

Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of September 30, 2020

Fund Net Performance^{1,2}

	As of September 30, 2020						Inception to Date Statistics			
	MTD	QTD	YTD	1 Yr	5 Yr	ITD	St. Dev.	Beta	Alpha	Sharpe
BXMIX	(0.20%)	2.24%	(6.09%)	(4.08%)	1.42%	1.81%	4.30%			0.22
HFRX Global HF Index	(0.17%)	2.74%	1.62%	4.23%	2.14%	0.89%	3.64%	0.73	0.93%	0.00
Morningstar Category Avg.	(0.95%)	0.67%	(4.73%)	(3.18%)	0.77%	0.23%	4.62%	0.67	1.34%	(0.14)
Barclays Global Agg Index	(0.36%)	2.66%	5.72%	6.24%	3.92%	2.22%	4.81%	0.01	0.97%	0.28
MSCI World Index	(3.41%)	8.05%	2.12%	10.99%	11.09%	7.73%	15.35%	0.18	(0.35%)	0.45

¹ Performance is presented through September 30, 2020 for the Fund's Class I share class (BXMIX). 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.bxmix.com.

² Inception to Date statistics are as of BXMIX inception on June 16, 2014. Measures of beta or alpha of BXMIX are to the respective index. Please see the end of this document for additional disclosures regarding indices presented.

Q3 2020 Market Commentary

The third quarter unfolded in three acts. First, in July, asset prices continued to recover on the back of increased risk appetite fueled by improving global outcomes in combating COVID-19. Then, the following month, the S&P 500 Index rallied 8.93%, marking its best August performance since 1986. This "fear-of-missing-out" rally was supported by a momentous change in the Fed's reaction function, which suggested low front-end rates for the next several years. In September, however, some of those gains reversed, and we saw a normalization in equity values as investors looked ahead to an uncertain election season. In fact, stocks dropped 11.3% peak to trough from September 2nd to September 23rd.³

The Fund performed as expected against this backdrop, returning 2.24% on the quarter, 1.33% in July, 1.11% in August, and -0.20% in September.⁴ Key contributors remained consistent with those that we highlighted last quarter as having positive outlooks. Our exposure to Special Purpose Acquisition Companies ("SPACs"), emerging market sovereign debt, residential and commercial mortgages, corporate credit/loans, and diversifying strategies all contributed significantly during the quarter.⁵ Detractors centered on our equity market neutral strategies and market hedges.⁵

BXMIX strives to deliver a diversified portfolio of alternative investment strategies to complement our clients' portfolios. We focus our efforts on sourcing differentiated exposures and constructing a portfolio with the goal of generating alpha relative to traditional equity and fixed income markets. True to form, over the course of the quarter, the Fund's sensitivity to the S&P 500 Index (its equity beta) averaged 0.05.⁶ Thus, the Fund delivered a 1.77% return in excess of its equity market exposure this quarter, in line with our objectives. Similarly, the Fund's sensitivity to the Barclays Global Aggregate

³ "Stocks" are represented by the S&P 500 TR Index.

⁴ Past performance is not be a reliable guide to future performance. Net performance is net of the Expense Ratio less waived expenses. 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. Statistics are calculated using daily performance and are annualized. Performance is estimated and unaudited.

⁵ The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time.

⁶ The calculated betas use daily returns for BXMIX from 7/1/2020-9/30/2020. The indices referenced above are not benchmarks or targets for the Fund. Please see Important Disclosure Information.

Bond Index (its credit beta) averaged 0.25 and resulted in a 1.59% return in excess of the Fund's credit market exposure for the quarter.⁶

What is remarkable—and perhaps, deeply concerning—about the S&P 500's ~6% YTD performance through September is that the top 5 stocks by market capitalization (Facebook, Amazon, Apple, Microsoft, and Alphabet) *gained* 39% collectively, while the other 495 companies together *lost* 1%. Because the S&P 500 is weighted by the market capitalization of its constituents, these top 5 stocks currently represent 23% of the index. This means that a 70/30 stock/bond portfolio in which the stocks are benchmarked to the S&P 500 Index holds a ~16% weight to just 5 stocks.

Furthermore, with nominal rates in the U.S. constrained by the zero lower bound, asset price tailwinds and portfolio risk mitigation from falling discount rates may dissipate. Additionally, as real yields in the U.S. are negative to 2050 (meaning an investor has to pay the U.S. government in inflation-adjusted terms for the luxury of lending the government money), we believe investors will have to look elsewhere to satisfy total return objectives. Thus, we believe that investors will continue to seek diversified sources of return, search for yield, and look for risk mitigants to replace low-yielding fixed income in their portfolios.

