Blackstone Diversified Multi-Strategy Fund: Class I (CHF) Acc. - BXDMSIC

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

Blackstone

December 31, 2015 | Investment Summary

Fund Net Performance [1][2]	ITD	YTD	QTD	MTD	*ITD STATISTICS* St Dev.	Beta	Alpha	Sharpe
BXDMSIC	(0.90%)	(0.90%)	0.10%	(1.20%)	4.60%	-	-	(0.27)
MSCI World TR (CHF - Hedged)	(4.59%)	(4.59%)	5.40%	(1.80%)	13.41%	0.19	(0.07%)	(0.44)
Barclays Glbl Agg (CHF - Hedged)	(2.30%)	(2.30%)	(1.13%)	0.45%	5.47%	(0.23)	(1.30%)	(0.55)

Fund Highlights

Fund Assets (Mn)	CHF 872.78
NAV per Share	CHF 9.91
Share Class Inception Date	April 8, 2015
Investment Manager	Blackstone Alternative Investment Advisors LLC
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 I (CHF) Acc.[6]

Minimum Initial Investment (Mn)	CHF 5.00
Management Fee	1.40%
Performance Fee[7]	15.00%
Other Expenses[8]	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 2015. Net performance for the Fund as well as indices is from 4/08/15 to 12/31/15.

(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 BXDMSIC 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) This graph represents the hypothetical Net Asset Value if a client were to invest CHF 10,000 into BXDMSIC, on April 8, 2015, the inception of BXDMSIC.

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

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

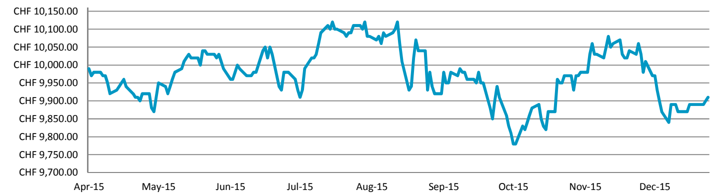
(7) The Fund will pay to Blackstone a performance fee equal to 15% of any returns the relevant class achieves above any losses carried forward from previous periods. The Fund may also pay to Blackstone an additional performance fee equal to the amount of any performance fees owed by Blackstone to the 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.

(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.

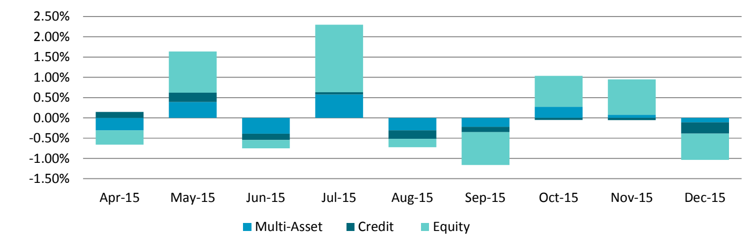
(9) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

(10) 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 BAIA, the Fund's investment adviser, on the basis that it is under common control with BAIA. The investment by BXDMS with Senfina benefits Blackstone and a withdrawal from Senfina would be detrimental to Blackstone.

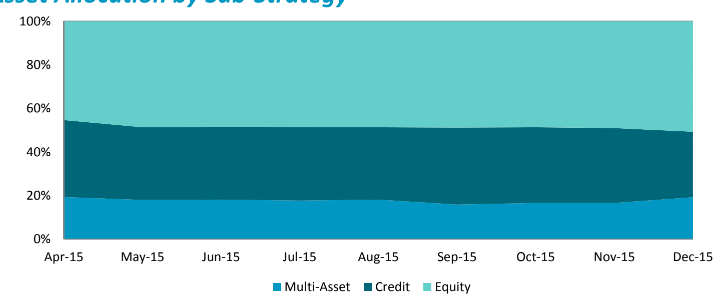
Growth of CHF 10,000 *Since Inception*[1][3]



Performance Contribution by Sub-Strategy[4]



Asset Allocation by Sub-Strategy[5]



Portfolio Allocation[5]

