Blackstone Diversified Multi-Strategy Fund

Blackstone

(BXDMSIJ: Class I (JPY) 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 December 31, 2019

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)	$2,279.29
NAV per Share	¥1,055.33
Currency	JPY
Fund Inception Date	August 11, 2014
Share Class Inception Date	February 2, 2015
Investment Manager	Blackstone Alternative Investment Advisors LLC
Subscriptions	Daily
Redemptions	Daily
Distributing/Accumulating	Accumulating
Cut-off	3pm (Ireland)
Bloomberg Ticker	BXDMSIJ ID
ISIN	IE00BTFR4S46

Fund terms – share class I (JPY) acc.(2)

Minimum Initial Investment (Mn)	¥500
Management Fee	1.40%
Performance Fee(3)	15.00%
Other Expenses(4)	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

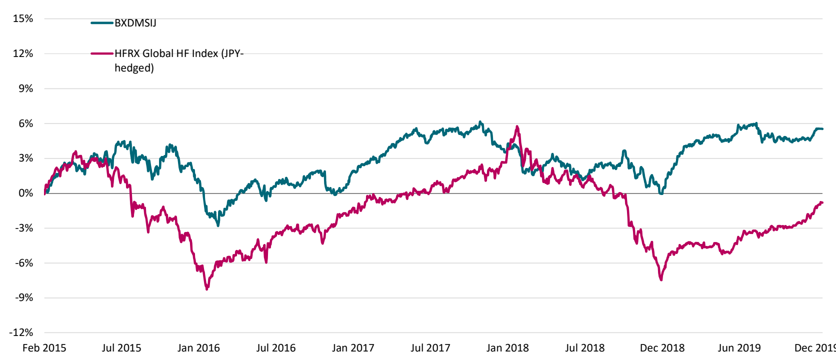
Fund net performance(1)

Fund Net Performance	MTD	QTD	YTD	ITD	ITD STATISTICS St. Dev.	Beta	Alpha	Sharpe
BXDMSIJ	0.80%	0.78%	4.97%	1.10%	2.99%	-	-	0.42
HFRX Global HF Index (JPY-hedged)	1.10%	2.10%	6.08%	(0.16%)	3.25%	0.46	1.24%	0.00
Barclays Glbl Agg (JPY-hedged)	0.42%	(0.03%)	4.29%	0.92%	4.62%	(0.03)	1.31%	0.24
MSCI World TR (JPY-hedged)	2.86%	8.12%	25.34%	8.37%	11.30%	0.14	0.08%	0.75

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

	12/31/18 - 12/31/19	12/31/17 - 12/31/18	12/31/16 - 12/31/17	12/31/15 - 12/31/16	12/31/14 - 12/31/15
BXDMSIJ	4.97%	(2.89%)	2.73%	(1.75%)	N/A
HFRX Global HF Index (JPY-hedged)	6.08%	(8.91%)	4.65%	1.72%	N/A
Barclays Glbl Agg (JPY-hedged)	4.29%	(3.52%)	6.03%	1.31%	N/A
MSCI World TR (JPY-hedged)	25.34%	(10.36%)	21.51%	7.33%	N/A

Alternative strategies cumulative net performance



(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. Certain recent performance is estimated and unaudited. Net performance for the Fund as well as indices is from 2/2/2015 to 12/31/2019 and is annualized. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Beta and Alpha represents BXDMSIJ compared to the specific indices. Standard deviation and Sharpe calculations are annualized. All Inception to Date Statistics are calculated using daily performance since Inception and uses the local currency rate.*

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

(3) 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.

(4) 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 information and current performance data is available at **www.bxdms.com.**

Sub-adviser allocations(4)(5)

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[5]	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[5]	Relative Value	Fixed Income - Asset Backed	Credit
Caspian	Event Driven	Distressed/Restructuring	Credit
Sage Rock	Event Driven	Multi-Strategy	Multi-Asset
Magnetar[5]	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[6]	Multi-Strategy	N/A	Multi-Asset
Inactive Sub-Advisers[7]			
Cerberus	Relative Value	Fixed Income - Asset Backed	Inactive
Waterfall	Relative Value	Fixed Income - Asset Backed	Inactive
H2O	Macro	Discretionary Thematic	Inactive
GSA	Macro	Systematic Diversified	Inactive
IPM	Macro	Systematic Diversified	Inactive

