Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of September 30, 2021

Fund Net Performance[1,2,3]

	As of September 30, 2021						Inception to Date Statistics			
	MTD	**QTD**	**YTD**	**1 Yr**	**5 Yr**	**ITD**	**St. Dev.**	**Beta**	**Alpha**	**Sharpe**
BXMIX	**(0.09%)**	**(0.09%)**	**5.86%**	**11.48%**	**3.50%**	**3.09%**	**4.20%**			**0.55**
HFRX Global HF Index	(0.38%)	(0.14%)	3.58%	8.87%	3.75%	1.95%	3.55%	0.74	1.19%	0.33
Morningstar Category Avg.	(1.07%)	(0.32%)	5.20%	9.64%	2.98%	2.25%	4.09%	0.74	1.27%	0.36
Barclays Global Agg Index	(1.78%)	(0.88%)	(4.06%)	(0.91%)	1.99%	1.79%	4.64%	0.03	1.91%	0.22
MSCI World Index	(4.11%)	0.09%	13.43%	29.39%	14.34%	10.47%	14.93%	0.18	0.41%	0.65

[1] Performance is presented through September 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.

[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.

[3] 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.

Q3 2021 Market Commentary

The first half of 2021 witnessed a globally coordinated economic recovery that culminated in 'Peak Growth'. Following this, as we suggested in in our Q2 commentary, the second half has thus far brought about greater macroeconomic uncertainty that in turn has driven asset prices. Slowing growth, widespread supply chain inflation, and the U.S. debt ceiling debate have proved a mild headwind for risk taking and risk assets, and more saliently have triggered significant return dispersion across and within asset classes. In the U.S., government stimulus and COVID-19 recovery fueled not only a robust economic rebound, but also caused market participants to extrapolate elevated growth, only to become disappointed when that rate of growth slowed. A strong 6.5% annualized growth rate on quarter-on-quarter Q2 GDP undershot consensus expectations by 2%[3]. By August, the University of Michigan's consumer sentiment index fell to its lowest level since 2011, well below even the most pessimistic projection[4]. Globally, economies such as Europe that are particularly sensitive to reopening, benefited in the first two quarters but have since slowed due to decreasing fiscal stimulus and resurging COVID-19 Delta variant cases. China, the world's second largest economy, also suffered from its own self-inflicted challenges. Lockdowns resumed due to the surging Delta variant while regulatory intervention in technology and education companies, increased regulatory pressure to meet energy consumption targets, ongoing housing weakness, and the extension of the debt obligations of Evergrande, the second largest property developer in China, created marked winners and losers across Chinese assets. In response to these and other notable macro challenges, many economists have revised down their forecasts for GDP growth for the rest of this year.

Inflation also took center stage this quarter, as the full extent of price pressures came through on a variety of fronts and suggested that inflation may be a more significant headwind than markets originally expected. Despite elevated unemployment, labor costs—a historically significant predictor of inflation—have been rising particularly in lower-wage jobs. Companies desperately need workers to expand but are finding they need to offer higher wages or other concessions

[3] Source: Joe Zidle. Based on a Bloomberg survey of economists, whose median expectation for 2Q'21 GDP growth was 8.4%.

[4] Source: Joe Zidle. University of Michigan, as of 8/27/2021.

to fill positions, or keep positions filled. Nonfarm job openings have posted new record highs every month since March[5]. In July, five job openings were available for every four unemployed Americans[6]. And, the August NFIB Small Business Jobs Report revealed that a record-high of 50% of all small business owners had job openings they could not fill, compared to the almost 50-year historical average of 22%. On the supply side of the market, labor force participation has hovered between 61.4% and 61.7% since June 2020, 1.6 percentage points lower than in February 2020[6]. And a record-high 3.98 million Americans quit their jobs in July[6].

