Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSAE: Class A (EUR) Acc.) - A sub-fund of Blackstone Alternative Investment Funds plc, an umbrella fund established as a UCITS with segregated liability between sub funds
For Reporting Purposes Only

As of June 30,2020

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 highlights

Fund Assets (Mn)	$1,480.47
NAV per Share	€8.89
Currency	EUR
Fund Inception Date	August 11, 2014
Share Class Inception Date	April 25, 2016
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSAE ID
ISIN	IE00BYXDW303

Fund terms – share class A (EUR) acc.[3]

Minimum Initial Investment	€1,000
Management Fee	1.95%
Performance Fee[4]	15.00%
Other Expenses[5]	Capped 0.45%

Investment committee

Name	Years at Blackstone
Gideon Berger	18 Years
Raymond Chan	< 1 Year
Min Htoo	3 Years
Robert Jordan	9 Years
Ian Morris	10 Years
Alberto Santulin	17 Years
Stephen Sullens	19 Years

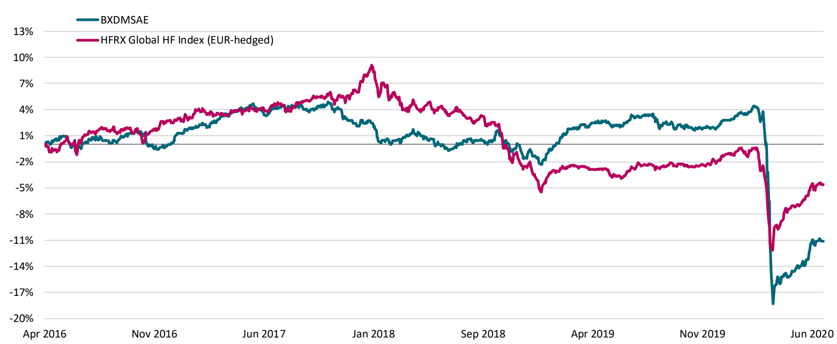
Fund net performance[(1)(2)]

					ITD STATISTICS			
Fund Net Performance	**MTD**	**QTD**	**YTD**	**ITD**	**St. Dev.**	**Beta**	**Alpha**	**Sharpe**
BXDMSAE	2.42%	5.21%	(13.52%)	(2.77%)	5.19%	-	-	(0.41)
HFRX Global HF Index (EUR-hedged)	1.43%	5.20%	(3.42%)	(1.11%)	3.61%	0.77	(1.64%)	(0.12)
Barclays Glbl Agg (EUR-hedged)	0.43%	2.16%	3.10%	1.81%	2.58%	0.33	(2.70%)	0.96
MSCI World TR (EUR-hedged)	2.35%	18.39%	(5.59%)	7.77%	16.24%	0.17	(3.46%)	0.52

12 month performance periods – to last quarter end[(1)(2)]

	6/30/19 - 6/30/20	6/30/18 - 6/30/19	6/30/17 - 6/30/18	6/30/16 - 6/30/17	6/30/15 - 6/30/16
BXDMSAE	(13.77%)	3.72%	(3.87%)	3.50%	N/A
HFRX Global HF Index (EUR-hedged)	(1.87%)	(6.02%)	(0.41%)	3.73%	N/A
Barclays Glbl Agg (EUR-hedged)	3.80%	4.57%	(0.72%)	(2.17%)	N/A
MSCI World TR (EUR-hedged)	2.20%	4.83%	9.42%	18.13%	N/A

Alternative strategies cumulative net performance[(1)(2)]



(1) Performance is presented through 6/30/2020. Returns are shown net of the Expense Ratio less waived expenses. Inception to date (ITD) returns for BXDMS are calculated on an annualized basis. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. The Class launched on April 25, 2016 and thus performance for April 2016 is limited to April 25 through April 30. Additional information and performance data current to the most recent month-end is available at www.bxdms.com.

(2) All ITD statistics are calculated using daily performance since inception and uses the local currency rate. All returns include dividend and capital gain distributions. Standard Deviation and Sharpe calculations are annualized. Beta and Alpha are measured to the respective index. The index returns reflected are calculated by the respective index provider using a combination of spot and forward currency rates to estimate an implied cost of hedging. See end of document for additional disclosures regarding indices presented.

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

(4) 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.

(5) 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.

None of the indices presented are benchmarks or targets for the Fund. Indices are unmanaged and investors cannot invest in an index. Please see end of document for additional disclosures regarding indices presented.

Additional details concerning the Fund's performance, liquidity and asset class exposures are available upon request. Please contact your BAAM representative for further information. Current performance data is available at www.bxdms.com.

Sub-adviser allocations(3)

Manager	Strategy	Sub-strategy	Classification
Active Sub-Advisers			
HealthCor	Equity Hedge	Equity Long Short	Equity
Endeavour	Equity Hedge	Equity Market Neutral	Equity
Two Sigma Advisers	Equity Hedge	Equity Market Neutral	Equity
Bayview	Relative Value	Fixed Income - Asset Backed	Credit
BRESSA[4]	Relative Value	Fixed Income - Asset Backed	Credit
EJF	Relative Value	Fixed Income - Asset Backed	Credit
Good Hill	Relative Value	Fixed Income - Asset Backed	Credit
GSO DFM[4]	Relative Value	Fixed Income - Asset Backed	Credit
Caspian	Event Driven	Distressed/Restructuring	Credit
Sage Rock	Event Driven	Multi-Strategy	Multi-Asset
Magnetar[4]	Event Driven	Risk Arbitrage	Multi-Asset
Emso	Macro	Discretionary Thematic	Multi-Asset
NWI	Macro	Discretionary Thematic	Multi-Asset
D.E. Shaw	Multi-Strategy	N/A	Multi-Asset
BAIA-Direct[5]	Multi-Strategy	N/A	Multi-Asset
Inactive Sub-Advisers [6]			
Cerberus	Relative Value	Fixed Income - Asset Backed	Inactive
Waterfall	Relative Value	Fixed Income - Asset Backed	Inactive
IPM	Macro	Systematic Diversified	Inactive