Performance summary(1)(2)(3)(4)

	Allocation at	MTD		QTD		YTD		ITD Cumulative Performance	
Sub-Strategy Performance	12/31/2019	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	29.06%	(0.09%)	(0.04%)	(0.27%)	(0.11%)	2.97%	1.28%	14.82%	6.07%
Credit	41.97%	1.40%	0.72%	2.25%	1.15%	12.11%	5.63%	41.08%	12.46%
Multi-Asset	28.97%	2.09%	0.73%	3.09%	1.06%	9.18%	3.51%	20.45%	6.71%
Hedging Expenses			(0.33%)		(0.76%)		(3.35%)		(10.00%)
Cash, Expenses & Other			(0.28%)		(0.56%)		(2.09%)		(9.70%)
Net Return			0.80%		0.78%		4.97%		5.53%

Monthly net performance(2)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	-	1.36%	1.13%	(0.59%)	1.40%	(0.89%)	1.94%	(0.71%)	(1.20%)	0.66%	0.61%	(1.12%)	**2.57%**
2016	(2.08%)	(2.57%)	1.27%	1.15%	0.83%	(0.98%)	0.97%	(0.55%)	0.96%	0.45%	(1.67%)	0.55%	**(1.75%)**
2017	1.54%	0.62%	0.63%	0.87%	0.75%	(0.91%)	0.90%	0.26%	(0.37%)	0.62%	(1.37%)	(0.80%)	**2.73%**
2018	0.01%	(1.37%)	0.29%	0.59%	(1.36%)	(0.32%)	1.03%	0.07%	1.18%	(1.95%)	(0.24%)	(0.81%)	**(2.89%)**
2019	2.64%	0.84%	0.36%	0.57%	(0.44%)	0.98%	0.30%	(1.02%)	(0.09%)	(0.05%)	0.04%	0.80%	**4.97%**

(1) Sub-strategy performance is shown gross of all fees and expenses. Certain recent 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. Certain recent performance is estimated and unaudited. Net performance for the Fund as well as indices is from 2/2/2015 to 12/31/2019 and is annualized. ITD net return is cumulative not annualized.

(3) 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.

(4) The portfolio allocations in the table/chart 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.

(5) 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.

(6) 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.

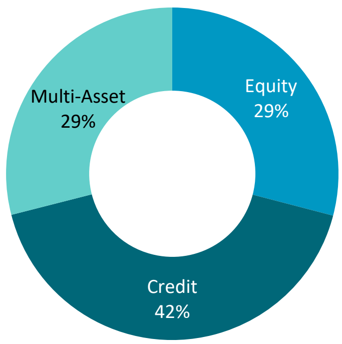
(7) Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

Blackstone Diversified Multi-Strategy Fund (BXDMS)

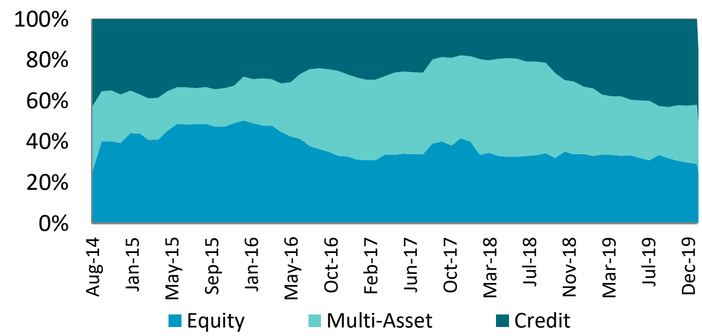
Blackstone

As of December 31, 2019

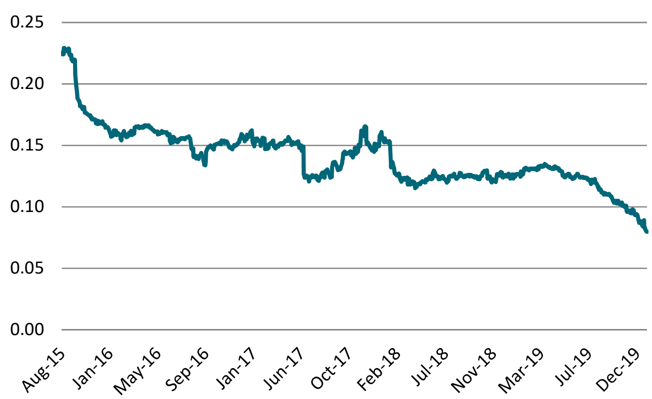
Portfolio allocations(1)