Commodity prices, which is another key input into company manufacturing costs, have also seen rapid price appreciation and growing supply deficits across the globe. By quarter end, Crude oil futures had risen to ~$75 a barrel—a level not seen since the last high in 2018[7]. Over the quarter, December natural gas contracts in the U.S. appreciated 60%, and those in Europe appreciated 150%[8], as underinvestment in energy has caused a massive global inventory shortage that is predicted to last into this coming winter. In China, the situation is so severe that on September 30th, central government officials ordered the company's top state-owned energy companies (spanning coal, electricity, and oil) to secure supplies for this winter at all costs[8]. Global supply chains also remain stretched, pushing up shipping and input costs and constraining both inventories and production. Shipping capacity remains unable to satisfy rebounding demand, raising cargo prices to record levels[9]. As Blackstone Chief Investment Strategist Joe Zidle notes, a relatively small Panamax class container ship fetched a daily charter rate of $200,000 in September; a couple of years ago, these ships were being sold for scrap, and the spot rate to ship a 40-foot container from Shanghai to Los Angeles is now $12,424, more than eight times higher than pre-pandemic prices[10]. Furthermore, several U.S. port executives said they expect shipping logjams to continue at least through summer 2022, if not longer. While the impacts are clearly being felt by various corporations, everyday consumers are also feeling the squeeze. Estimates for how long new furniture orders will take to be delivered has skyrocketed, and many new orders placed today aren't expected to be fulfilled until 2022[11].

This dual theme of potentially slowing growth and continued inflation has had a pronounced impact on the government bond market. The Federal Reserve (the "Fed"), which uses these as inputs in determining proper monetary policy, had originally labeled inflation as transitory and indicated it didn't see a need to adjust policy rates or slow asset purchases. In fact, thanks to quantitative easing, the Fed has purchased almost three-fourths of net Treasury issuance year-to-date, compared to just 5% of net issuance in 2019[12]. By the end of the quarter, the Fed shifted to a more hawkish stance, suggesting that asset purchase tapering could begin sooner than had been expected and that there may be 6 or more rate hikes over the next three years[13]. The U.S. 10-year treasury rate (the "U.S. 10y") ending the quarter only a few basis points above where it began belied significant volatility in the government bond market. The U.S. 10y treasury yield reached lows of 1.17% in early August, only to reflate back 30 basis points ("bps") by the end of September[14]. If inflation is truly here to stay, the Fed tapers its purchase of bonds, and growth remains robust, interest rates and risk-assets may continue to grind higher. However, continued supply shocks that lead to structurally higher inflation, or a return to lackluster growth, could introduce significant volatility in both bond and stocks. As the market bounces between narratives in an uncertain world, causing significant sector rotation, nimble and diversified allocations may fare better than static indexed portfolios.

Despite rising rates, the search for yield continues: Bloomberg Global-Aggregate Bond Index spreads tightened below their pre-COVID-19 lows, while Bloomberg Global High Yield Index bond spreads also tightened significantly, but above their prior lows achieved in 2018[15]. Globally, the value of negative-yielding debt currently sits at $14.5 trillion, down from its

---

[5] Source: Bureau of Labor Statistics.

[6] Source: Joe Zidle. Bureau of Labor Statistics, as of 9/8/2021.

[7] Soucre: CNBC. https://www.cnbc.com/2021/07/01/us-crude-oil-prices-top-75-a-barrel-the-highest-since-2018.html

[8] Source: Bloomberg. https://blinks.bloomberg.com/news/stories/R095YMDWX2PU.

[9] Source: Journal of Commerce. https://www.joc.com/air-cargo/air-cargo-rates-near-2020-record-ocean-demand-shift_20210921.html

[10] Source: Joe Zidle. Drewry Supply Chain Advisors, as of 9/16/2021.

[11] Source: Bloomberg. https://www.bloomberg.com/news/articles/2021-09-25/supply-chain-delays-furniture-buyers-feel-they-re-waiting-forever-for-a-couch?sref=3DKBakyl.

[12] Source: Joe Zidle. Blackstone Investment Strategy, Securities Industry and Financial Markets Association (SIFMA), and Federal Reserve Board, as of 8/31/2021. SIFMA provides monthly net Treasury issuance data. Federal Reserve Board Treasury purchases are measured as the change in US Treasury securities held outright; weekly data are aggregated at a monthly frequency by averaging.

[13] Source: Bloomberg. https://www.bloomberg.com/news/articles/2021-09-22/the-fed-s-new-dot-plot-after-its-september-rate-meeting-chart?sref=3DKBakyl.

[14] Source: Bloomberg. The 10-year was 1.47 on 6/30/2021 and 1.52 on 9/30/2021.

[15] Source: Bloomberg.