Performance summary(1)(2)(3)

	Allocation at	MTD		QTD		YTD		ITD Cumulative Performance	
Sub-Strategy Performance	6/30/2020	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	23.13%	(0.39%)	(0.08%)	0.43%	0.07%	1.92%	0.41%	12.28%	4.28%
Credit	46.25%	5.22%	2.33%	8.63%	4.06%	(16.06%)	(8.39%)	19.06%	3.76%
Multi-Asset	30.62%	0.87%	0.28%	6.72%	1.81%	(6.35%)	(3.43%)	6.71%	1.82%
Hedging Expenses			(0.06%)		(0.27%)		(0.73%)		(10.40%)
Cash, Expenses & Other			(0.05%)		(0.46%)		(1.38%)		(10.56%)
Net Return			2.42%		5.21%		(13.52%)		(11.10%)

Monthly net performance(1)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-	-	-	0.30%	0.60%	(0.99%)	0.90%	(0.69%)	1.00%	0.40%	(1.77%)	0.50%	**0.20%**
2017	1.50%	0.59%	0.59%	0.78%	0.68%	(0.96%)	0.77%	0.19%	(0.38%)	0.58%	(1.43%)	(0.97%)	**1.90%**
2018	(0.10%)	(1.47%)	0.30%	0.50%	(1.48%)	(0.40%)	1.01%	(0.00%)	1.10%	(1.97%)	(0.30%)	(0.91%)	**(3.72%)**
2019	2.54%	0.99%	0.29%	0.59%	(0.58%)	0.98%	0.29%	(1.06%)	(0.20%)	(0.10%)	(0.10%)	0.88%	**4.58%**
2020	0.58%	(0.77%)	(17.64%)	1.18%	1.52%	2.42%	-	-	-	-	-	-	**(13.52%)**

(1) Returns are shown net of the Expense Ratio less waived expenses. Returns for BXDMS are calculated on an annualized basis (unless otherwise stated). All ITD statistics are calculated using daily performance since inception and use the local currency rate. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. The Class launched on April 25, 2016 and thus performance for April 2016 is limited to April 25 through April 30.

(2) Sub-strategy performance is shown gross of all fees and expenses. Performance attribution represents the contribution of each sub-strategy to the Fund's total return. Performance is estimated and unaudited.

(3) Portfolio allocations 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.

(4) Blackstone and its affiliates have financial interests in asset managers. Any allocation by Blackstone to a subsidiary or other affiliate benefits The Blackstone Group Inc. and any redemption or reduction of such allocation would be detrimental to The Blackstone Group Inc., creating potential conflicts of interest in allocation decisions. For a discussion of this and other conflicts, please see the Additional Disclosure section at the end of this document.

(5) BAIA manages a portion of the Fund's assets directly. Such investments presently include opportunistic trades and hedging. BAIA's fees on directly managed assets are typically not reduced by a payment to a sub-adviser.

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

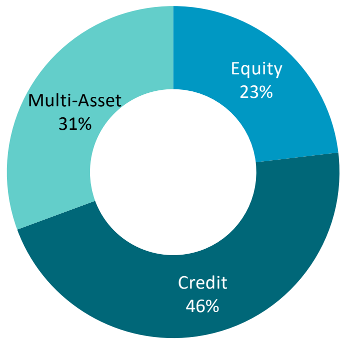
Additional details concerning the Fund's performance, liquidity and asset class exposures are available upon request. Please contact your BAAM representative for further information. Current performance data is available at www.bxdms.com.

Blackstone Diversified Multi-Strategy Fund (BXDMS)

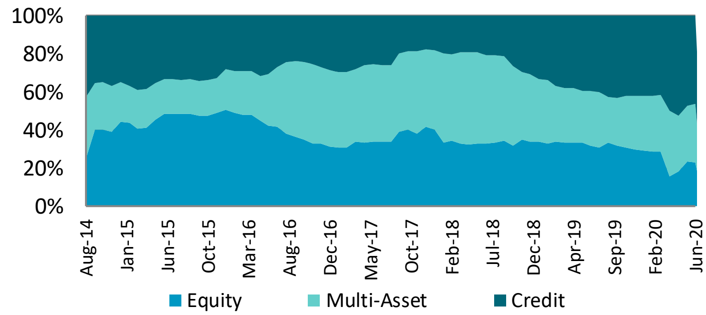
Blackstone

As of June 30, 2020

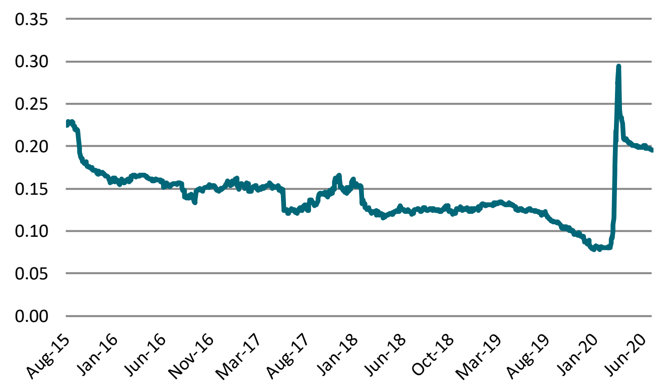
Portfolio Allocations(3)