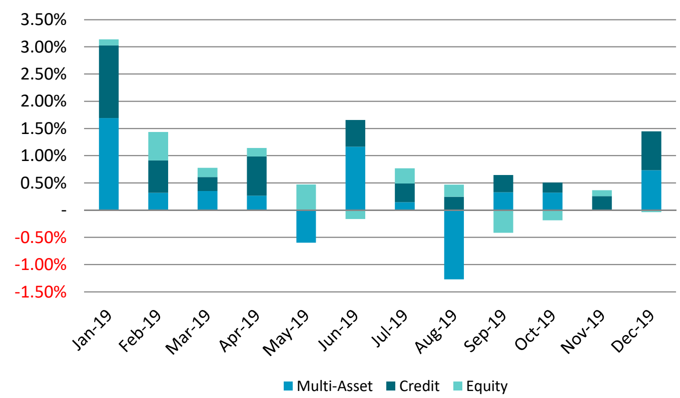
Asset allocation by sub-strategy(1)



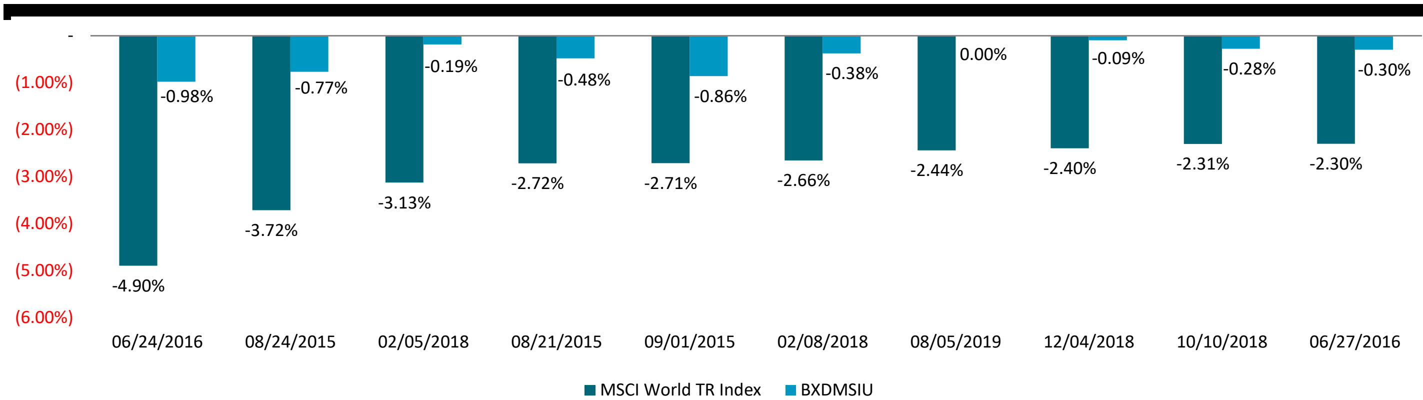
12 months rolling beta against MSCI World(3)(4)



Trailing 12 months performance contribution by sub-strategy(2)



BXDMS performance on worst 10 days for MSCI World since inception(3)



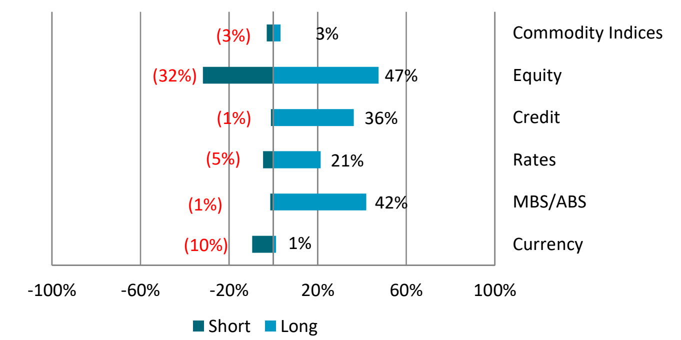
(1) The portfolio allocations in the table/chart reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Further, Blackstone, on behalf of the Fund, may determine to not employ one or more of the above-referenced 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.

