.

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

The investment objective of Blackstone Diversified Multi-Strategy Fund (the "Fund") is to seek capital appreciation. The Fund aims to achieve its objective by managing assets directly (via BAIA<sup>2</sup>) or by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or "alternative" investment strategies. In January, the Fund's Class I share class returned 1.65%<sup>3</sup> net of fees and expenses versus 2.44% and 1.13% for the MSCI World and Barclays Global Aggregate Bond indices, respectively.

### *Equity Strategies*

The Fund's Equity strategies ended the month in positive territory, led by longer-term quantitative equity strategies. Gains from net long exposures to Information Technology and Materials sectors were partially offset by short exposures to Consumer Discretionary and Financials sectors. Markets appeared to pay close attention to Trump-related news releases that seemingly increased dispersion and volatility among stocks. Environments with higher levels of idiosyncratic movements and increased dispersion between stocks and within sectors may benefit quantitative strategies. Within fundamental equity strategies, we saw gains in Software, Biotech and Internet exposures. Healthcare was another sector in which we saw positive performance. J.P. Morgan held its annual healthcare conference, which provided investors with insight into some of the sector's most notable public companies, serving as a catalyst for movements in various stocks.

Effective as of January 25, 2017, Wellington Management Company LLP ("Wellington") no longer serves as a sub-adviser to the Fund. 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.

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1. The volatility of the indices presented may be materially different from that of the performance of the fund. In addition, the 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 the 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 the Fund's performance to that of well-known and widely recognized indices. A summary of the investment guidelines for the indices presented are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

2. Blackstone Alternative Investment Advisors ("BAIA"), the Fund's investment advisor, manages a portion of the Fund's assets directly. Such assets include allocations to a risk premia trading strategy and investment funds and may also include opportunistic trades. BAIA's fees on directly managed assets are not reduced by a payment to a sub-advisor.

3. 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 were the largest contributor to performance in January with all sub-advisers posting gains. Both corporate and structured credit exposures benefitted from positive carry, inflows into high yield and investment grade credit, and factors related to proposed changes in interest deductibility. Credit risk transfer (CRT) bonds rallied, and commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) generated cash flow. Other areas of strength included gains in mezzanine collateralized loan obligation (CLO) tranches and price appreciation in several corporate bonds issued by industrial and entertainment firms.

### ***Multi-Asset Strategies***

Multi-Asset strategies also contributed gains with Macro and factor-based strategies leading the pack. Positive performance in fixed income and FX value strategies was partially offset by fixed income momentum strategies and carry strategies across fixed income and FX. The Fund also benefitted from short U.S. Treasury exposures which performed well as yields moved marginally higher; however, short Canadian government bonds detracted. As sentiment regarding key emerging markets economies began to normalize to pre-election levels, we saw Argentine sovereign bonds rally on the heels of Argentinian President Macri's cabinet reshuffling. Another winner was a Brazilian quasi-sovereign entity whose new issuance and debt buyback program have been well-received by the market. The Fund did have some minor losses in short Chinese offshore renminbi and short South Korean won exposures as the Chinese government has been heavily committed to stabilizing its currency.

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

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

#### **Glossary of Terms:**

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

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

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

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

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

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

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

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

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

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

#### **Glossary of Indices:**

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

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

#### **Important Disclosure:**

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

#### **Important Risks:**

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

- General economic and market conditions can affect the price and volatility of investments.
- The success of the Fund depends upon 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](http://www.blackstone.com/BXDMS)