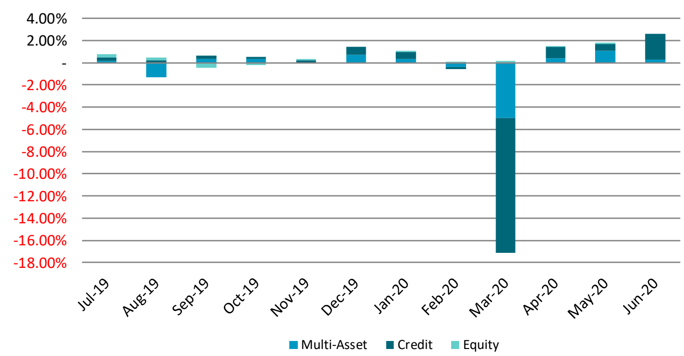
Asset Allocation by Sub-Strategy(3)



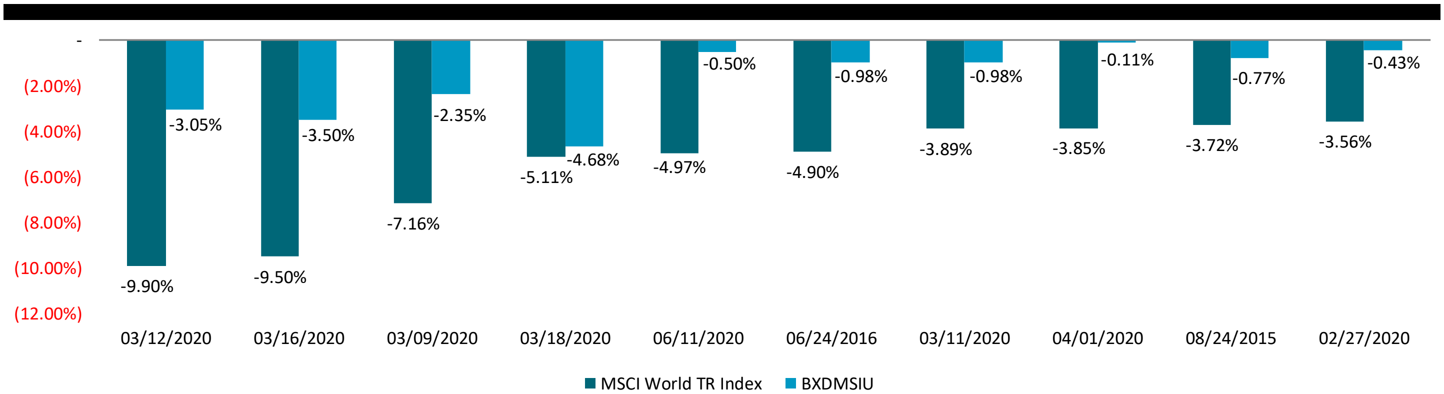
12 Months Rolling Beta Against MSCI World(1)(4)



Trailing 12 Months Performance Contribution by Sub-Strategy(2)



BXDMS Performance on Worst 10 Trading Days for MSCI World Since Inception(1)



Comparisons will differ, in some cases significantly, if the relative performance is measured over the course of a month, quarter, year or longer. See page 1.

Performance is presented since BXDMSIU's inception on 9/11/2014 to 6/30/2020. Because of the broadly diversified and low beta nature of the portfolio, BXDMS is not expected to participate in the full upside of broader equity markets. From 9/11/2014 to 6/30/2020, on the ten best MSCI World TR trading days, the average daily returns for the MSCI World TR and BXDMS were 4.32% and 0.22% respectively. The MSCI World is not benchmark or target for the Fund. See end of document for additional disclosures regarding indices presented.

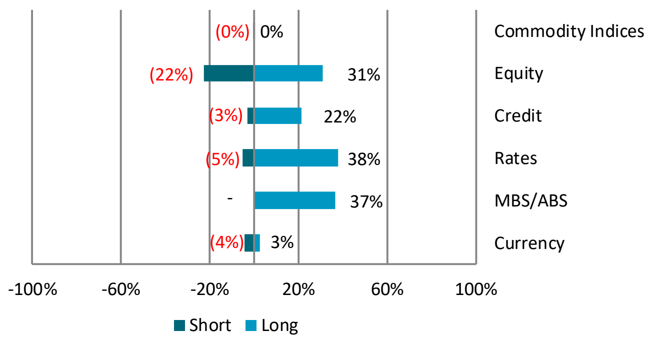
(1) Returns are shown net of the Expense Ratio less waived expenses. Returns for BXDMS are calculated on an annualized basis (unless otherwise stated). All ITD statistics are calculated using daily performance since inception and uses the local currency rate. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted.

(2) Sub-strategy performance is shown gross of all fees and expenses. Performance attribution represents the contribution of each sub-strategy to the Fund's total return. Performance is estimated and unaudited.

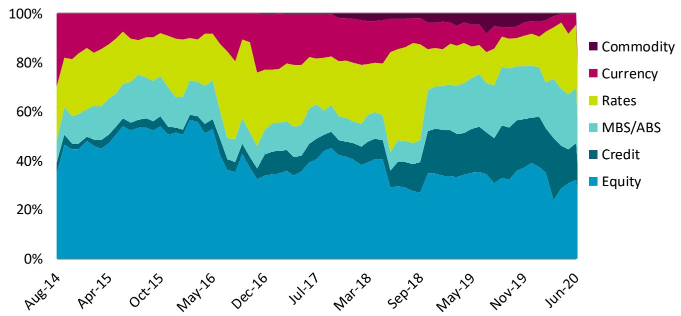
(3) Portfolio allocations reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub- strategies at any time. Accordingly, the allocations are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time.