(2) 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.

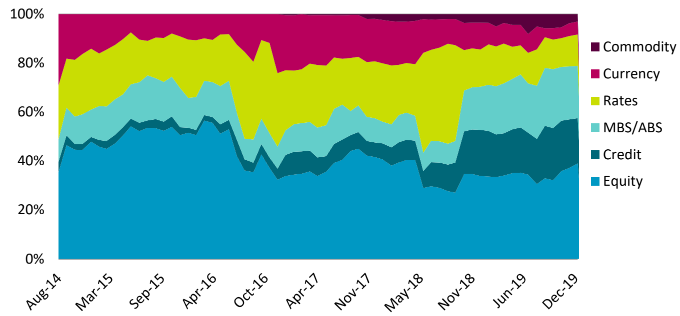
(3) Because of the broadly diversified and low beta nature of the portfolio, BXDMS is not expected to participate in the full upside of broader equity markets. The average daily return for BXDMSIU for the 10 best MSCI World TR days is 0.35%, while the average return of MSCI World TR for the 10 best MSCI World TR days was 2.28%. **The indices presented MSCI World is indicative and presented for illustrative purposes only. The MSCI World is not benchmark or target for the Fund. Please see Important Disclosure Information.**

(4) Betas are calculated using the MSCI World TR index. The calculated betas use returns daily returns for BXDMS Share Class I Acc from 9/11/2014-12/31/2019. 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. The performance of the index 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 the fund's performance to that of a well-known and widely recognized index. A summary of the investment guidelines for the index presented is available upon request.

Asset class exposure(1)



Asset class gross historical exposure(1)



Fund geographic exposure(1)

Region	Long	Short	Net
US/Canada	115.43%	(36.76%)	78.66%
Core Europe	11.18%	(9.54%)	1.64%
Peripheral Europe	4.85%	(0.57%)	4.28%
Lat. Am./Caribbean	9.56%	(0.60%)	8.96%
Middle East/Africa	6.59%	(1.02%)	5.58%
Japan	1.01%	(0.72%)	0.30%
Asia general	1.87%	(0.60%)	1.26%
China/HK/Taiwan	1.04%	(1.47%)	(0.44%)
Total	**151.52%**	**(51.29%)**	**100.23%**

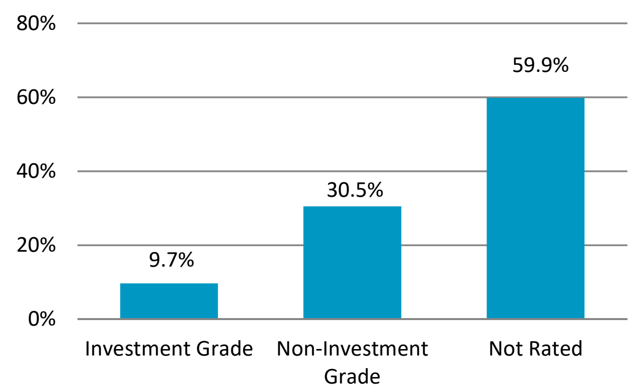
Currency exposure(1)(2)

Region	Long	Short	Net
US/Canada	0.07%	-	0.07%
Core Europe	0.28%	(7.72%)	(7.44%)
Peripheral Europe	0.00%	(0.23%)	(0.23%)
Lat. Am./Caribbean	0.25%	-	0.25%
Middle East/Africa	0.00%	(0.40%)	(0.40%)
Japan	0.04%	(0.57%)	(0.53%)
Asia general	0.40%	(0.48%)	(0.08%)
China/HK/Taiwan	0.15%	(0.15%)	(0.00%)
Total	**1.19%**	**(9.55%)**	**(8.36%)**

Equity exposure – sector breakdown(1)