December 2020 high but still a historical extreme[16]. Given the prospect of rising rates and the acknowledged richness in global bonds—driven by investors that may have no choice but to own fixed income—the bonds in a 60/40 portfolio may change roles from a mitigant of portfolio risk, to a source of portfolio risk. Assuming a 40% allocation to the Barclays Global Aggregate Bond Index which has a duration of 7.51 year, every 100bps change in rates would result in a -3% drop in a portfolio's aggregate value, assuming no impact on equities.

Equity markets similarly were lifted by falling interest rates in an environment of not-too-strong growth but gave up some of those gains into the close of the quarter. The S&P 500 saw another positive quarter, reaching an all-time high in the first few days of September, only to fall 5% into quarter end. As rates fell in July and August, we continued to see a factor rotation into growth and out of value, but saw that spread narrow meaningfully in the last few days of September when growth and tech stocks slid. As rates have rebounded, growth and tech stocks have continued to fare worse than the broader market. As a greater share of their cashflows are expected to be generated in the future, so higher interest rates lower the present value of those cash flows. Small cap stocks, despite a strong first quarter, struggled to break out in the third quarter, consistent with a changing growth narrative.

Looking ahead, uncertainty surrounding the equity market backdrop still lingers. Equity analysts have yet to come to terms with how inflation impacts corporate profits, with rising labor costs, rising interest rate costs, and rising regulatory costs all potentially cramping margins in the near term. Other tail risks for growth continue to loom, as in the recent example in the Port of Ningbo-Zhoushan complex (the world's third busiest port), an entire shipping terminal was closed due to one case of COVID-19, leaving dozens of cargo ships stranded. While China's port issues are unlikely to derail the U.S. recovery, further supply chain complications could constrain global growth, especially in emerging markets that rely heavily on Chinese imports. We believe that the economy will continue to grow, albeit at an uncertain pace, and that inflation and growth risks make forward looking returns similarly uncertain. Thus, we prefer equities vs. bonds, while acknowledging that greater uncertainty in asset prices make the risk/reward trade off in traditional indices less attractive as we move into 2022.

Against this backdrop, we believe BXMIX is a well-positioned alternative investment for investors to consider. As currently designed, BXMIX is expected to have on average lower exposure to equity and government bond markets, and instead have increased exposure relative-value strategies. Our performance throughout the quarter illustrated this risk posture as diversification across our sub-strategies balanced returns in a turbulent market[17].We believe our daily returns over the last 12 months continue to 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 47% of the time. Conversely, when the S&P 500 was up, BXMIX was up or flat 85% of the time[18]. Furthermore, compared to our Morningstar category, BXMIX delivered more 'alpha'—that is, returns over and above market exposure—than 86% of its peers[19] over the last 12 months.

We believe BXMIX provides investors access to potentially meaningful alpha opportunities across asset classes and geographies through its focus on i) specialists that seek to generate returns independent of the direction of traditional equity and fixed income markets, ii) hard-to-access assets early in their adoption cycle, and iii) exposures where we have favorable negotiated terms. We continue to believe that BXMIX could serve as a core part of any investor portfolio that seeks risk-adjusted returns and dampened market volatility[20].

[16] Source: Joe Zidle. Bloomberg, as of 9/20/2021.

[17] 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.

[18] 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 9/30/2021, there were 825 days in which the S&P 500 TR was down and 1011 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.

[19] Peers are represented by 53 funds in the Morningstar Multistrategy category. Includes each fund's oldest share class only; other classes may have different performance characteristics. Alpha is measured relative to the S&P 500.

[20] There can be no assurance that the Fund will achieve its goals or avoid losses. Learn more about the fund here https://bxmix.blackstone.com/wp-content/uploads/sites/6/2021/08/BXMIX-Highlights.pdf

Review of Q3 2021 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 BAIA[21]). In Q3, the Fund's Class I share class returned -0.09%[1] net of fees and expenses versus -0.14% for the HFRX Global Hedge Fund Index, -0.88% for the Barclays Global Aggregate Bond Index, and 0.09% for the MSCI World Index[1,2,3].

Equity Strategies[22]

Equity strategies (-0.45%) generated losses for the quarter. Gains were attributed to exposure to a quantitative investment strategy focused on the Chinese A-share market, despite heightened volatility driven by government intervention. This strategy benefitted from a strong rally in cyclical stocks, as monthly market trading volume and activity in August approached peak levels last seen in 2015. However, these gains were partially offset by the Fund's exposure to healthcare, driven in part by exposure to biotech shorts and a specialty pharmaceutical company following a disappointing Q2 earnings report.