This view drives three themes we seek to achieve in our portfolio: 1) positioning for a “lower-for-longer” rate environment, 2) monetizing secular shifts in markets, and 3) sourcing new, diversifying risks. While we discussed positioning for “lower-for-longer” interest rates in last quarter's commentary, our growing investment in our SPACs strategy focuses on what we believe to be a secular shift in the landscape for initial public offerings (“IPOs”), and the addition of our new commodities strategies is a good example of our amplification of diversifying strategies to incorporate differentiated sources of return.⁸

The pace of economic recovery has been heterogeneous, with many segments of the economy rebounding strongly (*e.g.*, technology, new economy, housing), while questions remain about the pace of recovery for others (*e.g.*, retail, hospitality, office). This has led to associated differences in the pace of asset price recovery across various segments of the market. However, as we pass fourth quarter events such as the U.S. presidential election and Brexit, and gain visibility on the timeline and adoption of a potential COVID-19 vaccine, we believe a focus on recovery themes and a search for yield will normalize many of these differences. Over the last six months we've sought to use the dislocation resulting from COVID-19 to improve the portfolio by adding core strategies that were previously difficult to access. More recently, as risk appetite has reflatated certain assets and changed relative risk/reward, we have shifted capital with the aim of enhancing the future return distribution of the Fund. Looking ahead, we anticipate using uncertain markets to introduce COVID-19 recovery themes and to continue to build positions in diversifying risks. We remain convicted in our ability to deliver a diversified set of hedge fund strategies and look forward to how the portfolio will perform through the broader COVID-19 recovery.

Review of Q3 2020 Fund Performance

The investment objective of the Blackstone Alternative 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 BAIA⁷). In Q3, the Fund's Class I share class returned 2.24%¹ net of fees and expenses versus 2.74% for the HFRX Global Hedge Fund Index, 2.66% for the Barclays Global Aggregate Bond Index, and 8.05% for the MSCI World Index⁸.

⁷ BAIA manages a portion of the Fund's assets directly. Such investments include allocations to fund managed by EJP Capital LLC, Aeolus Capital Management Ltd., PIMCO Investment Management, and opportunistic trades. 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.**

Equity Strategies⁹

Equity strategies (-0.08%) were relatively flat during the quarter. Equity Long Short sub-strategies were the leading contributor of gains, benefiting from net long exposure to healthcare. Within this portion of the portfolio, exposure to companies within the biotech and medical technology subsectors generated profits, wherein leading contributors included the shares of a pharmaceutical company that reported record sales of a drug treating a rare autoimmune disease. Detractors were led by exposure to a medical technology company whose shares sold off in light of the market's concern regarding a device recall.

Equity Market Neutral sub-strategies suffered slight losses in the third quarter. Quantitative strategies experienced headwinds resulting from a factor reversal in volatility and momentum throughout August. These losses were partially offset by gains produced from exposure to financials, driven largely by alpha generated from exposure to REITs.

Since mid-2017 we have hedged out residual equity beta in this portion of the portfolio via a short S&P futures position. As mentioned in last quarter's commentary, this exposure limited upside participation throughout the quarter as stock markets continued to rally.

Credit Strategies⁹

Credit Strategies (+1.71%) were the largest contributor to Fund performance in Q3 and benefited from positive returns generated by each credit sub-adviser. Fixed Income – Asset Backed sub-strategies continued to recover from the Q1 selloff and were aided by spread tightening throughout the quarter. Sub-advisers of these sub-strategies continued to note that securities backed by residential mortgages (*e.g.*, CRTs, RMBS) have rebounded more than those backed by commercial mortgages, where COVID-related uncertainty continues to weigh on prices.

Distressed/Restructuring sub-strategies also generated gains in the third quarter. Tailwinds associated with record levels of issuance and inflows in the high yield debt market, as well as a growing number of companies experiencing financial distress, created opportunities for sub-advisers to purchase undervalued assets throughout the quarter. Gains in this portion of the Fund were bolstered by exposure to loans of a natural gas and cruise line company, while losses were attributed to exposure to the loans of a sporting gear company and the bonds of a cosmetics company.

Multi-Asset Strategies⁹

Multi-Asset Strategies (+1.11%) also contributed positively in Q3. Discretionary Thematic sub-strategies were accretive to performance and benefited from gains resulting from exposure to emerging market sovereign bonds. These exposures benefited from price appreciation resulting from increased demand, as investors continued to search for available sources of yield in a market environment marked by low, and in some cases negative, central bank interest rate policies. Despite these gains, slight losses were incurred from exposure to Russia amid unrest in Belarus and the poisoning of opposition leader Alexei Navalny.

Multi-Strategy sub-strategies also produced gains for the quarter. Exposure to strategies focused on SPACs benefited from the growing popularity of these vehicles as a favorable alternative to traditional routes of accessing public capital markets. SPAC issuances saw a significant spike in Q3 and have already exceeded full-year 2019 levels year-to-date, raising \$31.4B in aggregate.¹⁰ For the quarter, leading contributors to performance within these strategies included a business combination in the automotive space. However, these gains were partially offset by cross asset relative value exposures, where losses were incurred as a result of correlation breakdowns in equities and fixed income.

⁹ 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. 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.

¹⁰ Source: Dealogic. As of August 31, 2020.

Risk Arbitrage strategies also contributed positively, as the landscape for corporate mergers and acquisitions continued to improve and exposure to pairs of companies in technology and communications produced gains, though these gains were partially offset by exposure to deals involving a food delivery and consumer electronics company.