Equity Sector	Long	Short	Net
Energy	1.11%	(1.14%)	(0.02%)
Materials	0.46%	(1.35%)	(0.88%)
Industrials	3.72%	(1.22%)	2.49%
Consumer Discretionary	5.83%	(5.68%)	0.16%
Consumer Staples	0.98%	(1.39%)	(0.40%)
Health Care	13.54%	(4.77%)	8.77%
Financials	4.80%	(6.38%)	(1.58%)
Real Estate	1.36%	(0.28%)	1.08%
Information Technology	8.22%	(3.23%)	4.99%
Communication Services	1.93%	(2.44%)	(0.51%)
Utilities	0.60%	(0.45%)	0.15%
Index*	1.90%	(3.44%)	(1.54%)
Unclassified**	3.02%	(0.01%)	3.01%
Total	**47.47%**	**(31.76%)**	**15.71%**

Fixed income ratings(1)(3)



VaR analysis(4)

Date	VaR
12/31/2019	2.21%

(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 the Fund's administrator. Blackstone does not guarantee the accuracy of such data. Please see important Disclosure Regarding Exposure at the end of this presentation.

(2) Exposure figures reflect the aggregate value of the Fund's 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.

(3) Data provided using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings. Please note that other ratings agencies may provide ratings for securities currently represented as "Not Rated" or 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 Baa3 for Moody's. Non-investment grade is below Investment grade to D.

(4) 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: Exposure data presented herein does not consider the impact of delta on option positions (unless noted otherwise). Instead, exposures represent the market value of each underlying instrument. Positions of unknown type (if any) are excluded from exposure data. There is no attempt in this report to differentiate between or adjust for shorter versus longer duration rates trades. Instead, they are shown only by market value of exposure. Given that exposure data is based on fund holdings, it excludes unsettled trades. Position level data is obtained from the Fund's administrator. Blackstone does not guarantee the accuracy of such data.

Blackstone Diversified Multi-Strategy Fund (BXDMS)

Blackstone

As of December 31, 2019

Q4 2019 Market Commentary

Geopolitical aftershocks impacted global asset prices disproportionately in 2019. As discussed in our third quarter note, uncertainty caused by the trade war and Brexit, combined with a Chinese pivot to slower but higher-quality growth, led directly to a global economic slowdown concentrated in the manufacturing sector. In response, the Federal Reserve (the "Fed") eased monetary policy. From November 2018 to December 2019, expectations for March 2020 Fed Funds rates fell by 50%, and now sit 150bps below the market expectation just 13 months ago. For the last 10 years, declining interest rates have driven abnormally high risk-adjusted returns, and 2019 proved to be no exception: repricing of discount rates (the time-value of money) in turn repriced all future cash flows, driving a 10% rally in 10 year maturity bonds and an expansion in price-to-earnings multiples that resulted in a 20% rally in US equities through the end of Q3.

In September we observed that the recession that was then priced for the winter of 2021 was "[N]ot a foregone conclusion. A positive economic surprise could contribute to a significant equity rebound and a subsequent 'fear of missing out' rally." Further, we pointed to a de-escalation in the trade war and continued strength in employment as key catalysts for a rebound. On October 11th, President Trump announced a tentative agreement for the "first phase" of a trade deal with China, and mutual tariffs scheduled to be imposed on December 15th were not implemented. Then, November Non-Farm Payrolls in the US jumped by a robust 266,000[1], bringing unemployment to a 50 year low. Finally, on December 12th, the landslide Conservative victory in the United Kingdom's general election secured a clear mandate for Brexit, reducing uncertainty, if not bringing closure. In an environment of falling geopolitical and economic uncertainty, investors felt more comfortable chasing the risk-on rally, bringing the S&P 500 to new all-time highs and a more than 30% return for the calendar year.

Against this macroeconomic backdrop we witnessed some reversals of prior price action in the Q4. Lower quality credit, which had underperformed dramatically during the year, caught a bid. The Healthcare and Energy sectors too experienced a significant rebound, reflecting a declining probability of an Elizabeth Warren presidency. The turbulence caused by geopolitical aftershocks and concomitant swings in investor appetite for risk created significant opportunity for alpha, and as a result investors were able to drive meaningful returns that had little to do with overall market risk.
In this environment, BXDMSIU delivered on its objectives. We seek to provide capital appreciation with low volatility and beta to traditional asset classes[2]. In 2019, we delivered 7.20%[3] net returns with volatility of 2.00% and global equity beta of 0.08. In more concrete terms, BXDMSIU was up or flat on 65% of the days in which the MSCI World fell in 2019, compared to 86% of the days when it was up[4].

