

# Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of March 31, 2022  
unless otherwise indicated

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

	As of March 31, 2022						Inception to Date Statistics			
	MTD	QTD	YTD	1 Yr	5 Yr	ITD	St. Dev.	Beta	Alpha	Sharpe
<b>BXMIX</b>	<b>1.26%</b>	<b>(1.13%)</b>	<b>(1.13%)</b>	<b>2.09%</b>	<b>2.33%</b>	<b>2.66%</b>	<b>3.87%</b>			<b>0.49</b>
HRFX Global HF Index	0.48%	(1.35%)	(1.35%)	0.95%	2.90%	1.65%	3.53%	0.76	1.02%	0.26
Morningstar Category Avg.	0.55%	(1.06%)	(1.06%)	2.80%	2.75%	2.17%	4.13%	0.51	0.99%	0.34
Barclays Global Agg Index	(3.05%)	(6.16%)	(6.16%)	(6.40%)	1.70%	0.76%	4.67%	0.02	1.62%	0.00
MSCI World Index	2.81%	(5.04%)	(5.04%)	10.60%	13.01%	10.10%	15.00%	0.18	0.13%	0.62

<sup>1</sup> Performance is presented through March 31, 2022 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. 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.

## Q1 2022 Market Commentary

Following 2021's strong performance (+28.7% for the S&P 500 and +22.4% for the MSCI World indices), global equity markets reflected an environment of increasing uncertainty in the first quarter of 2022. After year to date returns plumbed lows of -12.3% and -13.2% for the S&P 500 and MSCI World indices, respectively, these markets staged mild recoveries to finish the quarter with the S&P 500 and MSCI World indices returning -4.6% and -5.0%, respectively. Much of the volatility throughout the quarter (which saw the CBOE Volatility Index ("VIX") increase 19.4% year to date) is likely attributed to rising geopolitical tensions and a more hawkish outlook from the Federal Reserve (the "Fed").

Geopolitical tensions dominated headlines in Q1 amidst Russia's invasion of Ukraine, leading to elevated market volatility in the second half of the quarter. From the beginning of the conflict on February 24<sup>th</sup> through March 7<sup>th</sup>, the VIX, a measure of the price of market protection, spiked to 36.5 (+32.1%), supplanting the previous 52-week high set during December 2021.<sup>4</sup> Globally coordinated sanctions against Russian interests effectively cut-off the Russian economy from global financial systems and blocked their means of exporting goods, particularly commodities. As a result, these sanctions sent Russian equities and the ruble plummeting, the latter reaching all-time lows, while sending prices in various global commodities to record highs. With Russia accounting for roughly 10% of the global oil supply, prices increased dramatically, pushing past \$130 per barrel for the first time since 2008, while gas prices reached all-time highs.<sup>5</sup> Similarly, in the wheat market, where Russia and Ukraine supply roughly 25% of the global supply, prices increased 69.1% from

<sup>4</sup> Source: Bloomberg (CBOE Volatility Index)

<sup>5</sup> Source: Bloomberg (Generic 1<sup>st</sup> 'CL' Future)

February 24<sup>th</sup> to its peak on March 7<sup>th</sup>.<sup>6</sup> Those prices have since moderated but remain at elevated levels as sanctions weigh on commodity markets. It is worth noting that certain emerging markets are particularly vulnerable to these shifts in commodity prices, as food comprises a high share of consumption, and the Eurozone's reliance on Russian energy poses risks to the European region as well. US companies have lower direct exposure to Russia (around 0.6% for those in the Russell 1000 index) and Ukraine (<0.1%) based on disclosed revenues.<sup>7</sup> Despite this relatively low exposure, indirect risks arising out of the conflict could prove to slow global growth and consumer spending as inflationary pressures are exacerbated by rising energy and food prices.

The Federal Reserve continued to lean into its hawkish stance in response to inflationary pressures in an environment of full employment. As markets attempted to price in the shift in policy, yields rose rapidly (about +70bps YTD for the US10Y) and Treasuries posted their worst quarter in 50 years.<sup>8</sup> As developments in the Russia-Ukraine conflict weighed on monetary policy decisions, the Fed moderated its more aggressive attitude towards interest rates. This resulted in the Fed increasing the Federal Funds Rate by 25bps in March, less than the 50bps some industry commentators had anticipated midway through the quarter.<sup>9</sup> Market participants buying back hedges and redeploying risk led to a sharp rebound over the next two weeks (S&P 500 and MSCI World rose 6.3% and 6.7% through the remainder of March respectively). Language from the Fed left flexibility for more aggressive policy in future FOMC<sup>10</sup> meetings as inflation persists and the labor market stays tight (US Consumer Price Index rose to a 40-year high of 7.9% year over year<sup>11</sup> and the unemployment rate reached 3.6% in March<sup>12</sup>).

