

# Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of June 30, 2021

## Fund Net Performance<sup>1,2</sup>

	As of June 30, 2021						Inception to Date Statistics			
	MTD	QTD	YTD	1 Yr	5 Yr	ITD	St. Dev.	Beta	Alpha	Sharpe
<b>BXMIX</b>	<b>0.84%</b>	<b>3.93%</b>	<b>5.96%</b>	<b>14.09%</b>	<b>3.93%</b>	<b>3.21%</b>	<b>3.87%</b>			<b>0.62</b>
HFRX Global HF Index	0.38%	2.41%	3.73%	12.01%	4.22%	2.04%	3.58%	0.74	1.23%	0.34
Morningstar Category Avg.	0.18%	2.69%	5.54%	12.44%	3.33%	2.39%	4.14%	0.51	1.32%	0.38
Barclays Global Agg Index	(0.88%)	1.31%	(3.21%)	2.63%	2.34%	1.98%	4.68%	0.03	1.98%	0.25
MSCI World Index	1.52%	7.89%	13.33%	39.67%	15.44%	10.85%	15.07%	0.18	0.44%	0.67

<sup>1</sup> Performance is presented through June 30, 2021 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](http://www.bxmix.com).

<sup>2</sup> 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.

## Q2 2021 Market Commentary

The Blackstone Alternative Multi-Strategy Fund ("BXMIX" or the "Fund") seeks to deliver risk-adjusted returns, with less market sensitivity and volatility than the broader equity markets, by investing in a diversified portfolio of alternative investment strategies. In providing access to proprietary information flow, portfolio allocation views, and investment opportunities, we attempt to monetize what we believe are Blackstone's structural advantages as one of the largest alternative investors in the world. We consider BXMIX to be a core portfolio holding for investors looking to diversify away from traditional market risks and for investors looking to complement an equity-heavy portfolio with a lower-volatility diversifier that invests in alternatives strategies spanning equities, credit, and multi-asset macro and relative value.

Over the first half of this year, we believe the Fund has delivered on its objectives. BXMIX appreciated 5.96% year-to-date (YTD), 3.93% on the quarter, and 14.09% over the last 12 months<sup>3</sup>. YTD, the Fund outperformed the HFRX Global Hedge Fund Index by 2.22%, the Morningstar Multistrategy category by 0.43%, and the Barclays Global Aggregate bond index by 9.16%<sup>4</sup>.

**There can be no assurance that the Fund will achieve its goals or avoid losses. Diversification does not assure a profit nor protect against loss.**

<sup>3</sup> Performance is presented through June 30, 2021. Returns are shown net of the Expense Ratio less waived expenses. Inception to date (ITD) returns for BXMIX are calculated on an annualized basis. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Additional information and performance data current to the most recent month-end is available at [www.bxmix.com](http://www.bxmix.com).

<sup>4</sup> 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.

The nature of our returns is equally important as the magnitude of our returns. Over the last 12 months, we have managed BXMIX with, on average, half of the market sensitivity of the broader Morningstar Multistrategy category<sup>5</sup>, three times more market-uncorrelated exposure than our Morningstar category<sup>6</sup>, and one quarter of the realized volatility of the S&P 500 Index. Compared to our Morningstar category, BXMIX delivered more ‘alpha’—that is, returns over and above market exposure—than 87% of its peers<sup>7</sup> over the last 12 months. BXMIX returns have been favorably asymmetric as well. The Fund achieved a 2.6x up-market/down-market capture ratio versus the S&P 500, participating in, on average, 16% of the upside of U.S. equities over the last 12 months and only 6% of the downside. In the 2<sup>nd</sup> quarter, those numbers were 17% of the upside and (2%) of the downside, which means that on average we made money when the S&P 500 was down. Our daily returns over the last 12 months also underscore the Fund’s lower sensitivity to broader equity markets. For example, on days when the S&P 500 was down, BXMIX was up or flat 55% of the time. Conversely, when the S&P 500 was up, BXMIX was up or flat 87% of the time<sup>8</sup>. Our relatively muted market exposure, amplified uncorrelated risk taking, and return asymmetry are important features of our offering, which we believe are the result of our investment process.