During the course of the year we made several adjustments to the portfolio. First, we reduced the Fund's exposure to quantitative investment strategies through our decision to move an existing sub-adviser of systematic trading strategies to the "inactive" roster because we felt that crowding could reduce forward-looking returns while increasing tail risk.

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[1] Source: US Bureau of Labor Statistics

[2] There can be no assurance that the Fund will achieve its goals or avoid losses.

[3] Performance is presented through December 31, 2019. 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.

[4] 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 9/10/2014 to 12/31/2019, on days that the MSCI World was up, the average daily returns for the MSCI World and BXDMS were 0.48% and 0.08%, respectively. Over the same period, on the ten best MSCI World trading days, the average daily returns for the MSCI World and BXDMS were 2.28% and 0.35%, respectively. The MSCI World is not a benchmark or target for the Fund.

Second, within our Credit book, we focused on maintaining highly liquid and high-quality exposure. As discussed in previous commentaries, we favor liquid real estate debt over corporate debt and note that fundamentals for housing have continued to improve as high yield spreads have tightened. Our fixed income managers have moved up in quality, taken profits from capital appreciation, and kept direct credit exposure controlled. 6.1% of our Net Asset Value is AAA, AA, or A rated, 12.8% is BBB rated, 18.7% is BB rated, 16.6% is B rated, and 6.5% is CCC rated. Our corporate credit exposure maintains a weighted average life of 1 year to reduce sensitivity to changes in credit spreads. Looking forward to the end of the cycle, we took the opportunity to establish a 'beach head' with GSO, a sub-adviser who stands ready to deploy capital in the event of distress, and we actively look to add opportunistic tail hedges to our portfolio[5].

Looking forward, we observe that market consensus is now pricing modest global growth and mid-single digit earnings growth. The economy is largely healthy and supported by the 6-9 month lag on monetary easing, a retreat from trade wars, and a fiscally supportive White House in an election year. However, as this is already priced, equity returns may be more modest. Further, with the backdrop of full capacity utilization in the United States and the Fed on hold, it is possible that 10 year rates temporarily rise above 2.25% as investors revisit inflation expectations and the path of real yields. In this environment we will continue to innovate to deliver less correlated streams of returns, looking for opportunities globally where we can use our strategic positioning as one of the biggest global investors in alternatives. We focus in particular in sourcing less-well covered exposures, tapping into developing markets with a demographic dividend, and continuing to add value where changing regulations have created opportunities in the financial ecosystem.

An example of this is our emerging market sovereign lending program, which enjoyed positive returns in 2019. These positions are US Dollar- or Euro-denominated loans to sovereign and quasi-sovereign entities in developing markets. This market was historically bank-dominated, but because of regulatory changes, they are no longer able to warehouse as much of this exposure. As a result, our Fund is building a portfolio of this hard-to-find risk that is less correlated to mainstream risk assets. More broadly, as we look towards investing through the next decade, we continue to focus on the implications of bigger, longer-term trends that will impact the investment universe, from the implications of global demographics, to decreasing global interdependence and balkanization into competing spheres of economic and intellectual capital, to burgeoning US debt that handcuffs counter-cyclical fiscal stimulus in the next recession. Alpha is ephemeral and as such we must innovate to deliver.

Review of Q4 2019 Fund Performance

The investment objective of the Blackstone Diversified Multi-Strategy Fund (the "Fund" or "BXDMS") 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[6]). In Q4, the Fund's Class I share class returned 1.41%[3] net of fees and expenses versus 2.62% for the HFRX Global Hedge Fund Index, 0.49% for the Barclays Global Aggregate Bond Index and 8.68% for the MSCI World index[7].

Equity Strategies[8]

Equity strategies (-0.11%) detracted for the quarter, as gains generated in November were more than offset by losses suffered in October and December. From a sub-strategy perspective, Equity Long Short contributed positively and benefited from exposure to Health Care. Within this portion of the book, exposure to a biotechnology company produced profits following an announcement related to a new drug targeting Alzheimer's disease. Equity Market Neutral sub-strategies detracted in the fourth quarter, as exposure to the momentum and low volatility factors underperformed.