Sub-Adviser	Strategy	Sub-Strategy	Current Allocation
Rail Splitter	Fundamental	Equity (Long/Short)	
GSIS	Fundamental	Equity (Long/Short)	
HealthCor	Fundamental	Equity (Long/Short)	
Wellington	Fundamental	Equity (Long/Short)	51%
Senfina[10]	Fundamental	Equity (Market Neutral)	
Cerebellum	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	19%
Emso	Global Macro	Multi-Asset (Macro EM-Credit)	
Chatham	Opportunistic Trading	Credit	
Cerberus	Opportunistic Trading	Credit (MBS/ABS)	
Bayview	Fundamental	Credit (MBS/ABS)	
Caspian	Fundamental	Credit	30%
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall	Fundamental	Credit (MBS/ABS)	

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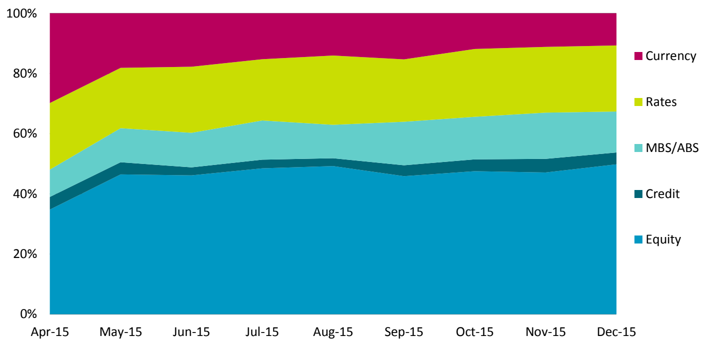
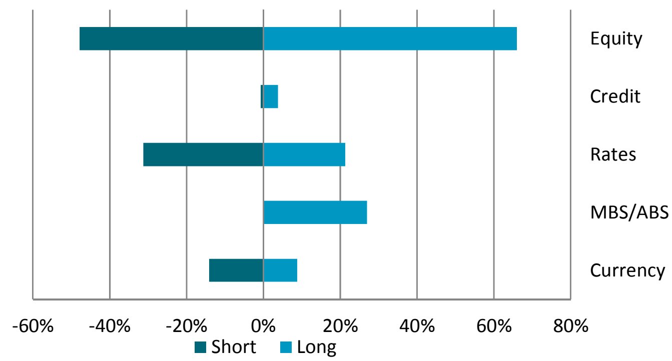
Sub-Strategy Performance [1]	Allocation at [4] 12/31/2015	MTD Return	MTD Attribution	QTD Return	QTD Attribution	ITD Cumulative Performance Return	ITD Cumulative Performance Attribution
Equity	50.71%	(1.31%)	(0.65%)	1.80%	0.98%	3.70%	2.07%
Credit	30.10%	(0.79%)	(0.28%)	(1.07%)	(0.38%)	(1.21%)	(0.45%)
Multi-Asset	19.19%	(0.68%)	(0.11%)	1.05%	0.24%	(0.19%)	(0.03%)
Expenses and Other			(0.16%)		(0.74%)		(2.49%)
Net Return [2]			(1.20%)		0.10%		(0.90%)

Asset Class Gross Historical Exposure[3]



Asset Class Exposure[3]



Fund Geographic Exposure[3]

Region	Long	Short	Net
US/Canada	81.73%	45.62%	36.11%
Latin America	9.23%	0.43%	8.80%
Core Europe	16.86%	19.93%	-3.07%
Peripheral Europe	4.08%	0.43%	3.65%
Middle East/Africa	2.20%	2.40%	-0.20%
China/HK/Taiwan	0.28%	0.72%	-0.45%
Asia general	8.87%	5.11%	3.76%
Japan	4.04%	19.48%	-15.44%
Total	**127.29%**	**94.13%**	**33.16%**

(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 2015.
(3) 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.
(4) Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.