Equity Market Neutral sub-strategies saw mixed results in Q3. Gains were produced by the Fund's exposure to Financials, benefitting from idiosyncratic alpha driven by better-than-expected earnings in the sector. Event Driven and Quantitative investment strategies detracted from performance, suffering from factor rotation brought about by the changing market environment as well as dispersed idiosyncratic losses.

Credit Strategies[22]

Credit strategies (+0.34%) posted positive performance for the quarter and benefited from gains generated by each sub-adviser. Fixed Income – Asset Backed sub-strategies continued to benefit from a positive market outlook based on improving fundamental valuations. In this portion of the book, the Fund's exposure to residential mortgage-backed securities was accretive to performance and was supported by strong U.S. house price appreciation (+18.6% year-over-year), decreasing loan-to-value ratios, and low mortgage rates[23].

Distressed/Restructuring sub-strategies also generated gains throughout the quarter, driven by modest spread tightening in line with broader markets. Profits in this portion of the portfolio came from exposure to the bonds of an automotive manufacturer with deep pocketed sponsors that continued to invest in the company throughout the quarter. Losses within this sub-strategy were primarily due to exposures to an infrastructure and equipment company following rumors of a messy equity capital raise to acquire additional assets.

Multi-Asset Strategies[22]

Multi-Asset strategies (+1.88%) were the largest contributor to Fund performance for the quarter with notable contributions from Commodity Energy and Discretionary Thematic sub-strategies. The Fund benefited from exposure to a strategy focused on Carbon Credit Allowances ("CCAs") as prices continued to climb. Gains were driven by a search for both yield and inflation exposure, as CCAs provide direct exposure to the Consumer Price Index. Commodity Energy sub-strategies, which serve as an offset to cost-push inflation for the portfolio, contributed in Q3 on the back of exposure to

---

[21] BAIA manages a portion of the Fund's assets directly. Such investments include allocations to fund managed by Aeolus Capital Management Ltd., Atreides Management, L.P, EJF Capital LLC, Islet Management, L.P., Moma Advisors A/S, PIMCO Investment Management, Saba Capital Management, L.P. 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.

[22] 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. Additional information and performance data current to the most recent month-end is available at www.bxmix.com.

[23] Source: S&P CoreLogic Case-Shiller national home price index.

natural gas. Macroeconomic hedges contributed as the Chinese economy slowed in the third quarter due to COVID-19 Delta variant driven lockdowns, and quantitative multi-asset strategies rounded out the contributors on the quarter.

These gains were reduced by losses produced by exposure to insurance-linked securities, suffering significant losses from Hurricane Ida-related damage. Risk Arbitrage strategies also detracted from performance for the quarter, following expectations that a shift in the regulatory environment will result in increased deal scrutiny from the Department of Justice ("DOJ") and Federal Trade Commission. Losses in this portion of the book were also attributed to the Fund's exposure to a large merger in the insurance space that reached an impasse with the DOJ and was ultimately terminated.

Throughout the quarter, BXMIX substantially increased its allocation to relative-value absolute return strategies as part of a broader multi-quarter allocation shift from credit towards relative value alpha strategies. We also shifted weightings across strategies to position for market environments to come. We believe our ability to source high quality absolute return strategies is a differentiator that is enabled directly by the scale of our relationships across the alternatives industry, our ability to structure exposures, and our insights into value creation within strategies.[24]

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 2021, we added one sub-adviser and removed two sub-advisers:

Sub-Advisers Added:

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.

Sub-Advisers Removed:

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 ("MBS"), asset-backed securities ("ABS"), collateralized loan obligations ("CLOs"), and corporate debt securities.

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.

[24] 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.

Fund Terms (Class I)[1]
As of Date: 3/31/2021
Expense Ratio: 2.79%
Adjusted Expense Ratio: 2.25%

1. 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.

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 not 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 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 limit 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. ("BRESSA"), an affiliate of BAIA and an indirect wholly-owned subsidiary of Blackstone 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 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 $1/100^{th}$ 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. **University of Michigan Consumer Sentiment Index:** Monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. **Spot Rate:** The price quoted for immediate settlement on an interest rate, commodity, a security, or a currency. **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.