

Blackstone Diversified Multi-Strategy Fund: Class I (NOK) - BXDMSIN

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



January 31, 2016 | Investment Summary

Fund Net Performance ⁽¹⁾⁽²⁾	ITD	YTD	QTD	MTD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSIN	(1.22%)	(1.92%)	(1.92%)	(1.92%)	4.13%	-	-	(1.07)
MSCI World TR (NOK-Hedged)	(6.07%)	(5.90%)	(5.90%)	(5.90%)	13.87%	0.12	(0.46%)	(1.37)
Barclays Gbl Agg (NOK-Hedged)	(1.29%)	0.93%	0.93%	0.93%	4.43%	(0.27)	(1.48%)	(0.99)

Fund Highlights	
Fund Assets (Mn)	NOK 7,760.85
NAV per Share	NOK 98.78
Share Class Inception Date	October 16, 2015
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily

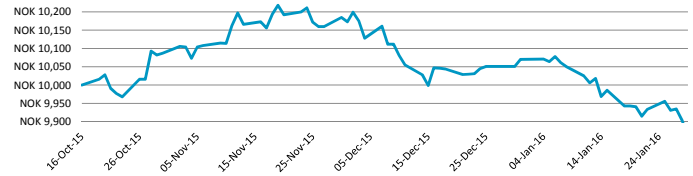
Investment Approach

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.

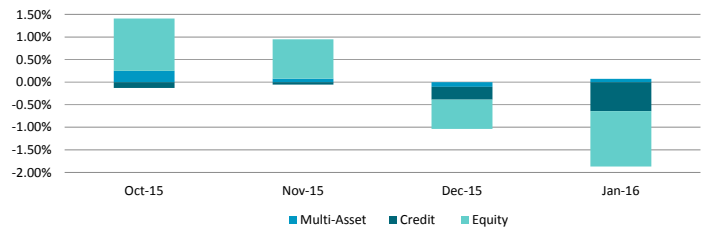
Fund Terms – Share Class I (NOK) Acc. ⁽⁶⁾	
Minimum Initial Investment (Mn)	NOK 35.00
Management Fee	1.40%
Performance Fee ⁽⁷⁾	15.00%
Other Expenses ⁽⁸⁾	0.45%

- 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 2015 and 2016. Net performance for the Fund as well as indices is from 10/16/15 to 1/31/16.
- 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 BXDMSIN compared to the specific indices. Standard deviation and Sharpe calculations are annualized. All Inception to Date Statistics are calculated using daily performance since inception.
- This graph represents the hypothetical Net Asset Value if a client were to invest NOK 10,000, on October 16, 2015, the inception of BXDMSIN.
- 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.
- 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.
- 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 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.

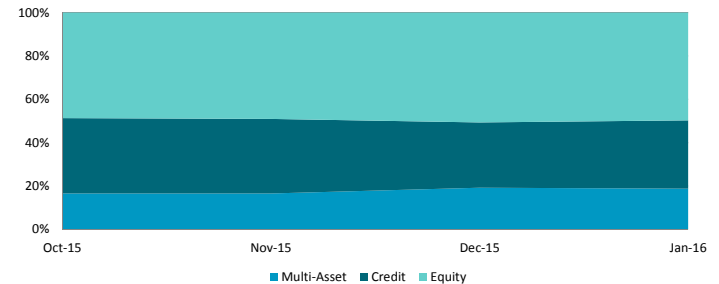
Growth of NOK 10,000 Since Inception⁽¹⁾⁽³⁾



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)	50%
Senfina ⁽⁹⁾	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	32%
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall	Fundamental	Credit (MBS/ABS)	

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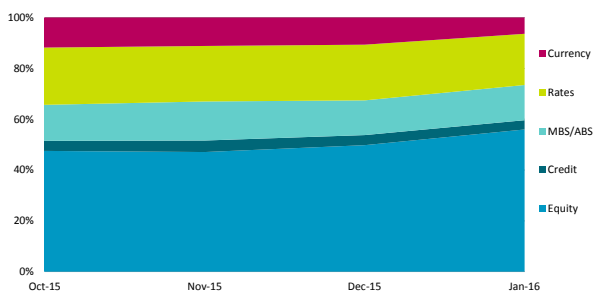
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Blackstone