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[5] There can be no assurance that the Fund will achieve its goals or avoid losses.

[6] BAIA manages a portion of the Fund's assets directly. Such investments 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.

[7] **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.**

[8] 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 contribution is shown gross of all fees and expenses. Performance is estimated and unaudited.

Exposure to the Financials sector helped alleviate the losses, however, as bank stocks appreciated from markets' anticipation of a bottoming in near-term interest rates, which may provide a tailwind for industry net interest margins.

Credit Strategies[8]

Credit strategies contributed 1.15% to the Fund in the fourth quarter and all sub-advisers delivered positive performance. Exposure to Fixed Income – Asset Backed sub-strategies was accretive, as gains were generated from carry and capital appreciation as a result of spread tightening throughout the period. The Fund's emphasis on mortgage and structured credit exposure, as highlighted in the previous quarter's commentary, was beneficial to performance, as exposures to commercial and residential mortgage-backed securities, as well as collateralized loan obligations, benefited from price appreciation. Distressed/Restructuring sub-strategies also generated gains, though losses were incurred. On the positive side, exposure to a physician services organization, music retailer and enterprise software company led sub-strategy gains, while losses were led by exposure to companies focused on mining, health care services and media.

Multi-Asset Strategies[8]

Multi-Asset strategies (+1.06%) also contributed positively to Fund performance in Q4. Sub-advisers of Discretionary Thematic sub-strategies generated notable profits and benefited from exposure to emerging market bonds, as the market reacted positively to an initial resolution in the US-China Trade War. Risk-Arbitrage sub-strategies also produced profits, as gains from exposure to sixteen successful mergers and acquisitions deals throughout the period more than offset losses from exposure to companies focused on telecommunications, wireless technology and data center services. Multi-strategy sub-strategies also produced gains in the fourth quarter. Profits came from exposure to emerging market equities and trades on the natural gas curve, though losses resulted from exposure to European and US nominal rates.

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 fourth quarter of 2019, we terminated one of our existing sub-advisers.

2019 Sub-Adviser Terminations:

1. Sorin (Sorin Capital Management, LLC): The Fund's assets managed by Sorin have been re-allocated to Good Hill Partners LP ("Good Hill"), a current sub-adviser to the Fund. BAIA expects Good Hill to manage the assets previously allocated to Sorin using similar resources, including certain personnel, processes and technology.

Review of 2019 Year-End Fund Performance

For the full year 2019, the Fund's Class I share class returned 7.20%[3] net of fees and expenses versus 8.68% for the HFRX Global Hedge Fund Index, 6.84% for the Barclays Global Aggregate Bond Index and 28.40% for the MSCI World index[9].

Equity Strategies[10]

Equity strategies contributed 1.28% for the year and generated profits in three of four quarters. Equity Market Neutral sub-strategies were the leading contributor of gains, though Equity Long/Short sub-strategies were also positive. The Fund's exposure to Financials was particularly accretive and benefited from exposure to alternative asset managers, which broadly outperformed their traditional counterparts throughout the year. Losses did result from exposure to bank stocks, however, as prices traded down following four interest rate cuts from the Federal Reserve that placed pressure on industry net interest margins. Exposure to Healthcare was positive, despite intermittent periods of volatility tied to polling shifts in the Democratic Presidential Primaries and an increased probability of an Elizabeth Warren candidacy.

Credit Strategies[10]

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[9] **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.**

[10] 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 contribution is shown gross of all fees and expenses. Performance is estimated and unaudited.

Credit strategies (+5.66%) were the largest contributor to Fund performance for the year, with all sub-advisers generating profits. Within this portion of the book, the Fund's continued emphasis on mortgage and structured credit exposure was beneficial, with notable gains coming from Fixed Income – Asset Backed sub-strategies. Sub-advisers of these strategies collected carry and benefited from capital appreciation as a result of continued spread tightening throughout the year. Distressed/Restructuring sub-strategies also contributed positively, though losses did result from exposure to corporate credit. Among the largest detractors to Fund performance within these sub-strategies were exposures to the bonds of companies focused on utilities, media, mining, physician services and health care services.