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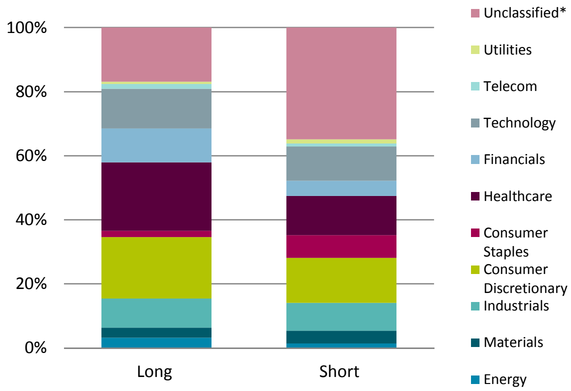
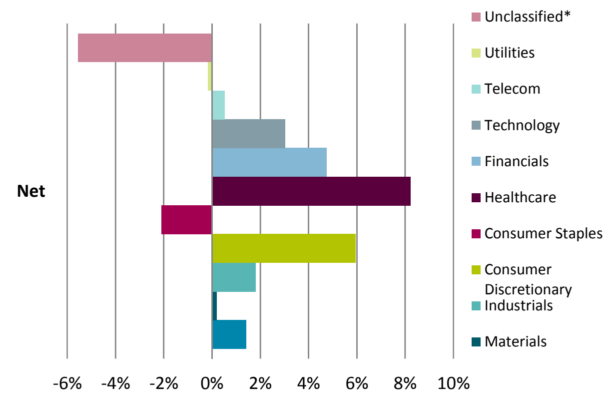
Equity Exposure – Sector Breakdown[(1)]



Equity Exposure – Net Sector Breakdown[(1)]



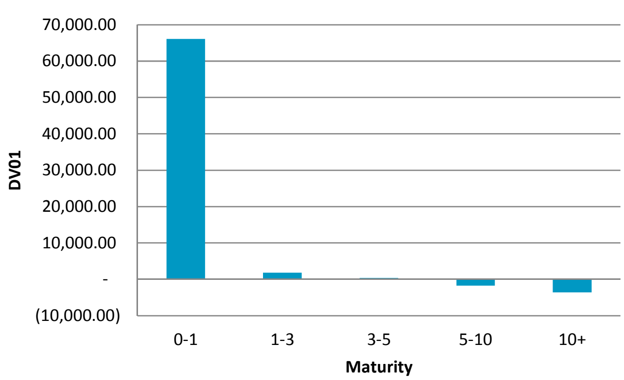
Currency Exposure[(1)]

Region	Long	Short	Net
Asia general	0.40%	2.36%	-1.96%
China/HK/Taiwan	0.00%	0.69%	-0.69%
Core Europe	1.54%	7.00%	-5.45%
Japan	2.29%	1.57%	0.72%
Latin America	1.77%	0.18%	1.59%
Middle East/Africa	1.46%	1.42%	0.05%
Peripheral Europe	0.82%	0.38%	0.44%
US/Canada	0.53%	0.53%	0.00%
Total	**8.81%**	**14.11%**	**-5.31%**

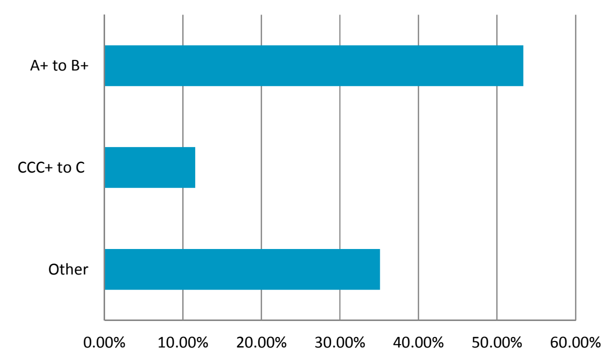
Equity Exposure – Sector Breakdown[(1)]

	Long	Short	Net
Energy	2.11%	0.69%	1.41%
Materials	2.08%	1.87%	0.20%
Industrials	6.00%	4.18%	1.82%
Consumer Discretionary	12.66%	6.72%	5.94%
Consumer Staples	1.30%	3.40%	-2.10%
Healthcare	14.10%	5.87%	8.23%
Financials	6.99%	2.24%	4.75%
Technology	8.15%	5.11%	3.04%
Telecom	1.00%	0.47%	0.53%
Utilities	0.46%	0.63%	-0.17%
Unclassified*	11.12%	16.69%	-5.57%
Total	**65.96%**	**47.86%**	**18.10%**

Fixed Income Interest Rate Sensitivity[(2)]



Fixed Income Ratings[(1)]



VaR Analysis[(3)]

Date	VaR
12/31/15	2.91%

(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.