We believe consistent performance over time reflects a multitude of decisions which are the result of an investment process that plays to an investor’s structural advantages. In the past, we have spoken about finding managers with moats and think it is only fair to speak openly about our own. As the world’s largest allocator to hedge funds<sup>9</sup>, we believe that Blackstone enjoys significant advantages that stem from its scale, its structuring abilities, and its strategy rotation insights. The Fund’s recent performance is the result of our efforts over the last year to source what we believe to be a well-diversified set of alternative return streams that generally do not depend on broader market performance to generate excess returns. We believe our scale and depth of investor relationships directly enhance our ability to source hard-to-find exposures and enable us to be more diversified across many different sources of return. In fact, BXMIX has 18 strategies that are dedicated solely to Blackstone<sup>10</sup> and invests in 5 managers whose flagship hedge funds are closed to new investors. In our view, quality sources of return and diversification lead to attractive risk-adjusted returns and a positive investment experience over the long run.

In addition to this scale advantage, we believe our differentiated fund structure which combines multiple separately managed accounts, fund investments, opportunistic trades, and direct portfolio hedges, confers advantages in mandate customization, transparency, and risk and liquidity management. This framework has allowed us to efficiently onboard over 50 strategies over the Fund’s life. Our flexibility in tailoring investment mandates plays directly into what we believe is our third structural advantage, namely our ability to apply Blackstone insights<sup>11</sup> to rotate dynamically amongst strategies in an effort to manage risk and enhance returns. True uncorrelated alpha decays over time; thus, we feel it is imperative to search constantly for new strategies, evolve existing ones, and rotate from where opportunity has been to where we think it may be. Over the last 12 months, our dynamic asset allocation has contributed positive value to the

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<sup>5</sup> Market sensitivity represents beta measured to the S&P 500. For the period from 7/1/2020 to 6/30/2021 beta to the S&P 500 for BXMIX and the Morningstar Multistrategy category was, on average, 0.11 and 0.23, respectively.

<sup>6</sup> Market uncorrelated exposure is measured as  $1 - R^2$  of each return stream to the S&P 500. For the period 7/1/2020 to 6/30/2021 daily correlation to the S&P 500 for BXMIX and the Morningstar Multistrategy category was 0.55 and 0.87 respectively,  $R^2$  was 0.30 and 0.75 respectively, and hence  $1 - R^2$ , or the measure of idiosyncratic risk unexplained by the S&P 500, was 0.70 and 0.25 respectively.

<sup>7</sup> Peers are represented by 53 funds in the Morningstar Multistrategy category. Includes each fund’s oldest share class only. Alpha is measured to the S&P 500.

<sup>8</sup> Performance data quoted represents past performance and does not guarantee future results. Comparisons will differ, in some cases significantly, if the relative performance is measured over the course of a month, quarter, year or longer. Because of the broadly diversified and low beta nature of the portfolio, BXMIX is not expected to participate in the full upside of broader equity markets. From 6/16/2014 to 6/30/2021, there were 796 days in which the S&P 500 TR was down and 977 days in which the S&P 500 TR was up or flat. During this period, on days that the S&P 500 was up, the average daily returns for the S&P 500 and BXMIX were 0.68% and 0.09%, respectively.

<sup>9</sup> Source: InvestHedge Billion Dollar Club (as of 12/31/2020) based on AUM.

<sup>10</sup> Refers to the number of managers that currently do not sub-advise any mutual funds other than BXMIX or managers who provide a materially different strategy to other mutual funds that they sub-advise.

<sup>11</sup> Subject to Blackstone’s information walls.

portfolio. In a winner-take-most business, we believe our scale, compounded by our advantages in structure and strategy rotation, is a potential flywheel for risk-adjusted returns.

