

# Blackstone Diversified Multi-Strategy Fund: Class I (USD) Acc. - BXDMSIU

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



## October 31, 2015 | Investment Summary

Fund Net Performance <sup>(1)(2)</sup>	ITD	YTD	QTD	MTD	ITD STATISTICS			
					St Dev.	Beta	Alpha	Sharpe
BXDMSIU	3.38%	3.80%	0.68%	0.68%	4.05%	-	-	0.83
MSCI World TR Index	0.93%	1.88%	7.95%	7.95%	12.50%	0.20	2.99%	0.07
Barclays Gbl Agg Index	(3.52%)	(2.04%)	0.21%	0.21%	5.29%	(0.22)	2.56%	(0.67)

### Fund Highlights

Fund Assets (Mn)	\$592.49
NAV per Share	\$10.39
Share Class Inception Date	September 10, 2014
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily

### Investment Approach

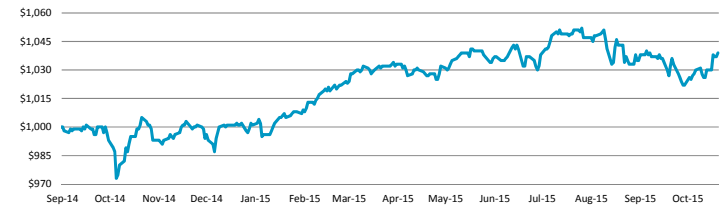
The Fund's investment objective is to seek capital appreciation. The Fund seeks this objective by allocating its assets among a variety of discretionary sub-advisers with experience managing non-traditional or "alternative" investment strategies. Blackstone is responsible for selecting the strategies, 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 (USD) Acc. <sup>(6)</sup>

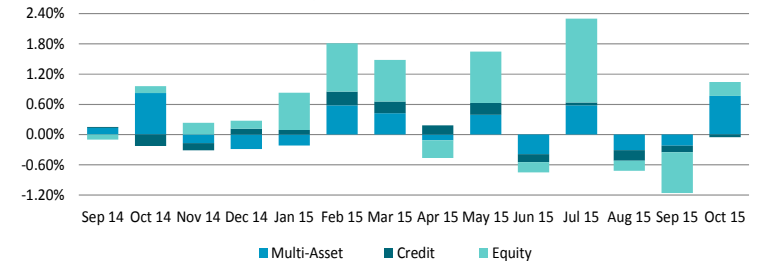
Minimum Initial Investment (Mn)	\$5.00
Management Fee	1.40%
Performance Fee <sup>(7)</sup>	15.00%
Other Expenses <sup>(8)</sup>	0.45%

- (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 2015. Net performance for the Fund as well as indices is from 9/10/14 to 10/31/15.
- (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 BXDMSIU compared to the specific indices. Standard deviation and Sharpe calculations are annualized. All Inception to Date Statistics are calculated using daily performance since Inception.
- (3) This graph represents the hypothetical Net Asset Value if a client were to invest \$10,000 into BXDMSIU, on September 10, 2014, the inception of BXDMSIU.
- (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.

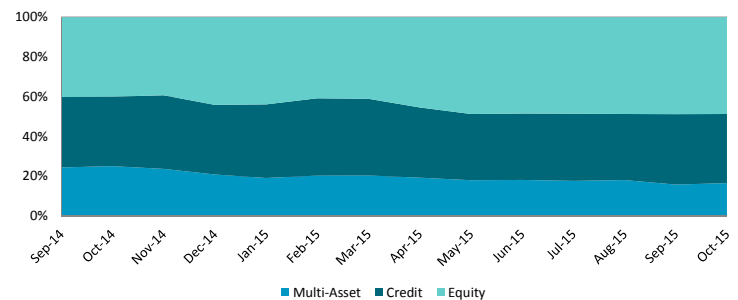
### Growth of \$10,000 Since Inception <sup>(1)(3)</sup>



### 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	Current Allocation
Rail Splitter	Fundamental	Equity (Long/Short)	
GSIS	Fundamental	Equity (Long/Short)	
HealthCor	Fundamental	Equity (Long/Short)	
Senfina <sup>(10)</sup>	Fundamental	Equity (Market Neutral)	49%
Cerebellum <sup>(9)</sup>	Quantitative	Equity (Market Neutral)	
Two Sigma Advisers	Quantitative	Equity (Market Neutral)	
Alpha Parity	Quantitative	Multi-Asset (Macro Systematic)	
IPM	Quantitative	Multi-Asset (Macro Systematic)	
Verde <sup>(9)</sup>	Global Macro	Multi-Asset (Macro)	17%
BTG Pactual <sup>(9)</sup>	Global Macro	Multi-Asset (Macro)	
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	35%
Good Hill	Fundamental	Credit (MBS/ABS)	
Sorin	Fundamental	Credit (MBS/ABS)	
Waterfall	Fundamental	Credit (MBS/ABS)	