(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

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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/UCITS. ***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.***

The Representative and Paying Agent of the Fund is Societe Generale, Paris, Zurich Branch, Talacker 50, 8021 Zürich. The statutory documents of the Fund are available free of charge from the Representative. In respect of the distribution activity of the Shares in the Fund distributed in and from Switzerland, the place of performance and jurisdiction is the registered office of the Representative.

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 (CHF-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 (CHF-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 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/UCITS

Blackstone

Market Commentary & Review of Fund Performance

December Market Commentary

On December 16th, the Federal Reserve raised short-term interest rates by 0.25% from near zero, the first Fed tightening policy in nearly ten years. According to Chair Janet Yellen, "The Fed's decision today reflects our confidence in the U.S. economy," indicating the Fed believes that the U.S. economy is strong enough to keep growing with less help from the Central Bank. Despite this vote of confidence and a brief day-long rally for U.S. stocks, the S&P 500 and the Dow Jones Industrial Average ended the month down -1.58% and -1.66%, respectively. Given that the Fed's decision to begin raising rates was widely anticipated, the open question remains how quickly Yellen will continue raising rates. As a historical reference, in the 1994 cycle, rates rose by 300bps in 13 months, and starting in 2004, by 200bps each year for two years. Yellen indicated that future rate hikes would be "gradual," yet uncertainty remains about what gradual means and how investors will adjust to this uncharted environment.

Looking at the economy more broadly, the data remains mixed but supports a story of improving fundamentals and a positive 2016 outlook. On the positive side, the U.S. unemployment rate in November remained unchanged at 5%, and a tightening labor market could put upward pressure on wages. The number of Americans signing up for unemployment benefits has nearly reached a 42-year low, and the housing sector has benefited from an improving labor market and rising incomes. Still, the economy continues to face significant headwinds. Since the middle of 2014, the U.S. dollar has appreciated sharply, exerting a drag on economic growth by reducing exports. By virtue of lower import prices, the dollar's strength has also put downward pressure on inflation, which has remained below the Fed's 2% target for more than three years and could impact the pace at which the Fed is able to continue raising rates. Finally, record low oil prices have wreaked havoc on the oil industry and led to dramatic job losses, bankruptcies, and defaults, particularly among smaller companies and MLPs. Benchmark U.S. crude dropped to its lowest levels since early 2009, and oil closed the year at $37 a barrel. The silver lining, of course, is lower gas prices at the pump, but the impact on consumer spending has been lower than expected and inflation-adjusted retail spending remains sluggish.

Review of Fund Performance

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 a variety of investment sub-advisers with experience managing non-traditional or "alternative" investment strategies. In December, the Fund's Class I share class returned -1.05%[1] net of fees and expenses versus -1.72% and -0.32% for the MSCI

[1] 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.

World and Barclays U.S. Aggregate Bond Index, respectively.[2] **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.**

Equity Strategies

Equity strategies were the largest detractor from performance in December. Certain exposures within Consumer Staples, Consumer Discretionary, Financials, and Healthcare experienced losses, both on the long and short side, while exposure to sectors including Pharmaceuticals, Media, and Telecom experienced gains. ETF shorts also contributed positively to the equity book over the course of the month.

Credit Strategies

Credit strategies posted mixed results but overall detracted from performance. Exposure to government-sponsored enterprise (GSE) risk transfer deals detracted, as well as several energy-related exposures that traded lower as a result of falling oil prices. Conversely, positive carry outweighed mark to market losses to provide small gains, and some of the Fund's short-biased positioning also contributed gains amongst market dislocations and a volatile economic backdrop.

