

Blackstone Alternative Multi-Strategy Fund (BXMIX)

As of March 31, 2019

Fund Net Performance^{1,2,3}

	As of 03/31/2019					Inception to Date Statistics			
	MTD	QTD	YTD	1 Yr	ITD	St Dev.	Beta	Alpha	Sharpe
BXMIX	(0.09%)	3.76%	3.76%	2.87%	3.13%	3.09%	-	-	0.75
HFRX Gbl HF Index	(0.17%)	2.60%	2.60%	(3.32%)	(0.35%)	3.52%	0.53	3.30%	(0.33)
Barclays Gbl Agg Index	1.25%	2.20%	2.20%	(0.38%)	0.76%	4.73%	(0.10)	3.23%	(0.01)
MSCI World TR Index	1.38%	12.65%	12.65%	4.61%	6.85%	11.34%	0.16	1.95%	0.53

Market Commentary

This quarter, the focus of our commentary is Emerging Markets (“EM”) which experienced difficulty in 2018, marked by the EMBI Global Diversified High Yield Index’s worst performance since 2008, ending the year 6.2% lower. This unfavorable environment was driven by a perfect storm of forces: global central banks increased interest rates, the Federal Reserve (“Fed”) shrunk its balance sheet, and the U.S.-China trade war escalated.

Fortunately for EM investors, conditions changed a great deal in the first quarter of 2019. In fact, EM faces virtually none of the aforementioned risks today as valuations appear more attractive (in large part due to the selloff in 2018). Additionally, the potential end of tensions between the U.S. and China could help ease investor sentiment which would stand to benefit EM. We maintain a favorable outlook for EM in the year ahead, a thesis which depends heavily on last year’s headwinds becoming this year’s tailwinds.

Historically, EM performance has been closely tied to the value of the U.S. dollar (“USD”). USD strength ebbs and flows based upon the projected growth rate of the U.S. economy, which also informs the Fed’s interest rate policy. In recent history, the U.S. economy has remained in a prolonged expansion, leading to USD strength and encouraging the Fed to hike the Federal Funds rate, which they did four times in 2018 alone. This has pressured EM assets, and this pressure was most pronounced in emerging economies with accounts holding USD-denominated debt. In 2019, the Fed signaled an end to both rate hikes and the shrinking of its balance sheet. This reversal in monetary policy has bolstered first quarter returns for EM, along with most global risk assets.

In addition, the U.S. dollar could be a countervailing force to strong EM performance if history is any guide. In 2017, EM outperformed when the dollar was weak. In 2018, EM lagged when the dollar was strong. In 2019, we expect the dollar to stabilize, which should bolster performance. The absence of dollar strength reduces the pressure on EM central banks to hike rates, potentially creating a virtuous cycle.

¹ Performance is presented through March 31, 2019. Net performance is net of the Gross Expense Ratio less waived expenses. Performance data quoted represents past performance and does not guarantee future results. All ITD statistics above are calculated using daily performance. 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.bxmixon.com.

² Inception to Date statistics are as of BXMIX’s inception on June 16, 2014 through the most recent month end. Measures beta or alpha of BXMIX to the respective index.

³ None of the indices presented are benchmarks or targets for the Fund, and they 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.

Additionally, global central bank easing is likely to benefit EM in 2019. The Fed, the European Central Bank, and the People's Bank of China have shifted back into neutral or outright easing policies. This marks a sharp contrast to 2018, when 56% of central banks hiked rates and contributed to a rare contraction in the global monetary base. New central bank–provided liquidity is fuel for risk assets, EM chief among them. If this liquidity propels equities higher, we expect EM to benefit as well.

Similar to the Fed's pivot, the trade war between the U.S. and China is likely to come to a favorable short-term resolution for EM. As tensions between the U.S. and China rose, investors became more wary of foreign markets, especially China. Now that fears of a full-on trade war between the U.S. and China have subsided, Chinese stocks have rebounded. This has provided support to EM stock performance. Investors in the first quarter seem bullish on the prospects of the Chinese economy, believing it is on the road to recovery after the sharp decline that took place in 2018.