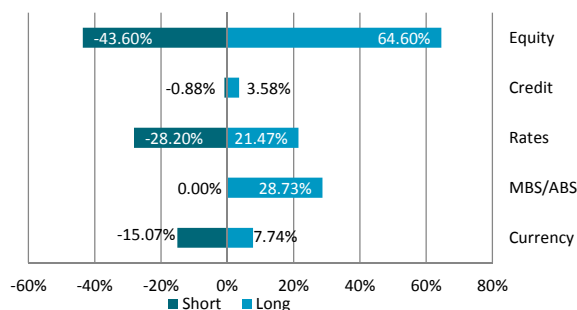
January 31, 2016 | Investment Summary

Sub-Strategy Performance ⁽¹⁾	Allocation at ⁽⁴⁾		MTD		QTD		ITD Cumulative Performance	
	1/29/2016	Return	Attribution	Return	Attribution	Return	Attribution	
Equity	49.68%	(2.29%)	(1.23%)	(2.29%)	(1.23%)	0.19%	0.14%	
Credit	31.54%	(2.04%)	(0.64%)	(2.04%)	(0.64%)	(3.30%)	(1.11%)	
Multi-Asset	18.77%	0.31%	0.07%	0.31%	0.07%	1.25%	0.29%	
Expenses and Other			(0.12%)		(0.12%)		(0.55%)	
Net Return ⁽²⁾			(1.92%)		(1.92%)		(1.22%)	

Asset Class Gross Historical Exposure⁽³⁾



Asset Class Exposure⁽³⁾



Fund Geographic Exposure⁽³⁾

Region	Long	Short	Net
US/Canada	81.86%	45.01%	36.85%
Latin America	10.72%	0.27%	10.45%
Core Europe	19.42%	13.84%	5.58%
Peripheral Europe	3.95%	0.11%	3.84%
Middle East/Africa	3.28%	3.42%	-0.14%
China/HK/Taiwan	0.37%	1.62%	-1.25%
Asia general	3.42%	5.65%	-2.23%
Japan	3.47%	18.61%	-15.14%
Total	126.49%	88.54%	37.95%

- (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 and 2016.
- (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%.

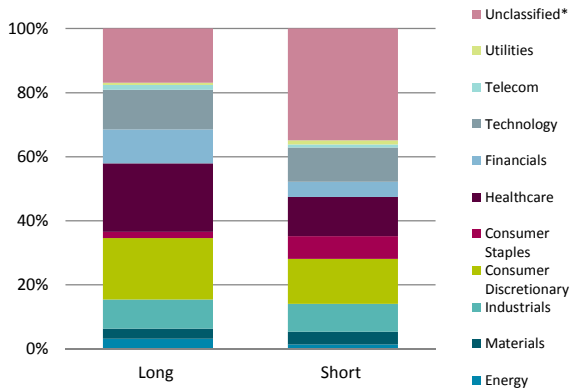
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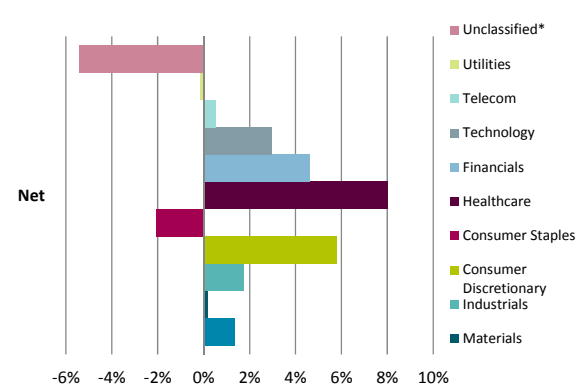