(4) Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Class I (USD) Acc. from 9/11/2014-6/30/2020. The volatility of the index presented may be materially different from that of the performance of the fund. In addition, the index employs 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 index.

Asset Class Exposure(1)(2)



Asset Class Gross Historical Exposure(2)(3)



Fund Geographic Exposure(1)(2)

Region	Long	Short	Net
US/Canada	97.22%	(24.28%)	72.93%
Core Europe	3.90%	(6.48%)	(2.58%)
Peripheral Europe	4.34%	(0.85%)	3.49%
Lat. Am./Caribbean	18.03%	(0.38%)	17.65%
Middle East/Africa	5.99%	(1.51%)	4.49%
Japan	0.15%	(0.14%)	0.02%
Asia general	0.44%	(0.61%)	(0.18%)
China/HK/Taiwan	0.17%	(0.68%)	(0.51%)
Total	**130.23%**	**(34.93%)**	**95.30%**

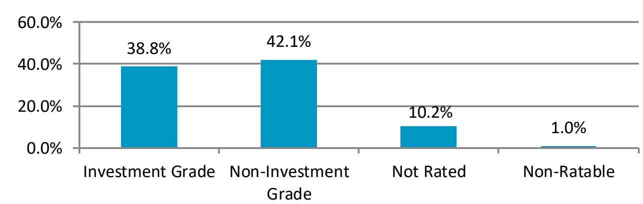
Currency Exposure(1)(2)(4)

Region	Long	Short	Net
US/Canada	0.17%	(0.01%)	0.16%
Core Europe	0.30%	(3.43%)	(3.13%)
Peripheral Europe	0.00%	(0.70%)	(0.70%)
Lat. Am./Caribbean	1.93%	-	1.93%
Middle East/Africa	0.00%	(0.05%)	(0.05%)
Japan	0.08%	(0.00%)	0.08%
Asia general	0.15%	(0.20%)	(0.05%)
China/HK/Taiwan	0.00%	(0.04%)	(0.03%)
Total	**2.63%**	**(4.42%)**	**(1.79%)**

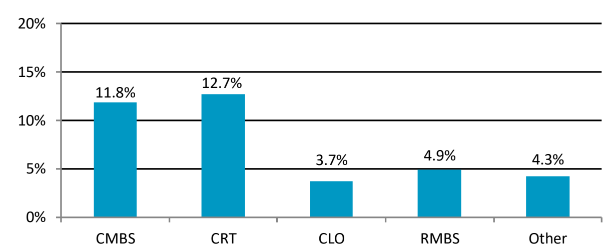
Equity Exposure – Sector Breakdown(1)(2)

Equity Sector	Long	Short	Net
Energy	0.38%	(0.57%)	(0.18%)
Materials	0.29%	(0.29%)	(0.00%)
Industrials	1.44%	(1.02%)	0.42%
Consumer Discretionary	3.59%	(2.83%)	0.76%
Consumer Staples	1.21%	(0.82%)	0.39%
Health Care	6.58%	(2.32%)	4.25%
Financials	7.44%	(7.50%)	(0.06%)
Real Estate	0.88%	(0.40%)	0.48%
Information Technology	4.31%	(3.39%)	0.92%
Communication Services	0.77%	(0.85%)	(0.07%)
Utilities	0.46%	(0.19%)	0.27%
Index*	0.68%	(2.20%)	(1.52%)
Unclassified**	2.88%	(0.00%)	2.88%
Total	**30.92%**	**(22.39%)**	**8.53%**

Fixed Income Ratings(1)(2)(5)



Structured Credit Summary(1)(2)(6)



VaR Analysis(7)

Date	VaR
6/30/2020	3.23%

(1) Exposure figures are shown as a percentage of Fund Net Asset Value.
(2) Explanatory notes regarding calculation of exposure: (a) exposure data represents market value except in the case of derivative instruments; (b) for options, exposure data represents the delta adjusted notional; (c) for interest-rate instruments, exposure data represents the notional of the 10-year equivalent instrument; and (d) for all other derivatives, exposure data represents notional value.
(3) Gross exposure figures are shown as a percentage of total gross exposure.
(4) Reflects exposure to currency-related derivative instruments. The market value of these instruments will change based on fluctuations in currency exchange rates. Typically, the Fund has other holdings that are also sensitive to currency exchange rates (e.g., physical currency and/or equity and fixed investments that are denominated in a currency). As the value of these other holdings are not reflected in the above exposure figures, the table does not reflect the Fund's total currency exposure.
(5) Ratings are presented as an equally weighted composite of rating provided by the following rating agencies: Standard & Poor's ("S&P"), Moody's Investor Service, Fitch, Kroll Bond Rating Agency, and Morningstar. Please note that other ratings agencies may offer ratings that vary from those for securities currently represented as "Investment Grade" or "Non-Investment Grade." Investment grade is a rating of a bond that has a relatively low risk of default. Investment grade are bonds rated above BBB- for S&P and non-investment grade is below Investment grade to D. Ratings may not be applicable for credit indices, TBAs and certain other securities. "Not Rated" securities generally includes securitizations where the issuer did not request a rating. "Non Ratable" securities includes index products and select government instruments.
(6) Reflects exposure to structured credit through the Fund's allocation to Relative Value - Fixed Income Asset Backed strategies. The Fund may have additional structured credit exposure through its allocation to Macro, Multi-Strategy or other strategies. As the value of this other exposure is not reflected in the above exposure figures, the table does not reflect the Fund's total structured credit exposure. "Other" includes ABS, TBA, and CDS.
(7) 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
**Underlying instruments do not have a corresponding GICS sector assignment

Important Disclosures Regarding Exposure: Positions of unknown type (if any) are excluded from exposure data. Exposure data reflects fund holdings as of the relevant trade date and includes unsettled trades.