In line with our favorable outlook for EM, we have increased allocations to certain Macro strategies and exposures over the last year. These strategies are primarily focused on U.S. dollar, sovereign and quasi-sovereign denominated debt, and are largely managed by sub-advisers aiming to capitalize on market dislocations driven by macroeconomic events such as those discussed above.

Review of Q1 2019 Fund Performance

The investment objective of the Blackstone Alternative Multi-Strategy Fund (the "Fund" or "BXMIX") 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 BAIA⁴). In Q1, the Fund's Class I share class returned 3.76%⁵ net of fees and expenses versus 2.60% and 2.20% for the HFRX Global Hedge Fund and Barclays Global Aggregate Bond indices, respectively, and versus 13.65% and 12.65% for the S&P 500 and MSCI World indices, respectively⁶.

Equity Strategies

Equity strategies (+0.82%⁷) were bolstered by strength in global stock markets after a challenging close to 2018. The Fund's exposure to the Health Care sector was the largest contributor to performance for the quarter within the equity portfolio. The sector rallied following the December sell-off that came on the back of a federal court decision to invalidate the Affordable Care Act. During the volatility that ensued, the Fund selectively added long exposure to high conviction names, which ultimately benefited from the broad-based recovery in Q1. One of the largest contributors was long exposure to a global biopharmaceuticals company whose stock price appreciated after a competitor announced a takeover bid.

Sub-strategies with exposure to the Financials sector also generated gains. The leading driver of this performance was long exposure to a commercial bank, which has begun successfully diversifying its loan portfolio while expanding its presence in highly sought after domestic client markets. Short exposure to a Financials company detracted from performance amid broad based sector strength, though conviction remains in the view that the stock is overvalued at its current price. This thesis is rooted in the belief that the stock has meaningfully out-performed the sector of late given

⁴ BAIA manages a portion of the Fund's assets directly. Such investments include allocations to BAIA's systematic risk premia trading strategy, funds managed by Glenview Capital Management LLC, EJP Capital LLC, Aeolus Capital Management Ltd., 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.

⁵ Performance is presented through March 31, 2019. Net performance is net of the Gross Expense Ratio less waived expenses. 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. Information is estimated and unaudited. Additional information and performance data current to the most recent month-end is available at www.bxmixon.com.

⁶ Indices are provided for illustrative purposes only. They have not been selected to represent appropriate 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.

⁷ Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.

net interest margin expansion across its business YTD; however the Fund views this as an overvalued, short term tailwind.

Credit Strategies

Credit strategies (+1.49%⁷) also generated gains for the quarter. Similar to equity markets, fixed income markets reversed course in Q1 following a difficult close to the calendar year. The Fund's exposure to credit risk transfer bonds benefited from broad spread tightening during the quarter.

Fixed Income-Asset Backed sub-strategies also drove gains, as commercial mortgage backed securities (CMBS) indices tightened, reflecting recovery from the large market drawdown in Q4 2018. Corporate credit continued to contribute to returns; the largest driver was a position in a consumer finance company that reported positive annual earnings and highlighted a positive outlook for its prospects in 2019. Exposure to trust preferred securities (TruPs) CDOs also exhibited positive performance. Additionally, exposure to CLOs was accretive to Fund performance as spreads tightened and the yield generated by those securities led to positive attribution to the Fund.

Though the credit book contributed to gains for the quarter, there were some detractors within individual sub-advised portfolios. Small corporate credit exposures experienced losses as a loan to a Health Care company declined due to uncertainty because of delayed reporting, and a loan to a foreign computer services company was marked down amidst the loss of a major revenue contract.

Multi-Asset Strategies

Multi-Asset strategies (+2.15%⁷) were the largest contributor to gains for the quarter. Positive performance was driven by long exposure to nominal interest rates and mortgage backed securities.