January 31, 2016 | Investment Summary

Equity Exposure – Sector Breakdown⁽¹⁾



Equity Exposure – Net Sector Breakdown⁽¹⁾



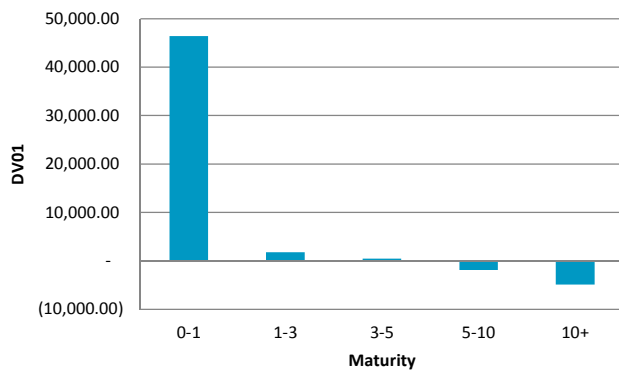
Currency Exposure⁽¹⁾

Region	Long	Short	Net
Asia general	0.01%	2.57%	-2.56%
China/HK/Taiwan	0.00%	0.94%	-0.94%
Core Europe	0.78%	6.18%	-5.40%
Japan	1.24%	1.61%	-0.37%
Latin America	2.05%	0.00%	2.05%
Middle East/Africa	2.41%	2.48%	-0.07%
Peripheral Europe	0.67%	0.00%	0.67%
US/Canada	0.58%	1.01%	-0.43%
Total	7.74%	14.79%	-7.05%

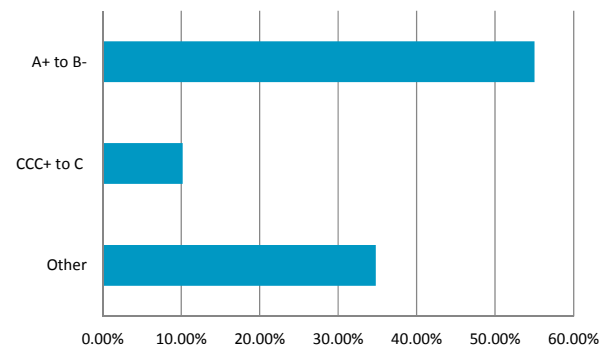
Equity Exposure – Sector Breakdown⁽¹⁾

	Long	Short	Net
Energy	2.05%	0.67%	1.38%
Materials	2.02%	1.82%	0.20%
Industrials	5.84%	4.07%	1.77%
Consumer Discretionary	12.33%	6.54%	5.79%
Consumer Staples	1.26%	3.31%	-2.05%
Healthcare	13.73%	5.71%	8.01%
Financials	6.81%	2.18%	4.63%
Technology	7.94%	4.98%	2.96%
Telecom	0.98%	0.46%	0.52%
Utilities	0.44%	0.61%	-0.17%
Unclassified*	10.83%	16.26%	-5.42%
Total	64.24%	46.62%	17.63%

Fixed Income Interest Rate Sensitivity⁽²⁾



Fixed Income Ratings⁽¹⁾



VaR Analysis⁽³⁾

Date	VaR
1/31/16	2.97%

- (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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January 31, 2016 | Investment Summary

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.

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 (NOK-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 (NOK-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

Market Commentary & Review of Fund Performance

January Market Commentary

The start of a new year often signals the beginning of a new chapter with renewed optimism, hope for change and resolutions to behave differently. For financial markets in January, however, it was the same old story. A perceived slowdown in China and continued fears about the crash in oil prices helped propel the global economy further into a tailspin, and the perception of expensive equity valuations dealt a big blow to stocks.

Many investors wondered whether the Federal Reserve (the “Fed”) acted prematurely when it raised short-term interest rates last month after a slew of negative economic data releases in January indicated a material slowdown in manufacturing and corporate profits. Still, there was no shortage of hawkish statements from regional Fed presidents suggesting further rate hikes over the course of 2016. Markets are “fighting the Fed” and pricing in the belief that rate hikes will occur at a slower pace than what the Fed is indicating. Inflation remains relatively low, and some of the effects that the Fed thinks are transitory could potentially be longer lasting, especially given current dynamics in energy markets and other developments around the world.