# Blackstone Diversified Multi-Strategy Fund: Class I (USD) Acc. - BXDMSIU

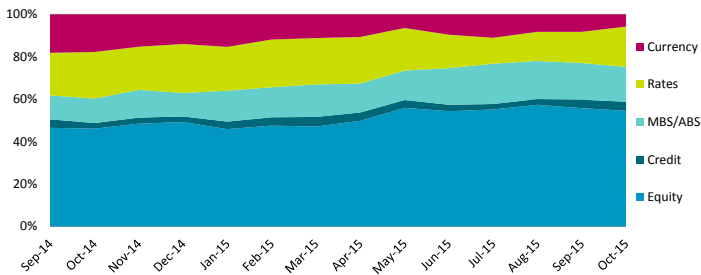
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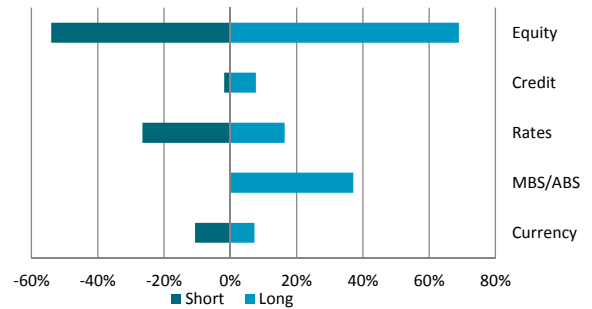
## October 31, 2015 | Investment Summary

Sub-Strategy Performance <sup>(1)</sup>	Allocation at <sup>(4)</sup>	MTD		QTD		YTD		ITD Cumulative Performance	
	10/31/2015	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	48.68%	1.52%	0.76%	1.52%	0.76%	9.05%	4.44%	10.28%	4.93%
Credit	34.74%	(0.15%)	(0.05%)	(0.15%)	(0.05%)	1.15%	0.50%	0.52%	0.25%
Multi-Asset	16.57%	1.38%	0.27%	1.38%	0.27%	4.54%	0.99%	6.61%	1.55%
Expenses and Other			(0.31%)		(0.31%)		(2.14%)		(2.83%)
Net Return <sup>(2)</sup>			0.68%		0.68%		3.80%		3.90%

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



### Asset Class Exposure<sup>(3)</sup>



### Fund Geographic Exposure<sup>(3)</sup>

Region	Long	Short	Net
US/Canada	95.20%	57.64%	37.56%
Latin America	11.97%	1.33%	10.64%
Core Europe	16.33%	16.19%	0.14%
Peripheral Europe	3.34%	0.01%	3.33%
Middle East/Africa	2.25%	2.17%	0.08%
China/HK/Taiwan	0.91%	0.58%	0.33%
Asia general	3.70%	2.33%	1.38%
Japan	3.03%	10.38%	-7.35%
<b>Total</b>	<b>136.74%</b>	<b>90.64%</b>	<b>46.10%</b>

- (1) Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
- (2) Fund performance is shown net of all fees and expenses. Past performance may not be a reliable guide to future performance. The value of Fund shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Performance is estimated and unaudited for 2015. Net performance for the Fund is from 9/10/14 to 10/31/15.
- (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%.