Event-driven sub-strategies, such as risk arbitrage, produced gains. These merger-linked strategies, which attempt to exploit pricing inefficiencies caused by corporate events by taking long positions in target companies and selling acquirers short, have benefited from heightened levels of acquisition activity to start the year. Top contributors for the first quarter include two energy companies, a pair of healthcare providers, and a set global telecommunications providers.

Discretionary thematic sub-strategies posted positive performance, driven primarily by long exposure to emerging market sovereign debt. As mentioned earlier in the commentary, the dovish call by the Fed to stop raising interest rates helped hard currency-denominated sovereign debt perform well in Q1.

Though the multi-asset portfolio as a whole was positive, there were some detractors within individual sub-advised portfolios. Systematic Diversified exposure posted negative performance for the quarter. This strategy was hurt by its fixed income exposure, with losses largely coming from short exposure to global bonds.

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 first quarter of 2019, we added one new sub-adviser.

Q1 2019 Sub-Adviser Additions:

1. BRESSA (Blackstone Real Estate Special Situations Advisors L.L.C.): BRESSA, a wholly-owned subsidiary of The Blackstone Group L.P. 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.

For further detail on these sub-advisers and others within the Fund, please see “BXMIX Sub-Adviser Profiles” in the “Literature” section of our website, www.bxmix.com.

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.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only. Past performance may not be a reliable guide to future performance. The value of BXMIX 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. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Certain of the information provided herein has been obtained from or derived from the Fund’s sub-advisers. BAIA does not guarantee the accuracy or completeness of such information.

Important Disclosure information

All investors should consider the investment objectives, risks, charges and expenses of BXMIX carefully before investing. The prospectus and, if available, the summary prospectus contain this and other information about BXMIX and are available on BXMIX's website at www.bxmixon.com. All investors are urged to carefully read the prospectus and, if available, the summary prospectus in its entirety before investing. Additional information regarding BXMIX is available upon request.

Opinions expressed reflect the current opinions of BAAM as of the date of the report only.

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 State Street Bank and Trust Company, the administrator for BXMIX. Blackstone does not guarantee the accuracy of such data.

Glossary of Terms

Gross Exposure: Reflects the aggregate of long and short investment positions in relation to the net asset value. For example, if BXMIX has 60% long exposure and 50% short exposure to a particular asset class, then BXMIX has 110% gross exposure to that asset class. The gross exposure is one indication of the level of leverage in a portfolio. **Net Exposure:** This is the difference between long and short investment positions in relation to the net asset value. For example, if BXMIX has 60% long exposure and 50% short exposure to a particular asset class, then BXMIX is 10% net exposure to that asset class. **Long:** A long position occurs when an individual owns securities. **Short:** 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.

Glossary of Indices

Market indices obtained through Bloomberg. **Barclays Global Aggregate Bond Index:** provides a broad-based measure of the global investment grade fixed-rate debt markets. It is comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indexes. **HFRI Global Hedge Fund Index:** HFRI 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; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe. **MSCI World TR 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.

Indices are unmanaged and investors cannot invest in an index. Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks for BXMIX, but rather are disclosed to allow for comparison of BXMIX's performance to that of well-known and widely recognized indices. The indices may include holdings that are substantially different than investments held by BXMIX and do not reflect the strategy of the Fund. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that may differ from BXMIX. The indices do not reflect the deduction of fees or expenses. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

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 L.P. 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 L.P. 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.
- Blackstone Real Estate Special Situations Advisors L.L.C. ("BRESSA"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group L.P., serves as a Sub-Advisor Sub-Adviser. BRESSA invests primarily in liquid, commercial and residential real estate-related debt instruments.
- 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.

The following information has not been provided in a fiduciary capacity under ERISA, and it is not intended to be, and should not be considered as, impartial investment advice. If you are an individual retirement investor, contact your financial advisor or other fiduciary unrelated to BAIA about whether any given investment idea, strategy, product or service described herein may be appropriate for your circumstances.

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