Structural advantages are great to have in theory, but how did our investment process play out in practice this year? Our sourcing, diversification, and dynamism worked as anticipated. With respect to sourcing, since the beginning of 2020 we onboarded 18 different sub-strategies that collectively contributed 2.83% of return attribution YTD<sup>12</sup>. Among these, we would like to highlight material winners and losers this quarter: Exposure to California Carbon Credits contributed positively for the quarter. While California Carbon Credits are legislated to appreciate at inflation +5%<sup>13</sup> per annum, a frenzy of focus on inflation and ESG-friendly investments led to significantly greater appreciation of our holdings this quarter. Our China A-shares strategies, onboarded in late 2020, generated gains on the quarter and YTD, contributing 0.73% to total Fund performance this quarter and 0.82% on the year<sup>12</sup>. These strategies monetize market inefficiencies caused by the preponderance of retail participation and the demand for market-neutral investment strategies in the China A market, where shorting stocks is a challenge. However, not all recent additions had a great quarter: event-driven equity trading and statistical arbitrage strategies detracted 0.51% from total Fund performance on the quarter, suffering idiosyncratic losses in May. We maintain conviction in both strategies. We believe our constant search for innovative and attractive alternative strategies is a competitive differentiator and look forward to announcing more strategies as opportunities arise.

With respect to diversification, our performance year to date has been broad based: 14 sub-strategies each contributed more than 0.20% to Fund performance while the Fund's remaining sub-strategies detracted (0.02%) from the Fund's total return<sup>12</sup>. In addition to the strategies already highlighted, our discretionary thematic and equity market neutral strategies contributed positively, the first rebounding from a (0.52%) loss in the first quarter to contribute 1.17% in the second. Within equity market neutral sub-strategies, exposure to financials delivered a return of 4.85% on the quarter, 4.6% of which was delivered when Financials fell (3.0%) in June. However also within our equity strategies, value-oriented exposure to Japanese equities rebounded modestly over the quarter but remained down on the year due to continued headwinds against both the value factor and Japanese equities as a whole. Turning from the structural diversification of our portfolio towards our active diversification, we have trimmed our tail risk hedge by 50% relative to a year ago and installed hedges and offsets for market exposures and inflation uncertainty. While we don't expect our hedges to significantly offset modest drawdowns, when the Fund experienced a 0.37% drawdown in the first half of May our active diversifiers offset 16% of that drawdown. Conversely, as broad risk-appetite rebounded into the end of the quarter our hedges and offsets detracted (0.07%) from Fund's total return on the quarter. Overall, we believe diversified idiosyncratic returns, complemented by hedges and offsets, drove our performance, underscoring how the source of our returns are distinct from broader equity market risk.

Finally, our dynamic asset allocation has added value year-to-date. In prior quarterly letters we spoke about positioning for a search for yield in the front half of the year and then rotating towards absolute return strategies as the year progressed. We executed on that plan, reducing our allocation to credit strategies from 27% in December to 16% by the end of June. This proved to be accretive, as our credit strategies returned 2.66% in the quarter<sup>12</sup>, while the total portfolio returned 3.93%. Over the course of the quarter, we also made several moves that reflected changing risk reward in the alternatives space. For example, we took profit on the catastrophe bonds we bought in December at 8-9% yields, selling them at 5-6% yields before the hurricane season. In contrast, we maintain our other insurance-linked exposure as we believe pricing there remains attractive. We also were dynamic in our management of Special Purpose Acquisition Companies ("SPACs"). As the wave of capital that drove outsized gains in January-February broke in March-April, we added capital to tactically purchase SPACs trading below trust value and have since taken profits. While the

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<sup>12</sup> Sub-strategy performance is shown gross of all fees and expenses. Performance attribution represents the contribution of each sub-strategy to the Fund's total return. Performance is estimated and unaudited.

<sup>13</sup> CPI +5% is not a guaranteed return.

market is more measured with respect to SPAC euphoria, and looks ahead with healthy respect to digesting the \$118bn<sup>14</sup> in capital raised over the first half of the year, we continue to believe that SPACs provide the potential for differentiated right-tail exposure and hence maintain a reduced allocation.