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 third quarter of 2020, we added one new sub-adviser:

1. **TrailStone (TrailStone Commodity Trading US, LLC):** TrailStone is a global energy trader and risk manager, which operates across North American and European energy markets. TrailStone seeks to capture opportunities arising from the disruption in energy markets by leveraging its energy market experience and predictive modelling platform.

Additions and terminations 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.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only and are based on BAIA's opinions of the current market environment, which is subject to change. Certain information contained in the Materials discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. Certain of the information provided herein has been obtained from or derived from sources outside Blackstone. BAIA does not guarantee the accuracy or completeness of such information.

Fund Terms (Class D)¹

As of Date: 3/31/2020

Expense Ratio: 3.01%

Adjusted Expense Ratio: 2.14%

- ¹ Through August 31, 2021 Blackstone Alternative Investment Advisers LLC has agreed to waive its fees and/or reimburse expenses of the Fund so that certain of the Fund's expenses, together with the Fund's management fees, will not exceed 2.40% annualized. Expense Ratio represents the expense ratio applicable to investors and is comprised of the management fees, other expenses and acquired fund fees and expenses as noted in the Fund's Prospectus. The Adjusted Expense Ratio represents the Expense Ratio net of Excluded Expenses. "Excluded Expenses" are expenses excluded from reimbursement by the Investment Adviser which include: (i) distribution or servicing fees, (ii) acquired fund fees and expenses, (iii) brokerage and trading costs, (iv) interest payments (including any interest expenses, commitment fees, or other expenses related to any line of credit of the Fund), (v) taxes, (vi) dividends and interest on short positions, and (vii) extraordinary expenses (in each case, as determined in the sole discretion of the Adviser). Please see the Fund's Prospectus at www.bxmix.com.

Important Disclosure Information

All investors should consider the investment objectives, risks, charges and expenses of **BXMIX, Class I** carefully before investing. The prospectus and the summary prospectus contain this and other information about **BXMIX** and are available on **BXMIX's** website at www.bxmix.com. All investors are urged to carefully read the prospectus and the summary prospectus in its 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

An investment in the Fund should be considered a speculative investment that entails substantial risks; you may lose part or all of your investment or your investment may not perform as well as other investments. The Fund's investments involve special risks including, but not limited to, loss of all or a significant portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity and volatility of returns. The following is a summary description of certain additional principal risks of investing in the Fund:

Allocation Risk – Blackstone's judgment about the attractiveness, value or market trends affecting a particular asset class, investment style, sub-adviser or security may be incorrect and this may have a negative impact upon performance. **Market Risk and Selection Risk** – One or more markets may go down in value, possibly sharply and unpredictably, affecting the values of individual securities held by the Fund. **Derivatives Risk** – the use of derivatives involves the risk that their value may not move as expected relative to the value of the relevant underlying assets, rates, or indices. Derivatives can be subject to counterparty credit risk and may entail investment exposure greater than their notional amount. **Debt Securities Risk** – investments in bonds and certain asset-backed securities are subject to risks, including but not limited to, the credit risk of the issuer of the security, the risk that the issuer undergoes a restructuring or a similar event, the risk that inflation decreases the value of assets or income from the investments, and the risk that interest rates changes adversely impact the debt investments. **Equity Securities Risk** – prices of equity and preferred securities fluctuate based on changes in a company's financial condition and overall market and economic conditions. **Mortgage- and Asset-Backed Securities Risk** – involves credit, interest rate, prepayment and extension risk, as well as the risk of default of the underlying mortgage or asset, particularly during times of economic downturn. **Multi-Manager Risk** – managers may make investment decisions which conflict with each other and as a result, the Fund could incur transaction costs without accomplishing any net investment result. **Leverage Risk** – use of leverage can produce volatility and may exaggerate changes in the net asset value of Fund shares and in the return on the portfolio, which may increase the risk that the Fund will lose more than it has invested. **Large Purchase or Redemption Risk** – large redemption or purchase activity could have adverse effects on performance to the extent that the Fund incurs additional costs or is required to sell securities, invest cash, or hold a relatively large amount of cash at times when it would not otherwise do so.

- In addition, you should be aware of the following risks and conflicts relating specifically to the Fund: The fees paid by the Fund to Blackstone will be reduced by the full amount of any fees paid to the Fund's underlying managers. This compensation offset arrangement may give Blackstone an incentive to favor underlying managers that charge lower fees.
- Subject to applicable law, the Fund is not restricted from selecting underlying managers in which Blackstone, Blackstone Clients or their affiliates have a financial interest.

ERISA: The foregoing 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.

Important Disclosures Regarding Exposure: Exposure figures are shown as a percentage of Fund Net Asset Value. 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. 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.

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. **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. **Beta:** A measure of the volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole. **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. More specifically, Jensen's Measure is used to calculate alpha. **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. **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.

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.

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. . 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.

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.*
- *GSO / Blackstone Debt Funds Management LLC (“GSO DFM”), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group L.P., 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.

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

Prepared by Blackstone Securities Partners L.P., a member of FINRA and an affiliate of Blackstone Alternative Investment Advisors LLC, the investment adviser of the Fund.