

# Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of December 31, 2021

## Fund Net Performance<sup>1,2,3</sup>

	As of December 31, 2021						Inception to Date Statistics			
	MTD	QTD	YTD	1 Yr	5 Yr	ITD	St. Dev.	Beta	Alpha	Sharpe
<b>BXMIX</b>	<b>0.56%</b>	<b>(0.55%)</b>	<b>5.27</b>	<b>5.27%</b>	<b>3.25%</b>	<b>2.91%</b>	<b>3.85%</b>			<b>0.56</b>
HRFX Global HF Index	0.47%	0.07%	3.65%	3.65%	3.52%	1.89%	3.53%	0.75	1.08%	0.32
Morningstar Category Avg.	1.77%	1.46%	6.73%	6.73%	3.28%	2.39%	4.13%	0.50	1.10%	0.39
Barclays Global Agg Index	(0.14%)	(0.67%)	(4.71%)	(4.71%)	3.36%	1.64%	4.62%	0.02	1.79%	0.19
MSCI World Index	4.30%	7.86%	22.35%	22.35%	15.64%	11.21%	14.84%	0.18	0.18%	0.70

<sup>1</sup> Performance is presented through December 31, 2021 for the Fund's Class I share class (BXMIX). Returns are shown net of the Expense Ratio less waived expenses (see Fund Terms). 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.

<sup>3</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.

## Q4 2021 Market Commentary

Global equity markets continued to post strong positive returns in the fourth quarter despite elevated macroeconomic uncertainty, with the S&P 500 and MSCI World indices finishing up 11.0% and 7.9% on the quarter, respectively. While stocks rallied through the end of the year, the breadth of performance in the S&P 500 narrowed in recent months, with just five stocks (AAPL, MSFT, NVDA, TSLA, GOOGL) contributing 51% of S&P 500 returns since April 2021 resulting in these stocks now accounting for 23% of the index. The appearance of the Omicron variant in November introduced a spike of equity market volatility, but markets quickly recovered as data indicated lower risk of severe symptoms than previous variants. However, the rise of new Omicron cases is beginning to demonstrate impacts on global growth with evidence of tempered momentum in the service sector in December.<sup>3</sup> With that in mind, we are optimistic that vaccination progress and scientific advances can withstand headwinds from the variant to position the U.S. economy for growth in 2022.

Inflation sensitive assets performed well in the first half of the fourth quarter as the U.S. Consumer Price Index (CPI) rose to 6.8% year-over-year in November.<sup>4</sup> In response to inflationary pressures and a tightening labor market (4.2% unemployment rate as of November)<sup>5</sup>, the Federal Reserve took a more hawkish stance and acknowledged that inflation was no longer transitory. The Federal Open Market Committee (FOMC) announced plans to accelerate the tapering of asset purchases beginning in January, indicating the potential for multiple interest rate hikes in 2022.

<sup>3</sup> Source: J.P. Morgan.

<sup>4</sup> Source: Bureau of Labor Statistics, Consumer Price Index.

<sup>5</sup> Source: Bureau of Labor Statistics, United States Department of Labor.

Our outlook for the U.S. economy remains positive supported by the increase in personal consumption as the economy reopens. This is moderated by continued operating restrictions and labor shortages in the services sector. This imbalance has impacted global supply chains and exacerbated pressures on the price of consumer goods. Amidst these dynamics, the Biden administration passed its infrastructure spending bill, which may result in further consumer stimulus. Meanwhile the Federal Reserve has shifted towards less stimulative policy, beginning the tapering process with interest rate hikes in the near future, however, we note that real yields are still negative despite the economy approaching full employment and inflation printing consistently above the Federal Reserve's targets.