We believe that we have likely passed peak economic growth in the U.S., where both growth and the rate of change of growth were strongly positive. The next market regime may be dominated by positive economic growth with increasing uncertainty about the speed of growth and staying power of inflation. Market participants may expect an increased frequency of surprises in economic data prints, particularly around inflation and employment, which could shake market confidence and lead to periodic choppy markets. Thus, while we believe the longer-term trend for risk assets is likely positive, we believe the risk-adjusted return of these assets is likely less attractive than it has been for the last twelve months. With this backdrop, we continue to see the value in diversifying alternative strategies like BXMIX. Given the market environment, we seek to continue to build out our absolute return holdings, manage our relatively low exposure to equity market risk, and focus on developing strategies that seek to provide right-tail exposure as well as incorporating more strategies that may effectively offset portfolio drawdowns. Looking ahead to the second half of the year, we believe that BXMIX is well-positioned to deliver against its objectives as we remain focused on maintaining a balanced portfolio, mitigating left tail risk, and capturing opportunistic dislocations<sup>15</sup>.

*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.*

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<sup>14</sup> Source: Bloomberg. As of June 30, 2021.

<sup>15</sup> There can be no assurance that the Fund will achieve its goals or avoid losses. Diversification does not ensure a profit or guarantee against loss.

## Fund Terms (Class D)<sup>1</sup>

As of Date: 3/31/2020

Expense Ratio: 3.01%

Adjusted Expense Ratio: 2.14%

- <sup>1</sup> Through August 31, 2022 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](http://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](http://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.

**No Assurance of Investment Return.** Performance data quoted represents past performance and is no guarantee of future results. Investment returns and principal values may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. All returns include dividend and capital gain distributions. Information about the Fund, including current month-end performance, is available on the Fund's website at [www.bxmix.com](http://www.bxmix.com) or by calling 855-890-7725.

**Allocations:** 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, strategies or sub-strategies. Blackstone may also add new 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.

**ERISA Fiduciary Disclosure:** 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.

**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.

**Index Comparisons:** 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.

**Trends.** There can be no assurances that any of the trends described herein will continue or will not reverse. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results.

**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.

**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 1/100<sup>th</sup> of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. **R-squared (R<sup>2</sup>):** A statistical measure of fit that indicates how much variation of a dependent variable is explained by the independent variable(s) in a regression model. In investing, R-squared is generally interpreted as the percentage of a fund or security's movements that can be explained by movements in a benchmark index. **Up-market/Down-market Capture Ratio:** A statistical measure of a fund's overall performance relative to an index during periods when that index has risen or dropped.

**Glossary of Indices:** Market indices obtained through Bloomberg, HFR Asset Management, MSCI and Morningstar, as applicable. **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 Multistrategy Category:** Represents the average performance of mutual funds categorized as "multistrategy" funds by Morningstar, Inc. These funds allocate capital (at least 30% combined) to a mix of alternative strategies that aim to minimize exposure to traditional market risks. **S&P 500 Index:** Market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The S&P is a float-weighted index, meaning company market capitalizations are adjusted by the number of shares available for public trading. **UBS Pre-Announcement SPAC Basket:** Tracks the performance of the largest pre-announcement SPACs. New SPACs which meet minimum fund raising criteria will be added to the basket after they begin trading. SPACs will be removed from the basket following M&A announcements. Equal-weight basket created on March 3, 2021.

**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 Alliance Advisors L.L.C. ("BSAA"), an affiliate of BAIA, manages the Strategic Alliance Funds (the "SAF Funds") that provide seed capital to emerging alternative asset managers (the "SAF Managers") in exchange for a revenue share arrangement. Seiga Asset Management Limited, a SAF Manager, is a sub-adviser to the Fund. The revenue generated for BSAA related to the Fund's investment with a SAF Manager is rebated to the Fund. The Fund will not otherwise participate in any of the economic arrangements between the SAF Funds and any SAF Manager with which the Fund invests.
- 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 Inc., serves as a Sub-Advisor Sub-Adviser. BRESSA invests primarily in liquid, commercial and residential real estate-related debt instruments.
- Blackstone Liquid Credit Strategies LLC ("BX LCS"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group Inc., serves as a Sub-Adviser. BX LCS 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.