Blackstone Diversified Multi-Strategy Fund (BXDMS)

Blackstone

As of June 30, 2020

Fund Net Performance[1,2]

	As of June 30, 2020					Inception to Date Statistics			
	MTD	**QTD**	**YTD**	**1 Yr**	**ITD**	**St. Dev.**	**Beta**	**Alpha**	**Sharpe**
BXDMSIU	**2.45%**	**5.57%**	**(12.38%)**	**(11.30%)**	**0.09%**	**4.83%**	**-**	**-**	**(0.19)**
HFRX Global HF Index	1.75%	6.19%	(1.09%)	3.09%	0.38%	3.65%	0.70	(0.39%)	(0.16)
Barclays Global Agg Index	0.89%	3.32%	2.98%	4.22%	2.11%	4.91%	0.04	(0.80%)	0.23
MSCI World Index	2.69%	19.54%	(5.48%)	3.40%	6.82%	15.64%	0.17	(1.87%)	0.37

[1] Performance is presented through June 30, 2020 for the Fund's Class I (USD) Accumulating share class (BXDMSIU). Net performance is net of the Expense Ratio less waived expenses. Performance data quoted represents past performance and does not guarantee future results. Statistics above are calculated using daily performance and are annualized. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Information is estimated and unaudited. Additional information and performance data current to the most recent month-end is available at www.bxdms.com.

[2] Inception to Date statistics are as of BXDMSIU inception on September 10, 2014 through June 30, 2020. Measures of beta or alpha of BXDSMIU are to the respective index. Please see the end of this document for additional disclosures regarding indices presented.

Q2 2020 Market Commentary

Important Note: *People around the world are feeling the impact of the COVID-19 pandemic. Above all else, we hope that everyone is taking every precaution to stay safe and remain healthy. This is an unprecedented time for us all, and if you have any questions, please do not hesitate to reach out to your Blackstone client service representative.*

In the second quarter, a marked increase in global risk appetite fueled a rebound in asset prices. Investors came to terms with the economic uncertainty caused by the COVID-19 crisis and looked past ongoing economic damage, record infections, and societal unrest. Assets supported by fiscal and monetary policy were the first to rebound and soon investors deployed waves of capital to harvest relative value opportunities in dislocated strategies and assets. We observed approximately $55 billion in private capital raises for dislocation funds, many of which began to be deployed in June will continue to invest for one to two years[3].

Notable in this rebound is the participation of retail investors, with many online brokerages reporting marked increases in activity. This participation contributed to a fear-of-missing-out rally in the quarter into which many initially skeptical institutional investors were dragged. Outside of equities, retail investors added more than $30 billion in net flows to high yield debt securities and more than $75 billion to investment-grade bonds[4]. With this backdrop the Fund was up 5.57%[1].

In our first quarter commentary, we pointed to what we believed was embedded value in residential mortgage-backed securities, emerging market sovereign bonds, and loans/collateralized loan obligations. These assets drove the majority of the Fund's second quarter recovery as dislocated assets began to rebound. Residential mortgage-backed securities strategies contributed 2.9%[5] to Fund performance, while emerging market sovereign bond strategies delivered 1.1%[5], and loan/high yield strategies drove another 1.4%[5].

[3] Source: Bloomberg, FundFire, DowJones Factiva, Hedge Fund Alert, Pensions & Investments, Institutional Investor, and BAAM Analysis. As of May 31, 2020.

[4] Source: Credit Suisse Research. As of July 8, 2020.

[5] Past performance may not be a reliable guide to future performance. The value of BXDMS 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. Sub-strategy performance is shown gross of all fees and expenses and is calculated using daily performance. Performance attribution represents the contribution of each sub-strategy to the Fund's total return. Performance is estimated and unaudited.

As a reminder, in 2019 we believed we were late in the economic cycle. As such we ran an underweight to corporate credit and an overweight to securities backed by residential mortgages and commercial real estate. Specifically, we did not believe corporate yields were high enough to compensate for the risk of default in a recession. In contrast, we felt that, after ten years of economic recovery, improving consumer balance sheets and tailwinds for real estate prices created significant margins of safety for positions in residential and commercial mortgage-backed securities. We held the positions with the belief that in order to be impaired we would have to see losses significantly greater than those experienced in the Global Financial Crisis ("GFC"), and more consistent with 30-50% depreciation in real estate prices.
Unfortunately, as discussed last quarter, the mortgage market became the epicenter of what we believe was a largely technical unwind of positions in the fourth week of March.

Within a severely stressed environment, we leveraged the expertise of Blackstone — one of the world's biggest investors in both real estate and corporate loans — as well as that of our sub-advisers to re-underwrite our positions. In so doing, we reaffirmed that the economic scenarios priced across our credit book were not only inconsistent with what was being — and continues to be — priced in the equity market, but also implied losses many times greater than what was observed in the GFC. As such, in April we implemented a temporary tactical overweight to our credit book to position the portfolio for a recovery in asset prices. As investors began bidding up assets through the quarter, we returned the credit book to its former size but modulated it to emphasize residential mortgages and loans relative to commercial mortgage backed securities. We believe asset price recovery will happen at different paces as a function of both investor appetite and the underlying process of economic healing, and that this differential pacing may create investment opportunities. A year from now, we envision an environment with low rates and recovering economic growth. We believe the search for yield which characterized the late cycle will be prevalent, providing continued support for assets that demonstrate diversifying yield. As a result of this view, we continue to overweight emerging market debt positions and continue to seek value from the Fund's credit portfolio.

