

# Blackstone Diversified Multi-Strategy Fund: Class K (EUR) Acc. - BXDMSKE

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

## September 30, 2014 | Investment Summary

### Fund Net Performance<sup>(1)(2)</sup>

	ITD	YTD	QTD	MTD
BXDMSKE	(0.10%)	(0.10%)	(0.10%)	(0.40%)
MSCI World TR (EUR-Hedged)	0.18%	0.18%	0.18%	(2.68%)
Barclays Gbl Agg (EUR-Hedged)	(2.72%)	(2.72%)	(2.72%)	(2.80%)

ITD STATISTICS			
St Dev.	Beta	Alpha	Sharpe
-	-	-	-
-	-	-	-
-	-	-	-

### Fund Highlights

Fund Assets (Mn)	€200.65
NAV Per Share	€9.99
Inception Date	August 12, 2014
Investment Manager	Blackstone Alternative Asset Management L.P.
Subscriptions	Daily
Redemptions	Daily

### Investment Approach

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

### Fund Terms – Share Class K (EUR) Acc.<sup>(6)</sup>

Minimum Initial Investment (Mn)	€125.00
Management Fee	1.25%
Performance Fee <sup>(7)</sup>	15.00%
Other Expenses <sup>(8)</sup>	0.45%

(1) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2014. Net performance for the Fund as well as indices is from 8/12/14 to 9/30/14.

(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 of the listed indices are compared to the Fund. Standard deviation and Sharpe calculations are annualized.

(3) This graph represents the hypothetical Net Asset Value if a client were to invest €10,000 into BXDMSKE, on August 12, 2014, the inception of BXDMSKE.

(4) Performance contribution represents the contribution of each strategy or sub-strategy to the Fund's total return. Performance contribution is shown gross of all fees and expenses.

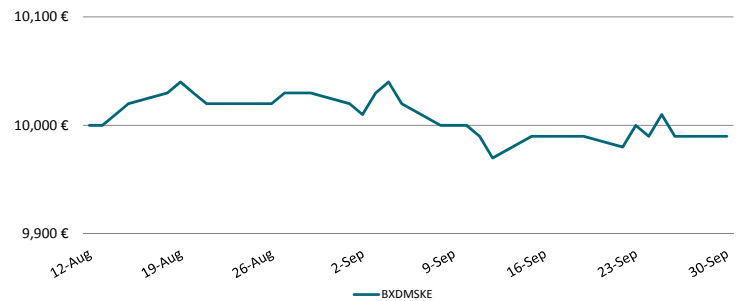
(5) The target allocations in the table reflect current targets. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced sub-advisers, strategies or sub-strategies.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

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

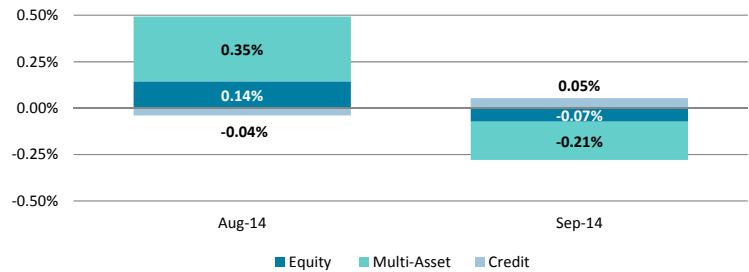
(7) The Fund will pay to Blackstone a performance fee equal to 15% of the excess of the NAV per share over the previous highest NAV per share. The Fund may also pay to Blackstone an additional performance fee equal to the amount of any performance fees owed by Blackstone to the sub-advisers. Any such additional performance fee will be deducted from Blackstone's performance fee before it is paid in subsequent performance periods. The performance fee together with any additional performance fee are subject to a cap of 4.95% of the NAV of the class.

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

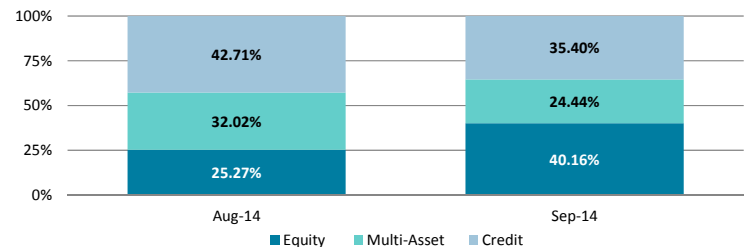
### Growth of € 10,000 Since Inception<sup>(1)(3)</sup>



### Performance Contribution by Sub-Strategy<sup>(4)</sup>



### Asset Allocation by Sub-Strategy<sup>(5)</sup>



### Portfolio Allocation<sup>(5)</sup>

Sub-Adviser	Strategy	Sub-Strategy	Target Allocation
Union Point	Fundamental	Equity (Long/Short)	
Rail Splitter	Fundamental	Equity (Long/Short)	
GSIS	Fundamental	Equity (Long/Short)	10-50%
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)	
Hedging-Griffo	Global Macro	Multi-Asset (Macro)	
BTG Pactual	Global Macro	Multi-Asset (Macro)	5-40%
EMSO	Fundamental	Multi-Asset (Macro EM-Credit)	
Chatham	Opportunistic Trading	Credit	
Cerberus	Opportunistic Trading	Credit (MBS/ABS)	
Bayview	Fundamental	Credit (MBS/ABS)	10-50%
Good Hill	Fundamental	Credit (MBS/ABS)	
Waterfall	Fundamental	Credit (MBS/ABS)	