Against this backdrop, BXMIX returned 5.27% on the year. The Fund aims to deliver diversified risk-adjusted returns over a market cycle by providing access to hedge fund strategies with lower exposure to equity risk. Negative performance in several equity exposures driven by factor rotations and missed earnings expectations outpaced broader portfolio gains resulting in BXMIX returning -0.55% in the fourth quarter.<sup>1</sup>

Throughout the year, the investment team continually endeavored to improve the durability of returns. Portfolio rebalancing through the addition of new and restructuring of existing strategies meaningfully reduced manager concentration. The team took advantage of bouts of market turbulence to significantly increase diversifying strategies in the portfolio as part of a broader multi-quarter shift away from credit, optimizing the portfolio's tail risk for potentially higher expected returns.<sup>6,7</sup>

As we look ahead, we find a macroeconomic environment that is increasingly uncertain. The largely positive U.S. economic outlook contrasts with China's production slowdown amidst rising energy and commodity costs. Globally, we have moved from globally coordinated easing to more differentiated fiscal and monetary policy. There is also tension between inflationary pressures leading to rising interest rates and growth. Taking these factors into consideration, BXMIX is currently positioning to be underweight U.S. government bonds, underweight credit exposure, overweight inflation sensitive assets, and overweight trading strategies that have less direct macro sensitivity.<sup>8</sup>

## Review of Q4 2021 Fund Performance

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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 BAIA<sup>8</sup>). In Q4, the Fund's Class I share class returned -0.55%<sup>1</sup> net of fees and expenses versus 0.07% for the HFRX Global Hedge Fund Index, -0.67% for the Barclays Global Aggregate Bond Index, and 7.86% for the MSCI World Index.<sup>1,3</sup>

### Equity Strategies<sup>9</sup>

Equity strategies (-0.56%) generated losses for the quarter. Gains were attributed to a strategy focused on the Chinese A-share market which continued to benefit from a rally in small-cap China A equities. However, these gains were offset by losses in Asia equities impacted by Chinese regulatory moves. Equity Long/Short sub-strategies saw mixed performance for the quarter. Specifically, the Fund benefited from a short position in a vaccine company as the company's guidance

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<sup>6</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.

Learn more about the fund here: [www.bxmixon.com](http://www.bxmixon.com)

<sup>7</sup> 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 without notice.

<sup>8</sup> BAIA manages a portion of the Fund's assets directly. Such investments include allocations to funds managed by Moma Advisors A/S, Aeolus Capital Management Ltd., PIMCO Investment Management, Saba Capital Management, L.P., Islet Management, L.P., Atreides Management, L.P., Rokos Capital Management LLP and opportunistic trades.

<sup>9</sup> Past performance may not be a reliable guide to future performance. 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. Additional information and performance data current to the most recent month-end is available at [www.bxmixon.com](http://www.bxmixon.com).

was lower than expected by market participants. This performance was offset by losses generated from exposure to an Equity Long/Short strategy focused on technology, media, and telecommunications that suffered from equity positions that missed earnings expectations.

Equity Market Neutral sub-strategies similarly saw mixed performance in Q4. A financials focused strategy that benefitted from the market volatility resulting from the Omicron variant and shift in Federal Reserve Policy generated positive returns. These gains were offset by Event Driven strategies, which suffered from factor rotations and a lackluster IPO calendar.

### **Credit Strategies<sup>9</sup>**

Credit strategies (+0.14%) posted positive performance for the quarter and benefited from gains generated by each sub-adviser. Fixed Income – Asset Backed sub-strategies continued to generate slight gains in Q4 from improving fundamental valuations. In this portion of the book, the Fund’s exposure to residential mortgage-backed securities was accretive to performance, profiting from strong U.S. house price appreciation, decreasing loan-to-value ratios, and low mortgage rates.

Distressed/Restructuring sub-strategies continued to generate gains in Q4, benefiting from exposure to bonds of an airline company and a fitness company, both benefitting from easing of Covid restrictions through the end of November. Losses within this sub-strategy were primarily due to exposure to bonds of a cruise line and transportation companies that suffered idiosyncratic losses, and a Chinese media company affected by the Chinese regulatory environment.