Multi-Asset Strategies[10]

Multi-Asset strategies (+3.53%) were the second largest contributor to Fund profits in 2019 and were led by the performance Multi-Strategy sub-strategies. Sub-advisers of these sub-strategies generated gains from exposure to emerging market equities, as well as opportunistic trades focused within the oil and gas industry. Proceeds were reduced, however, from losses suffered by sub-advisers of Systematic Diversified sub-strategies. Discretionary Thematic sub-strategies also delivered positive performance for the year, though sub-adviser performance was mixed. Profits were taken from exposure to emerging market credits amid declining US rates, though losses were suffered from exposure to Argentinian bonds after a surprise result in their presidential elections was negatively received by markets.

Portfolio Manager Addition

We also want to make you aware of a change in our Portfolio Manager line-up – effective as of September 11, 2019, Raymond ("Ray") Chan has joined the Fund as a Portfolio Manager. Ray demonstrates high-quality, experienced investment talent that will bring a fresh perspective and be additive to our investment process. He will serve alongside the Fund's six other existing Portfolio Managers. For more information on Ray's experience, please refer to the "Portfolio Managers" section on www.bxdms.com.

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 2019, we added three new sub-advisers and terminated one of our existing sub-advisers.

2019 Sub-Adviser Additions:

1. BRESSA (Blackstone Real Estate Special Situations Advisors L.L.C.)[11]: BRESSA, a wholly-owned subsidiary of The Blackstone Group Inc. and an affiliate of BAIA, is an investment adviser within the Blackstone Real Estate Debt Strategies group ("BREDS"). BRESSA's investment strategy for the Fund primarily focuses on credit-oriented, liquid high-yield real estate investments including CMBS, RMBS, corporate debt, CDOs, CLOs, CMBX and REITs and seeks to identify relative value opportunities between asset classes.

2. Sage Rock (Sage Rock Capital Management LP): Sage Rock is an event driven manager with a focus on special situations investing. Sage Rock's sub-strategy seeks to capture the embedded value of Special Purpose Acquisition Company ("SPAC") units (comprised of common stock, warrants and rights). The SPACs sub-strategy involves systematically buying positions in a broad range of outstanding SPAC units and future SPAC unit IPOs, and generally holding the associated common stock, warrants and rights until the completion of a deal.

3. GSO DFM (GSO / Blackstone Debt Funds Management LLC)[11]: GSO DFM, a wholly-owned subsidiary of The Blackstone Group Inc. and an affiliate of BAIA, is an investment adviser within Blackstone's global credit investment platform, GSO Capital Partners LP ("GSO"). GSO DFM's strategy for the Fund is focused primarily on investments in below-investment grade corporate credit. GSO DFM is focused on generating risk-adjusted returns with a strong emphasis on capital preservation across various credit instruments including bank loans, high yield bonds and collateralized loan obligation ("CLO") securities.

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[11] Blackstone and its affiliates have financial interests in asset managers. Any allocation by Blackstone to a subsidiary or other affiliates (such as BRESSA and GSO) 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.

2019 Sub-Adviser Terminations:

1. Sorin (Sorin Capital Management, LLC): The Fund's assets managed by Sorin have been re-allocated to Good Hill Partners LP ("Good Hill"), a current sub-adviser to the Fund. BAIA expects Good Hill to manage the assets previously allocated to Sorin using similar resources, including certain personnel, processes and technology.

Sub-adviser and strategy additions and terminations are normal events in Blackstone's hedge fund investment process and result from our dynamic evaluation of the top down assessment of the opportunity set for hedge fund strategies as well as the bottom up evaluation of a manager's ability to deliver alpha in a given environment.

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, 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 is available upon request. Please contact your BAAM representative for further information.***

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.
- 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. **Barclays Global Aggregate Bond Index:** a broad-based measure of the global investment grade fixed-rate debt markets, 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 23 developed markets in the world. **HFRX Global Hedge Fund Index:** is 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.

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. Index data is obtained from unaffiliated third parties and is subject to subsequent adjustments. Blackstone makes no assurances as to the accuracy or completeness thereof.

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.