One bright spot in the softening macro landscape was the U.S. labor market as almost every jobs-related data point appeared to be improving. We believe the unemployment rate will likely decline modestly throughout the year; however, we note that the employment-to-population ratio for the prime age group of 25 to 54 is still below pre-crisis levels and the levels of many other developed economies.

Given the market correction this month, some bearish market commentators have suggested that a recession is imminent. Looking at a number of indicators including consumer sentiment, labor market strength, housing, monetary policy and fiscal policy, we believe that a recession could still be a year or more away. Nevertheless, we monitor and consider a wide range of potential scenarios spanning very bullish to very bearish outcomes over the next few years.

An issue that received global attention during the month was the nearly 23% decline in Chinese equities¹, and it’s worth noting that the Fund’s exposure to China/Hong Kong/Taiwan is slightly net short (-1.25%). Compared to the U.S., the Chinese stock market is substantially smaller relative to Chinese GDP and also relative to the country’s population. Additionally, less than 8% of U.S. exports go to China so we would not expect the direct trade impact on the U.S. to be very large even if the Chinese economy were to slow further. China is experiencing a gradual slowdown in its rate of GDP growth and in industrial production. However, this is countered by strength in the consumer sector. So while there may be cycles and bumps along the road as China transitions its economy away from investment-led growth and towards consumption, this transition is consistent with the historical experiences of other emerging market countries as they mature into developed markets, and we believe that China will experience more of a “soft landing” than a “hard landing.”

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 January, the Fund’s Class I share class returned -1.93%² net of fees and expenses versus -5.96% and 1.38% for the MSCI World and

¹ Calculated using the January 2016 monthly return for the Shanghai Composite Index.

² 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.

Barclays U.S. Aggregate Bond Index, respectively³. **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 January with long exposures to Biotech, Pharmaceuticals, Banks, Consumer Discretionary and Media leading losses. Biotech was a sector that was hit disproportionately hard despite a general lack of idiosyncratic news. Short exposures to certain Technology, Healthcare, Industrials and Materials names as well as some ETF shorts helped offset losses. Going forward, we continue to be cautious on the prospects for equity beta or index returns given current trends such as a dip in corporate profits relative to U.S. GDP and equity valuations that remain on the richer side of historical averages. Nevertheless, there could be some brighter spots in the equity market and in the broader economy due to the impact of lower energy prices, which are often a windfall gain for consumers and could be beneficial for profit margins in many industries around the world. Factors such as exposure to the consumer, as well as differing energy intensity, may set up for substantial performance dispersion between individual stocks and could benefit strategies that can deliver short alpha.

Credit Strategies

Credit strategies also detracted during the month with exposure to government-sponsored enterprise (GSE) risk transfer deals driving losses. Still, we believe that technical supply pressure is temporarily causing an adverse affect on prices and maintain conviction in the credit fundamentals underlying the trade’s thesis. Some of the portfolio’s mortgage-backed, asset-backed and high yield exposures experienced mark-to-mark losses that outweighed positive carry. The portfolio also suffered from spread widening in some commercial mortgage-backed exposures and from a broader sell-off in the high yield market, which was partially due to volatility in oil prices.

Multi-Asset Strategies

Although performance was mixed, Multi-Asset strategies as a whole ended the month in positive territory. The challenging market environment for emerging markets credit exposures continued into the new year as big swings in oil prices, concerns over global growth and fears about credit market liquidity all impacted countries to which the Fund has exposure. Greece, Venezuela and Argentina were hit especially hard as a result of general risk-off sentiment, continuously low oil prices leading to increased fears of a sovereign default and profit taking, respectively. Additionally, fixed income exposures declined, while currency exposures experienced gains. While European fixed income shorts caused some offsetting losses, the overall net long exposure to global bonds led to a sizable profit. Looking ahead, we believe that there will continue to be substantial divergences in FX around the world due to factors such as current account balances, risk sentiment, and net commodity consuming versus producing countries, which could create attractive long and short opportunities for some of our Macro-focused strategies.

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