BXDMS aims to deliver diversified hedge fund exposures. While residential mortgages, emerging market sovereign bonds, and high yield positions understandably deserve much attention, we note that they represent 46%[6] of the portfolio. The remaining 54%[6] of the portfolio, which we believe is less correlated to market risk, contributed 0.2%[5] in Q2. Top contributors included strategies focused in equity long/short and special purpose acquisition companies ("SPACs"), while in contrast, risk parity strategies dampened performance and disappointed our expectations.

The COVID-19 induced disruption has improved the opportunity set for BXDMS. First, we believe the opportunity set for equity strategies has improved. Not only do we see increased dispersion (differences in performance) across single stocks and increased economic and policy complexity, we also see an influx of retail investors who often (re)act predictably to market events. Combined, these may improve the opportunity set for skillful equity investors to potentially generate uncorrelated returns. Second, significant market turbulence has placed a premium on nimble navigation of the risks in the market. The Fund was able to monetize all-time highs in risk aversion while modulating risk-taking with the goal of generating risk-adjusted returns as the market turned from fear to greed. Finally, the COVID-19 induced disruption has opened access and capacity in strategies that were previously unavailable. We believe this change in dynamic may present opportunities to add new, diversifying exposures to the portfolio in the future.

The second half of the year brings significant uncertainty, which may modulate further increases in risk appetite. Economic uncertainty remains as COVID-19 cases are reaching new highs in many regions. While it is clear that many businesses will witness a rebound as the economy opens, it is less clear when and if consumer behavior will 'normalize' for many others. We are early in the default cycle as companies, particularly smaller firms with less access to capital markets, burn through cash reserves. Election year posturing with respect to further fiscal support, international relations, and deeper social issues will amplify swings in investor sentiment. And, to top off the calendar of uncertainty, Brexit will come shortly after the November election in the US. While we navigate the portfolio through this turbulent time, we remain convicted that, in the near term, interest rates will remain low, the tail wind for equities from falling rates will subside, demand for higher yielding assets and sources of return that complement equity beta will increase, and thus we remain focused on positioning the portfolio to navigate a choppy market.

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[6] Portfolio allocations reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub- strategies at any time. 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.

Review of Q2 2020 Fund Performance

The investment objective of the Blackstone Diversified Multi-Strategy Fund is to seek capital appreciation. The Fund aims to achieve its objective by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or "alternative" investment strategies and by managing assets directly (via BAIA[7]). In Q2, the Fund's Class I (USD) Accumulating share class returned 5.57%[1] net of fees and expenses versus 6.19% for the HFRX Global Hedge Fund Index, 3.32% for the Barclays Global Aggregate Bond Index, and 19.54% for the MSCI World Index[8].

Equity Strategies[5]

Equity strategies (0.07%) contributed slightly positive performance despite a broad-based rebound in global stocks. Alpha captured by all three sub-advisers amid heightened market volatility more than outweighed the impact of our short futures position. Sub-advisers of Equity Market Neutral sub-strategies benefited from exposure to Financials, where we believe the impacts of COVID-19 have further accelerated the bifurcation of winners and losers in the sector.

Equity Long/Short sub-strategies also produced gains. Exposure to a biopharmaceutical company that beat earnings and a managed care provider that hiked its dividend aided performance. Conversely, losses came from exposure to a retail pharmacy that continued to face headwinds due to the growing threat of e-commerce growth, and a medical technology company that abandoned profit guidance from the remainder of the year due to uncertainties caused by the pandemic.

As mentioned in previous quarters' commentaries, we have sought to hedge out residual equity beta in this portion of the portfolio via a short S&P futures position since mid-2017, predicated on our view of elevated stock market valuations. While the Fund's beta-neutral positioning reduced losses for Equity strategies during the record-breaking selloff in the first quarter, it similarly limited their upside participation as markets regained ground in the second.

Credit Strategies[5]

Credit strategies (4.07%) were the largest contributor to returns in Q2 and were aided by the improved performance of Fixed Income – Asset Backed sub-strategies. After suffering losses late in March due to technical selling pressure in structured credit markets, these sub-strategies bounced back as capital returned to these arenas and spreads tightened. Sub-advisers noted that bids were strong for high-quality assets and market dynamics improved throughout the quarter as a result of capital formation. While the recovery was broad-based, we observed greater stabilization in residential mortgage markets, which were aided by reports of slowing loan forbearance growth, and less substantial price appreciation in commercial mortgages, where the government shutdown continued to weigh on corporate revenues. Meanwhile, certain Financials-related exposures continued to feel pain and demonstrated a slower speed of recovery.

The performance of Distressed/Restructuring sub-strategies also rebounded in the second quarter. While the credit market dislocation resulted in mark-to-market pain for these sub-advisers, it also presented chances to purchase attractive assets at prices they believe represent discounts to fundamental value. Throughout the quarter, sub-advisers took advantage of opportunities to generate risk-adjusted returns in the stressed loan market, as a growing number of companies struggled to service debt and restructured existing financing arrangements. Gains were diverse across sectors, with notable contributions coming from exposure to loans to an automaker and an energy company.

Multi-Asset Strategies[5]

Multi-Asset strategies (1.82%) also contributed positively during the quarter. Within this part of our portfolio we saw a notable recovery in the performance of Discretionary Thematic sub-strategies, which benefited from exposure to emerging market credit. These exposures generated gains throughout the quarter, as sovereign and quasi-sovereign bond prices appreciated due in part to broader risk appetite bolstered by investor optimism and the search for yield. Easing financial conditions and support from the IMF also reduced refinancing risk for sovereign bonds, as interest rates

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[7] BAIA manages a portion of the Fund's assets directly. Such investments presently include opportunistic trades and hedging. BAIA allocations are subject to change and BAIA's fees on directly managed assets are not reduced by a payment to a sub-adviser.