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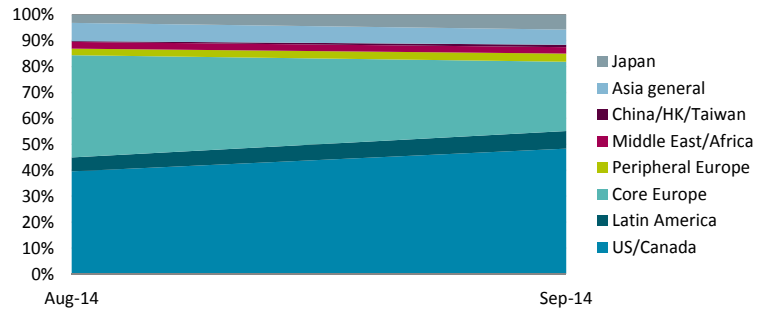
## September 30, 2014 | Investment Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at 9/30	MTD		QTD		YTD	
		Return	Attribution	Return	Attribution	Return	Attribution
Equity	40.16%	(0.23%)	(0.08%)	0.34%	0.07%	0.34%	0.07%
Credit	35.40%	0.15%	0.06%	0.06%	0.02%	0.06%	0.02%
Multi-Asset	24.44%	(0.60%)	(0.21%)	0.49%	0.14%	0.49%	0.14%
Expenses and Hedging			(0.17%)		(0.33%)		(0.33%)
Net Return <sup>(2)</sup>			(0.40%)		(0.10%)		(0.10%)

Asset Class Gross Historical Exposure<sup>(3)</sup>



Geographic Gross Historical Exposure<sup>(3)</sup>



- (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 is not necessarily indicative of future results. There can be no assurance that the Fund will achieve its objective or avoid significant losses. Performance is estimated and unaudited for 2014.
- (3) Exposure data is shown as at September 30, 2014. The Fund is an actively managed portfolio and investment allocations are subject to ongoing revision. Exposure data presented herein does not consider the impact of delta on option positions. Instead, exposures represent the market value of each underlying instrument. Positions of unknown type (if any) are excluded from exposure data. There is no attempt in this report to differentiate between or adjust for shorter versus longer duration rates trades. Instead, they are shown only by market value of exposure. Given that exposure data is based on fund holdings, it excludes unsettled trades. 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.

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All investors should consider the investment objectives, risks, charges and expenses of Blackstone Diversified Multi-Strategy Fund (BXDMS), Class K carefully before investing. The Key Investor Information Document ("KIID"), Prospectus and Supplement contain this and other information about BXDMS and are available on the Blackstone website at [www.blackstone.com/UCITS](http://www.blackstone.com/UCITS). 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.

**Sortino:** A modification of the Sharpe ratio that differentiates harmful volatility from general volatility by taking into account the standard deviation of negative asset returns, called downside deviation. The Sortino ratio subtracts the risk-free rate of return from the portfolio's return, and then divides that by the downside deviation. A large Sortino ratio indicates there is a low probability of a large loss.

**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 Aggregate Bond Index:** covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities all with a maturity of greater than one year.

**MSCI World Index:** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets.

### Important Disclosure:

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

### Important Risks:

There can be no assurance that BXDMS Class K 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 BAAM's skill in determining the Fund's allocation to alternative investment strategies and in selecting the best mix of sub-advisers. There can be no guarantee that sub-advisers will stick to the Investment strategy for which they were selected, or that these strategies will be successful.
- Sub-advisers may make investment decisions which conflict with each other; for example, sub-advisers may hold economically offsetting positions or may purchase or sell the same security at the same time without aggregating their transactions. This may result in unnecessary brokerage and other expenses and the Fund may incur losses as a result.
- Some of the sub-advisers selected may hold only a small number of investments, or assets that move closely in line with assets held by other sub-advisers.
- The Fund's investments will include shares, bonds and FDI. Each of these will be exposed to the risks specific to the type of asset in question. In particular, the use of FDI may result in substantial gains or losses that are greater in magnitude than the original amount invested.
- The Fund may invest in countries with a weak legal or financial framework where it can be hard to enforce ownership rights or repatriate funds.
- The Fund may invest in currencies other than its base currency. The success of measures to protect the Fund or a Class against currency movements cannot be certain.
- Changes in exchange rates may have an adverse effect on the value price or income of the product.
- The Fund may invest in FDI that derive their value from other assets in the expectation of making a profit if the price of the assets falls; theoretically, this could result in an infinite loss.
- The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.
- Low trading volumes, lack of buyers, large positions or legal restrictions may limit or prevent the Fund from selling particular assets quickly and/or at desirable prices.

For further information on the risks faced by the Fund, see "Risk Factors" in the Prospectus and Supplement for the Fund, available from [www.blackstone.com/UCITS](http://www.blackstone.com/UCITS)