### **Multi-Asset Strategies<sup>9</sup>**

Multi-Asset strategies (+0.85%) continued to be the largest contributor to Fund performance for the quarter with notable contributions from Commodity Energy and Event Driven sub-strategies. Similar to last quarter, the Fund benefited from exposure to a strategy focused on Carbon Credit Allowances (“CCAs”) as prices continued to rise with increased inflation. Performance in this area of the fund was tempered by a weak CCA auction and implied Fed action in November. An Event Driven sub-strategy also added to performance while benefitting from continued strength in M&A activity throughout the quarter. Fund exposure to insurance-linked securities exhibited a reversal of Q3 losses as estimates on existing loss events were updated favorably. These gains were further offset by losses from Macro Trading strategies that were negatively impacted by significant front-end global rate moves in October.

## **Review of 2021 Full Year Fund Performance**

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For the full year 2021, the Fund’s Class I share returned 5.27% net of fees and expenses versus 3.65% for the HFRX Global Hedge Fund Index, -4.71% for the Barclays Global Aggregate Bond Index, and 22.35% for the MSCI World Index<sup>1,3</sup>.

### **Equity Strategies<sup>9</sup>**

Equity strategies (+0.40%) contributed positively in 2021. Equity Long/Short sub-strategies were the largest contributor to performance, with major contributions from the continued rally of small-cap China A-share equities. Quantitative investment strategies focused on the Chinese A-share market generated additional gains through market inefficiencies and increasing price momentum in clean energy related equities. These gains were partially offset by strategies that suffered losses due to a factor rotation away from growth and momentum stocks, underwhelming IPO performance, and negative performance from exposure to Asia equities in uncertain China equity capital markets. Losses were also attributed to sector specific losses in internet and media & entertainment, as well as losses from short positions in software and retail indices in a technology, media, and telecommunications focused strategy in the Fund.

Equity Market Neutral sub-strategies saw negative performance throughout the year. The Fund’s exposure to healthcare detracted from performance, driven in part by exposure to biotech shorts and a specialty pharmaceutical company missing earnings expectations in Q3. Losses were offset by the Fund’s exposure to Financials, which benefited throughout the year from strong earnings performance in the sector.

## Credit Strategies<sup>9</sup>

Credit strategies (+1.72%) showed positive performance for 2021, with profits produced by Fixed Income – Asset Backed sub-strategies that all posted gains for the year. These sub-strategies benefited from a broadly held positive market outlook based on improving fundamental valuations. Fund exposure to residential mortgage-backed securities also added to performance due to strong U.S. house price appreciation, decreasing loan-to-value ratios, and low mortgage rates.<sup>10</sup>

Distressed/Restructuring posted gains for 2021 as well, driven by key reopening trade positions profiting as Covid restrictions eased. The Fund's Fixed Income – Sovereign sub-strategy slightly detracted from performance in 2021, taking on losses from exposure in emerging market sovereign credit, which was weighed down by broader outflows from the EM sovereign debt space, U.S. debt ceiling uncertainty, and stagflation fears.

## Multi-Asset Strategies<sup>9</sup>

Multi-Asset strategies (+5.09%) were the largest contributor to Fund profits for 2021, led by the performance of Commodity Energy sub-strategies. The Fund benefited from exposure to a strategy focused on Carbon Credit Allowances ("CCAs"), which benefited from demand for inflation exposure, as CCAs provide direct exposure to the Consumer Price Index. Other Commodity Energy sub-strategies added gains through exposure to natural gas which benefited from rising prices and increased market volatility in 2021. Discretionary Thematic sub-strategies exhibited slightly positive performance, recovering from losses in the emerging market sovereign bond market. These strategies were adding risk in the back end of the year as emerging market sovereign bond spreads widened in Q4. The Fund's Event Driven sub-strategy added to performance, benefitting from strong M&A and Special Purpose Acquisition Company deal activity throughout the year.

Macro Trading sub-strategies detracted from overall performance during the year as a result of losses suffered during volatile periods in the rates market, slightly offsetting gains for 2021. Event Driven sub-strategies also detracted from performance with losses attributed largely to exposure to insurance-linked securities following severe weather events such as the winter storm in Texas, Hurricane Ida, and tornado activity in the United States.