[8] **Indices are provided for illustrative purposes only. They have not been selected to represent benchmarks or targets for the Fund, but rather are disclosed to allow for comparison of the Fund's performance to that of well-known and widely recognized indices. Please see end of document for additional disclosures regarding indices presented.**

in the US remained near-zero, LIBOR declined for three consecutive months and $250 billion of financial assistance was provided to 77 countries[9]. Not to be outdone, aggressive actions from policy makers, including central bank interest rate cuts (e.g. Mexico, Brazil) and government stimulus measures (e.g. Russia), provided further support for sovereign bonds.

Multi-Strategy sub-strategies also produced gains for the quarter. Exposure to Special Purpose Acquisition Companies units, comprised of common stock, warrants and rights of companies pursuing initial public offerings ("IPOs") generated profits. SPACs, which have raised over $6.5 billion[10] in capital thus far in 2020, continued to see their adoption increase as private companies seek to raise capital via an IPO to finance a merger or acquisition. In Q2, exposure to the warrants associated with a business combination in the biotechnology sector was among the top contributors of profits.

Risk Arbitrage sub-strategies delivered mixed performance. These sub-strategies, which invest in mergers and acquisitions through long exposure to targets and short exposure to acquirers, produced gains in April and May before suffering losses in June. For the quarter, losses were led by pairs of theatre, luxury retail and insurance companies.

Sub-Advisers and Strategies Added/Removed

At Blackstone, we believe that managing the optimal mix of strategies across the portfolio and adjusting it over time are key to generating returns in different market environments. Over the course of the second quarter of 2020, we terminated one existing sub-adviser.

Q2 2020 Sub-Adviser Terminations:

1. **H2O (H2O AM LLP):** H20 has been an inactive sub-adviser since June 2018, and we have mutually agreed to remove them from the Fund's sub-adviser roster.

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 specific investment strategies as well as the bottom-up evaluation of a sub-adviser's ability to deliver alpha in a given environment.

[9] Source: International Monetary Fund ("IMF"). As of July 2, 2020.
[10] Source: Pitchbook. "SPAC surge points to shifting IPO landscape" (May 26, 2020).

Important Disclosure Information

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.Bxdms.com. *All KIIDs are available in English, and certain share class specific KIIDs are available in French, German, Greek, 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.

Please note that additional details concerning the Fund's performance, liquidity and asset class exposures are available upon request. Please contact your BAAM representative for further information.

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.
- The Fund's investments will include shares, bonds and FDI. Certain investment techniques and FDI may increase the adverse impact to the Fund. In particular, there is a risk of infinite loss when using an FDI that derives its value from other assets decreasing.
- BAIA and sub-advisers have conflicts of interest that could interfere with their management of the Fund, including the allocation of time and investment opportunities.
- 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. Sub-advisers may make investment or hedging decisions which conflict or offset with other sub-advisers
- Increased legal, tax and other regulatory developments may adversely impact the ability of BAIA and the sub-advisers to utilize certain investment techniques or invest in certain assets.
- The Fund may invest in countries or through over investment funds that are subject to a weak legal or financial framework, as a result of which 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.
- The Fund is dependent on BAIA, sub-advisers and other service providers for certain investment management, operational and financial support services. A deficiency in any of these services may have an adverse impact on the Fund.
- 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.bxdms.com.

Conflicts of Interest:

Blackstone and the Sub-Advisers have conflicts of interest that could interfere with their management of the Fund. These conflicts, which are disclosed in the Fund's Statement of Additional Information, include, without limitation:

- **Selection of Sub-Advisers.** Blackstone compensates the Sub-Advisers out of the management fee it receives from the Fund. This could create an incentive for Blackstone to select Sub-Advisers with lower fee rates.
- **Financial Interests in Sub-Advisers and Service Providers.** Blackstone, the Sub-Advisers, and their affiliates have financial interests in asset managers and financial service providers. Allocating to an affiliate (or hiring such entity as a service provider) benefits The Blackstone Group Inc. and the relevant Sub-Adviser and redemptions from an affiliate (or terminating such entity as a service provider) would be detrimental to The Blackstone Group Inc. and the relevant Sub-Adviser. For example:
  - Blackstone Strategic Capital Advisors L.L.C. ("BSCA"), an affiliate of BAIA, manages certain funds (the "BSCA Funds") that acquire equity interests in established alternative asset managers (the "Strategic Capital Managers"). One of the Strategic Capital Managers in which the BSCA Funds have a minority interest is Magnetar Capital Partners L.P., a control affiliate of Magnetar Asset Management LLC, a sub-adviser for the Fund. The Fund will not participate in any of the economic arrangements between the BSCA Funds and any Strategic Capital Manager with which the Fund invests.
  - Real Estate Special Situations Advisors L.L.C. ("BRESSA"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group Inc., serves as a Sub-Advisor Sub-Adviser. BRESSA invests primarily in liquid, commercial and residential real estate-related debt instruments.
  - GSO / Blackstone Debt Funds Management LLC ("GSO DFM"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group Inc., serves as a Sub-Adviser. GSO DFM invests primarily in below investment grade corporate credit.
  - Blackstone utilizes technology offered by Arcesium LLC ("Arcesium") to provide certain middle- and back-office services and technology to the Fund. The parent company of a Sub-Adviser owns a controlling, majority interest in Arcesium and Blackstone Alternative Asset Management L.P. owns a non-controlling, minority interest in Arcesium.
- **Other Activities of Blackstone or the Sub-Advisers.** The activities in which Blackstone, the Sub-Advisers, or their affiliates are involved in on behalf of other accounts may create conflicts of interest or limit the flexibility that the Fund may otherwise have to participate in certain investments. For example, if Blackstone or a Sub-Adviser comes into possession of material non-public information with respect to a company, then Blackstone or the relevant Sub-Adviser generally will be restricted from investing in securities issued by that company. Further, Blackstone generally will be restricted from investing in portfolio companies of its affiliated private equity business.
- **Allocation of Investment Opportunities.** Blackstone and the Sub-Advisers (or their affiliates) manage other accounts and have other clients with investment objectives and strategies that are similar to, or overlap with, the investment objective and strategy of the fund, creating potential conflicts of

interest in investment and allocation decisions. These conflicts of interest are exacerbated to the extent that the other clients are proprietary or pay higher fees or performance-based fees.