Multi-Asset Strategies

Multi-Asset strategies ended the month slightly down. Currencies detracted from performance, along with equities. Losses were driven by investments in Brazilian quasi-sovereign credit, with offsetting gains in long positions in Argentine sovereign credit. The Fund's relative bonds book (an application of factor models across the fixed income space) also finished the month in positive territory as gains generated from short Germany and long U.S. positions outweighed the losses from short exposures in Australia and Japan.

2015 Year in Review

For 2015, the Fund's I share class[1] returned 3.40%, versus 1.38% for the S&P 500, -0.32% for the MSCI World, and 0.55% for the Barclays Agg.

Looking at the year in aggregate, Equity strategies contributed the majority of performance, followed by Multi-Asset strategies and then Credit strategies. A decision was made to reduce the Fund's equity beta, particularly in the second half of the year. At BAAM, we do not try to predict where equity markets are going; instead, this

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decision to reduce the Fund's beta was driven by our views on where investors can be rewarded for taking beta risk and the favorability of the risk/reward for a given beta. This benefited the portfolio in periods like Q3 when the S&P fell over 2% on a China slowdown and global growth concerns, but made it harder for the Fund to maintain pace with equity markets when the market rebounded in Q4. Looking at 2015 overall, the portfolio benefitted from a move towards strategies with lower market directionality and lower beta. The Fund's Equity Market Neutral strategies performed particularly strongly for the year and generated substantial alpha on the short side, and Blackstone increased allocations to these managers with the aim of protecting and growing capital while reducing the Fund's volatility compared to the major equity indices.

Credit strategies had muted performance over the year but ended 2015 in positive territory. Global growth concerns centered on China's slowdown and general emerging market weakness, coupled with volatile commodity prices, caused spreads across credit products to widen over the year. In the corporate credit space, performance lagged primarily due to the underperformance of distressed credits. Lower rated credits – CCC and lower – drove underperformance in the corporate credit space, with energy credits the largest detractors. For relative value/trading oriented credit strategies, the focus on higher liquidity names helped limit losses during times of high market volatility. In the mortgage and structured products space, low default rates and positive carry contributed to positive performance and structured credit books proved resilient in the context of the broader risk-off environment.

Finally, Multi-Asset strategies contributed positively for 2015 as well. Gains were driven by longs in Argentina, as well as some exposure to Greek sovereign debt. Other winners came from shorts in FX and rates in Brazil and South Africa, with some small returns from carry in Venezuela.

New Managers Added/Removed

At BAAM, we believe that managing the optimal mix of strategies across the portfolio and adjusting it over time is key to generating returns in different market environments. Over the course of 2015, we added four new sub-advisors and terminated three existing sub-advisors. For more information on these managers, please refer to the description of sub-advisors available on the Blackstone website.

Sub-Advisor Additions:

1. Blackstone Senfina Advisors
2. Wellington
3. Healthcor
4. IPM Informed Portfolio Management

Sub-Advisor Terminations:

1. Union Point
2. Verde
3. BTG Pactual

Manager 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. If done properly, there is potential value that can be created by making the right top-down calls on which asset classes are attractive in a given environment and increasing the Fund's exposure to those asset classes. As an example, a large theme across our portfolios in 2015 was reducing equity beta by increasing allocations to low beta managers and Multi-Asset (diversifying) managers. Heading into 2016, an important theme we continue to see is the divergence between steady U.S. domestic growth (albeit slow) and weakness in global growth. The S&P closed the year approximately 4% away from its all-time high, and is up over 50% since its high in October 2007.[3] Compare this to Russia and Brazil, which are down -4% and -32%, respectively, over this same period.[4] This divergence creates opportunity, as it impacts where investors can benefit from market beta exposure and where investors can capture alpha. Similarly, in the U.S., we see a bifurcation where six sectors have forward 12-month PE ratios that are above their 10-year averages, and three sectors with a ratio below their 10-year average. This also creates an opportunity for hedge funds to pick the "winners" from the "losers" as this bifurcation eventually reverses.

[3] The S&P reached 1,565.15 on October 9th, 2007
[4] Calculated using the Brazilian Bovespa and the Russian MICEX