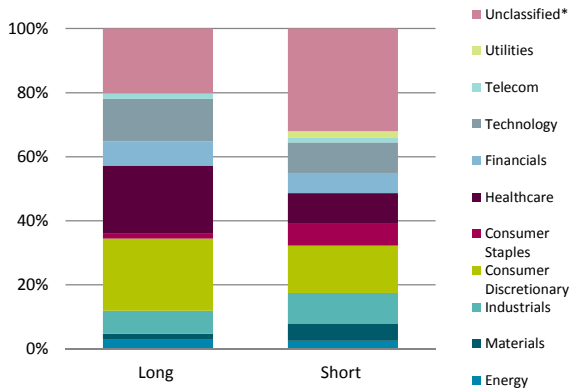
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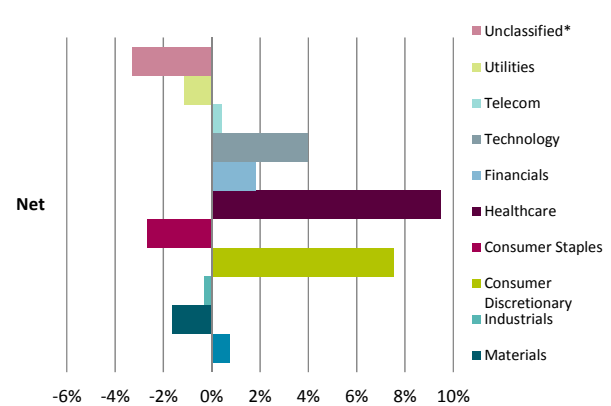


## October 31, 2015 | Investment Summary

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



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



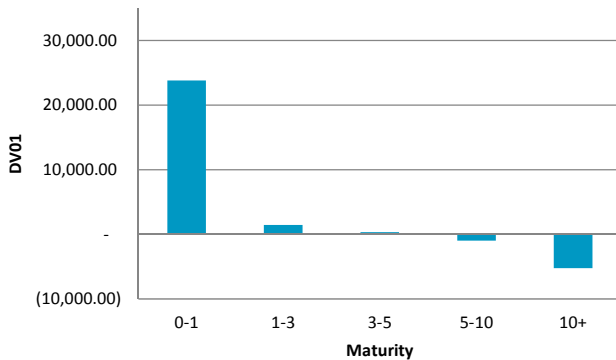
### Currency Exposure<sup>(1)</sup>

Region	Long	Short	Net
Asia general	0.00%	1.08%	-1.08%
China/HK/Taiwan	0.00%	0.49%	-0.49%
Core Europe	0.49%	4.40%	-3.91%
Japan	0.10%	0.00%	0.10%
Latin America	1.66%	0.00%	1.66%
Middle East/Africa	1.69%	1.24%	0.45%
Peripheral Europe	0.19%	0.00%	0.19%
US/Canada	0.74%	0.99%	-0.25%
<b>Total</b>	<b>4.87%</b>	<b>8.20%</b>	<b>-3.32%</b>

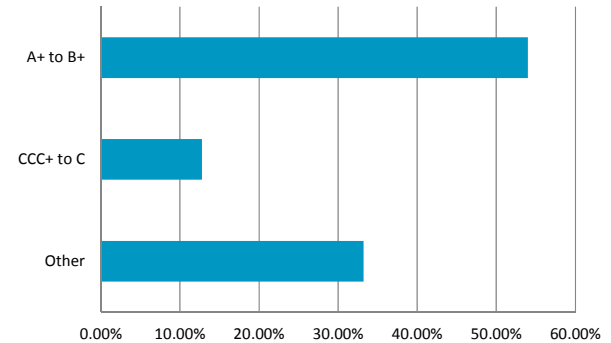
### Equity Exposure – Sector Breakdown<sup>(1)</sup>

	Long	Short	Net
Energy	2.14%	1.38%	0.75%
Materials	1.17%	2.82%	-1.65%
Industrials	4.94%	5.26%	-0.32%
Consumer Discretionary	15.53%	7.97%	7.57%
Consumer Staples	1.00%	3.68%	-2.68%
Healthcare	14.68%	5.18%	9.50%
Financials	5.21%	3.39%	1.81%
Technology	9.15%	5.19%	3.96%
Telecom	1.15%	0.74%	0.41%
Utilities	0.01%	1.15%	-1.14%
Unclassified*	13.98%	17.29%	-3.31%
<b>Total</b>	<b>68.95%</b>	<b>54.05%</b>	<b>14.91%</b>

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



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



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

Date	VaR
10/31/15	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 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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October 31, 2015 | 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](http://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 as indicative and for illustrative purposes only, are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of BXDMS. In addition, the indices employ different investment guidelines and criteria than BXDMS; as a result, the holdings in BXDMS may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of BXDMS, but rather is disclosed to allow for comparison of BXDMS performance to that of well-known and widely recognized indices. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

**Barclays Global Aggregate Bond Index:** provides a broad-based measure of the global investment grade fixed-rate debt markets. It is comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indexes.

