Blackstone

Blackstone Alternative Investment Funds Plc ("the Fund")
Reporting period end 31 December 2016

Date: September 8, 2017

Dear shareholder,

Your shareholding in the Fund constitutes an interest in an offshore fund from a United Kingdom ("UK") taxation perspective, with each share class treated as a separate 'offshore fund' for these purposes.

The UK Offshore Funds Regulations came into effect on 1 December 2009 and provide that if an investor resident in the United Kingdom for taxation purposes holds an interest in an offshore fund and that offshore fund is a 'non-reporting fund', any gain accruing to that investor upon the sale, redemption or other disposal of that interest will be charged to United Kingdom tax as income rather than a capital gain. Alternatively, where an investor holds an interest in an offshore fund that has been a 'reporting fund' for all periods of account for which they hold their interest, any gain accruing upon sale, redemption or other disposal of the interest will be subject to tax as a capital gain rather than income.

Reporting funds have an annual requirement to calculate and report to UK investors and HMRC the reportable income per share and distributions made for each share class. Provided the share classes comply with this annual reporting requirement, any gain accruing upon sale or other disposal of the interest by each UK shareholder will be subject to tax as a capital gain rather than income.

What does this mean for investors?

Investors will be required to include in their tax return any distributions received (which does not include sums received on redemption of shares) during the year and their proportionate share of any excess reportable income. The proportionate share of the excess reportable income is calculated as follows:

Total number of shares held by the investor x excess reportable income per share in each class at year end (i.e. 31 December 2016)

The excess reportable income per share must be multiplied by the total number of shares you held in each share class at 31 December 2016 in order to derive the total excess reportable income to be included in your tax return.

The timing of the receipt of income is as follows:

UK corporate investors (including UK fund investors)

The deemed distribution date for excess reportable income over any cash distributions received is 6 months after the end of the accounting period. As the accounting year end of the Fund is 31 December 2016, the deemed distribution date is 30 June 2017. This reportable income must be included in your corporate tax return for the relevant accounting period in which this date falls.

UK individual investors

Excess reportable income for the year ended 31 December 2016 is deemed to arise on 30 June 2017, which falls within the UK fiscal year ended 5 April 2018 for UK individual investors. This must therefore be included in your 2017/2018 personal tax return.

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Reportable income for the year ended 31 December 2016

A: Reporting period
B: Class currency
C: Distributions paid in respect of the period
D: Dates any distributions were made
E: Excess reportable income
F: Fund distribution date
G: Equalisation in relation to any interest acquired in the fund
H: Did the share class continue to be a reporting fund as at this date?

Blackstone Diversified Multi-Strategy Fund:

		A	B	C	D	E	F	G	H
I USD Acc	IE00BN8SY379	01/01/2016 - 31/12/2016	USD	0	No distribution	0.0559	30/06/2017	0.0039	Yes
I EUR Acc	IE00BN8SY486	01/01/2016 - 31/12/2016	EUR	0	No distribution	0.0489	30/06/2017	0.0029	Yes
I GBP Acc	IE00BN8SY593	25/05/2016 - 31/12/2016	GBP	0	No distribution	0.0285	30/06/2017	0.0103	Yes
I CHF Acc	IE00BN8SY932	01/01/2016 - 31/12/2016	CHF	0	No distribution	0.0196	30/06/2017	0.0000	Yes
I GBP Dist.	IE00BN8SYD72	01/01/2016 - 31/12/2016	GBP	0.0688	03/01/2017	0.0000	30/06/2017	0.0219	Yes
A SEK Acc	IE00BYXDVF52	25/10/2016 - 31/12/2016	SEK	0	No distribution	0.0000	30/06/2017	0.0105	Yes
A USD Acc	IE00BYXDVH76	04/05/2016 - 31/12/2016	USD	0	No distribution	0.0000	30/06/2017	0.0000	Yes
A EUR Acc	IE00BYXDW303	27/04/2016 - 31/12/2016	EUR	0	No distribution	0.0004	30/06/2017	0.0004	Yes

Double taxation relief

Per regulation 99 of the Offshore Fund (Tax) Regulations 2009 (S.I.2009/3001), in order to avoid double taxation, any excess reported income deemed to be received by UK investors can be treated as expenditure for the acquisition of their holdings in the fund. In effect, the acquisition cost of your interest in the Fund shall be increased by the amount of excess reportable income in the calculation of capital gains. We set out below how such relief works in principle.

Proceeds	x
Original acquisition cost	(x)
Excess reported income	(x)
Capital gain	x

If you have any queries please contact your tax advisor.