Glossary of Indices:

Market indices obtained through Bloomberg. HFR Indices obtained through HFR Asset Management. **MSCI World Index TR:** Market capitalization weighted index designed to provide a broad measure of large and mid-cap equity performance across 23 developed markets countries. **HFRX Global Hedge Fund Index:** Designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies falling within four principal strategies: equity hedge, event driven, macro/CTA, and relative value arbitrage. Strategies are asset weighted based on the distribution of assets in the hedge fund industry. **Barclays Global Aggregate Bond Index TR:** Flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. **Morningstar Multialternative Category:** Represents the average performance of mutual funds categorized as "multialternative" funds by Morningstar, Inc. These funds use a combination of alternative strategies such as taking long and short positions in equity and debt, trading futures, or using convertible arbitrage, among others. **S&P 500 TR:** Market capitalization-weighted index that includes 500 stocks representing all major industries. The index is a proxy of the performance of the broad U.S. economy through changes in aggregate market value **S&P 500 Equal Weight:** This index is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. **S&P 400 Mid-Cap Index:** Market-capitalization-weighted index that includes 400 U.S. publicly traded companies with midrange market capitalization. Designed to provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis. **S&P 600 Small-Cap Index:** The S&P 600 is an index of small-cap stocks managed by Standard and Poor's. It tracks a broad range of small-sized companies that meet specific liquidity and stability requirements. **10Yr Treasuries:** The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. **J.P. Morgan Investment Grade Credit Index:** Seeks to track the investment results of an index composed of U.S. dollar-denominated, investment grade corporate bonds. **J.P. Morgan US High-Yield Credit Index:** Seeks to track the investment results of an index composed of U.S. dollar-denominated, high-yield corporate bonds. **CMBX BBB- CDSI S12 PRC Corp:** CMBX Indexes are a group of indexes that track the commercial mortgage-backed securities (CMBS) market. The indexes represent 25 tranches of CMBS, each with a different a credit rating. With respect to the BBB- CMBX Index, the required tranche is rated BBB-. **JP Morgan EMBI Global Diversified High-Yield Index:** A sub-index of the JPMorgan EMBI Global Diversified Index ("EMBI") including below investment grade securities. EMBI is comprised of USD denominated Brady bonds, Eurobonds and Traded loans issued by sovereign and quasi sovereign entities. Limits the weights of the index countries by only including a specified portion of those countries' eligible current face amounts of debt outstanding. This provides a more even distribution of weights within the countries in the index. **BBREIT Mortgage Index:** Capitalization-weighted index of infinite life Mortgage REITs having a market capitalization of $15 million or greater. **Active WTI Crude Oil Futures Contract ("CL1 COMB Commodity Index"):** Tracks the price return of Crude Oil futures. **HFRX Equity Market Neutral Index:** Strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short. **CRT M2s:** On-the-run tranches of M2 tranches of Credit Risk Transfer Bonds. S&P/LSTA U.S. Leveraged Loan 100 Index: This index is designed to reflect the performance of the largest facilities in the leveraged loan market.

Index Comparison: The Fund is actively managed and uses the MSCI World Total Return Index, Barclays Global Aggregate Index and HFRX Global Hedge Fund Index for performance comparison purposes only. While a proportion of the Fund's assets may be components of and have similar weightings to one or more of the referenced indices, BAIA and the sub-advisers may use their discretion to invest a significant proportion of the Fund in assets which are not included in, or with different weightings to, the indices. There is no guarantee that the Fund's performance will match or exceed any reference index. Indices are presented are indicative and for illustrative purposes only, are unmanaged and investors cannot invest in an index. Index data for USD denominated share classes is obtained from unaffiliated third parties and is subject to subsequent adjustments. The fact cards published on this site (collectively, the "Fact Cards") include for comparison purposes performance data relating to certain indices.

Effective 30 June 2020, the methodology employed in the calculation of currency hedged index returns in respect of the Fund has changed. Up to 31 May 2020, the calculation methodology estimated hedging cost using the short-term interest rate differentials between the local currency and the Fund base currency. Effective 30 June 2020, the index returns reflected in the Fact Card are calculated by the respective index provider using a combination of spot and forward currency rates to estimate an implied cost of hedging. This change in methodology does not affect the historical returns of the Fund and no action is required by investors. The information on this site is current as of the publication date indicated in the relevant Fact Card. Blackstone is under no obligation to update the relevant historical information in such Fact Card to reflect changes after the publication date.

Glossary of Terms:

Gross Exposure: Reflects the aggregate of long and short investment positions in relation to the net asset value. The gross exposure is one indication of the level of leverage in a portfolio. **Net Exposure:** This is the difference between long and short investment positions in relation to the net asset value. The gross exposure is one indication of the level of leverage in a portfolio. **Long Exposure:** A long position occurs when an individual owns securities**. Short Exposure:** Short selling a security not actually owned at the time of sale. Short positions can also generate returns when the price of a security declines. **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. **Beta***:* A measure of the volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole. **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. **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**. Delta:** The ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative. **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. **Basis points (BPS):** Refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.