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

## Important Disclosure:

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

## Important Risks:

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

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

## Performance Commentary

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 October, the Fund’s Class I share class<sup>1</sup> returned +0.68% net of fees and expenses versus +7.95% and +0.02% for the MSCI World and Barclays U.S. Aggregate Bond Index, respectively<sup>2</sup>. **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.**

After two months of declines, global equities surged in October and brought year-to-date returns back into positive territory. In fact, the MSCI World posted its best monthly gain in four years. Better-than-expected corporate earnings results and strong housing data in the U.S., along with increased speculation that central banks from Europe to Asia will maintain accommodative monetary policies helped give stocks a boost. Still, there were pockets of volatility. Select healthcare, biotech and pharmaceutical stocks came under pressure once again on the heels of questions regarding accounting and business practices, political noise surrounding specific healthcare issues, weaker earnings, as well as selling pressure in crowded names. The U.S. Federal Reserve (the “Fed”) also upended financial markets with two simple words (“next meeting”), pushing bonds lower, sending the U.S. dollar higher and temporarily running surging stocks off course—though they quickly regained their upward trajectory. This was the first time the Fed explicitly stated that it was contemplating raising rates in December, which would take the target range for benchmark short-term rates above 0.00%-0.25% for the first time in seven years.

While the Fund’s modest return in a particularly strong equity tape is disappointing, our focus is a long-term investment horizon, and with that perspective, we believe that our current positioning is justified. Earlier this year, in expectation of increased market volatility, we made a conscious decision to reduce the equity beta in the portfolio by shifting allocations to less directional strategies. Markets were indeed volatile, and our strategic allocation shifts enabled the Fund to protect capital during the August drawdown and continued weakness in September. However, when stocks reversed course and staged a rally in October, the Fund’s positioning translated into reduced upside capture potential.

With our broadly-diversified positioning across alternative strategies, we are focused on generating alpha rather than exhibiting beta to traditional asset classes. Going forward, we will continue to source investments with idiosyncratic risk/reward profiles, relative value trading opportunities on broader macro themes and shorter-term risk-diversifying benefits. Furthermore, our expectation of continued market volatility in the near-term highlights the need to examine investment opportunities that have the potential to drive risk-adjusted performance and allow for portfolio diversification.

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### Equity

Equity strategies were the biggest contributor to the Fund's performance despite October being one of the worst months in recent years for Equity Long/Short strategies from an alpha generation perspective. We saw several themes play out in this part of the portfolio that limited our upside capture. First, some of the Fund's sub-advisers decreased net exposure in expectation of continued equity market declines following the August/September downturn. Second, certain sectors like energy and materials that are underweight in our portfolio and had been laggards throughout the year and especially in September staged a comeback and were some of the best-performing sectors during October. Again, having low net exposure to these sectors helped the Fund earlier this year but hindered its performance in October. Finally, we saw a dispersion in sub-adviser returns during the month with some exhibiting strong performance and others experiencing weakness due to idiosyncratic company-specific factors. This underscores our emphasis on portfolio diversification at the strategy and sub-strategy level. Ultimately, exposures to consumer discretionary and internet sectors contributed to performance, while exposures to certain healthcare sub-sectors, telecommunications, technology, industrials and software detracted from performance.

### Credit

Credit strategies had mixed performance, ending the month relatively flat. As another example of a previous straggler unexpectedly leading the pack in October (and vice versa), high yield fixed income posted gains, in part from credits associated with the energy sector, while asset-backed exposures underperformed. Not surprisingly, the Fund's high yield exposures had positive performance, while certain mortgage-backed and asset-backed exposures experienced mark-to-market losses due to spread widening. Some commercial real estate exposures were flat as positive performance was offset by portfolio hedges. Other mortgage-backed exposures detracted from performance due to technical supply pressure.

### Multi-Asset

The performance of the Multi-Asset strategies was also mixed, but ended the month positive. Following a weak September report on U.S. nonfarm payrolls, October was a strong month for emerging market asset classes, and the Fund experienced gains in dollar-denominated credit exposures. Argentine sovereign fixed income also saw a boost following the first round of the Argentine election, as market participants started to price in a higher probability of the market-friendly candidate winning. Other gains came from quantitatively-based equity and fixed income models as well as select Russian sovereign and corporate credit exposures. Developed market currency exposures, specifically in the euro and yen, detracted from performance.

We made a change to our Multi-Asset sub-adviser lineup during the month, terminating Verde Serviços Internacionais S.A. ("Verde"), effective October 15, 2015. Terminations and redemptions are normal events in our 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 bottoms-up evaluation of a sub-adviser's ability to deliver alpha in a given environment.