## 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 generating returns in different market environments. Over the course of 2021, we added one new sub-adviser and terminated five existing sub-advisers:

### 2021 Sub-Adviser Additions:

- 1. Emerging Markets Credit Manager:** This Manager is a liquid emerging market sovereign bond trading strategy that invests in a diversified, market neutral portfolio across four relative value activities. The Manager focuses on mispriced, less efficient, and liquid sovereign bond markets, and harnesses the lead PM's 25+ years of experience managing sovereign bond risk at multiple successful platforms.

### 2021 Sub-Adviser Terminations:

- 1. NWI (NWI Management, L.P.):** NWI is a discretionary global macro manager with targeted experience in emerging market ("EM") interest rates ("IRs"), currency, and credit. NWI's expertise lies in identifying market-driving macro themes and structuring trades with high payoffs.
- 2. Good Hill (Good Hill Partners, L.P.):** Good Hill runs a relative value, Fixed Income – Asset Backed strategy. The strategy seeks to achieve attractive risk-adjusted returns through opportunistic liquid investments in mortgage-backed securities, asset-backed securities, collateralized loan obligations, and corporate debt securities.

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<sup>10</sup> S&P CoreLogic Case-Shiller national home price index.

3. **Cerberus (Cerberus Capital Management, L.P.):** Cerberus is a liquid alternatives strategy that targets liquid investments in the U.S. residential mortgage market. The strategy seeks to identify fundamentally mispriced securities that are expected to outperform market expectations, focusing on non-agency and agency mortgage-backed securities.
4. **IPM (IPM Informed Portfolio Management AB):** IPM is a systematic global macro manager that implements value, risk premia, macroeconomic, and market dynamic models across currency, fixed income, and equity markets. The strategy aims to identify the relative attractiveness of financial instruments and exploit divergences in fundamental while taking medium- to long-term views.
5. **Shelter Growth (Shelter Growth Capital Partners LLC):** Shelter Growth is an investment adviser seeking to invest primarily in liquid mortgage-backed and consumer asset-backed debt instruments for the MFP. The strategy seeks to generate returns primarily through carry, as well as trading and capital appreciation.

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)<sup>1</sup>

**As of Date: 3/31/2021**

**Expense Ratio: 2.79%**

**Adjusted Expense Ratio: 2.25%**

1. Through August 31, 2023 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 BAIA's management fee, sub-advisor fees and underlying manager fees in the case of investments in third-party managed funds and other expenses as noted in the Fund's Prospectus. BAIA is paid an asset-based management fee of 1.87% per annum; all sub-advisor fees are paid by BAIA out of its management fee. Fees for third-party fund investments are paid by the Fund (in addition to BAIA's management fee) and typically include a management fee, ranging from 0% - 2%, and a performance fee, ranging from 10% - 20%. 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) investments in third-party managed funds (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

**This material is not an offer to sell the Fund's securities and is not soliciting an offer to buy the Fund's securities. 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.

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.

**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 substrategies. 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 without notice.

**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 wellknown 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.

**Opinions and Trends.** Opinions expressed reflect the current opinions of Blackstone as of the date appearing in the Materials only and are based on Blackstone's opinions of the current market environment, which are 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. 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.

**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 Blackstone Inc. and the relevant Sub-Adviser and redemptions from an affiliate (or terminating such entity as a service provider) would be detrimental to Blackstone 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. ("BRE SSA"), an affiliate of BAIA and an indirect wholly-owned subsidiary of Blackstone Inc., serves as a Sub-Advisor Sub-Adviser. BRE SSA 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 Blackstone 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.

**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.

**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 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. **Bloomberg High Yield Index:** US Dollar-denominated index which measures the performance of high-yield debt issued by corporations domiciled in the US. **Consumer Price Index:** Measures the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

**None of the indices presented are benchmarks or targets for the Fund. Indices are unmanaged and investors cannot invest in an index.**

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.