Even as the global macroeconomic environment is particularly uncertain, we believe the outlook for the US economy remains positive, albeit in flux, as the economy is relatively insulated from rising geopolitical tensions in Europe. From the perspective of the consumer, the US economy remains at levels of full employment and the labor force participation rate has started to recover. Meanwhile, corporate profits rose to a record high of \$2.53 trillion in the last quarter of 2021, supporting broader business investment and continued productivity growth.<sup>13</sup> With regard to commodities, rising input prices impact both corporate margins and real wages, and thus we are alert to the impact on earnings and consumption that commodity inflation may cause.

Against this macroeconomic uncertainty, the global market seems to have pivoted to a stagflation narrative, with a slowing growth outlook and elevated inflation. Taking these factors into consideration, BXMIX is currently positioned to be underweight developed market government bonds and credit risk while maintaining overweights to inflation sensitive assets and trading strategies that we believe have less macro sensitivity.<sup>14</sup>

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<sup>6</sup> Source: Bloomberg (Generic 1<sup>st</sup> "W" Future)

<sup>7</sup> Source: J.P. Morgan: "The Russia-Ukraine Crisis: What Does It Mean For Markets?" as of March 22, 2022

<sup>8</sup> Source: Morgan Stanley Research Cross Asset Team

<sup>9</sup> Source: Bloomberg (World Interest Rate Probability)

<sup>10</sup> Federal Open Market Committee as of March 16, 2022

<sup>11</sup> Source: Bureau of Labor Statistics: Consumer Price Index

<sup>12</sup> Source: Bureau of Labor Statistics: United States Department of Labor

<sup>13</sup> Source: United States Bureau of Economic Analysis

<sup>14</sup> BAIA manages a portion of the Fund's assets directly. Such investments include allocations to funds managed by Asgard Asset Management, Aeolus Capital Management Ltd., PIMCO Investment Management, Islet Management, L.P., Atreides Management, L.P., Rokos Capital Management LLP and opportunistic trades.

# Review of Q1 2022 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>15</sup>). In Q1, the Fund’s Class I share class returned -1.1%<sup>1</sup> net of fees and expenses versus -1.4% for the HFRX Global Hedge Fund Index, -6.2% for the Barclays Global Aggregate Bond Index, and -5.0% for the MSCI World Index.<sup>1,3</sup>

## Equity Strategies<sup>16</sup>

Equity strategies (-0.72%) generated losses for the quarter. Equity Long/Short sub-strategies saw mixed performance in Q1, generating gains from long positions in Healthcare focused equities, including a wholesale pharma distributor. Strong price action benefited the position after an opioid legal resolution and positive analyst opinion updates on the sector. The Fund’s overweight exposures to cyclicals, industrials, and value performed well on the quarter, adding to overall performance. A long position in a cybersecurity company added to losses in this portion of the book when the CEO stepped down from his position. Exposure to a construction components/equipment company further detracted from performance as supply chain issues weighed on company operations.

Equity Market Neutral sub-strategies had blended performance but were ultimately positive contributors on the quarter. Gains were attributed to a Quantitative sub-strategy that benefited from elevated market volatility throughout the first quarter. These gains were offset by the Fund’s exposure to equity positions in the payments sector, which suffered losses as the market rotated out of growth.

## Credit Strategies<sup>16</sup>

Credit strategies (+0.39%) posted positive performance for the quarter. A Fixed-Income – Sovereign debt sub-strategy was the largest contributor to Credit performance, exploiting elevated volatility in emerging market debt to generate profits. A sub-strategy focused on hedging the broader credit market was accretive to performance, profiting opportunistically from supply/demand dynamics in a turbulent market.

Despite outperformance over high-yield comparators, Distressed/Restructuring sub-strategies detracted from Fund performance in the first quarter, generating losses due to exposure to company bonds sensitive to the high-yield bond market. As interest rates rose and the broader high-yield market drew down in the first quarter, losses in these positions followed. Bonds of a FinTech company added to losses after the company announced an acquisition.

## Multi-Asset Strategies<sup>16</sup>

Multi-Asset strategies (+0.64%) were the largest contributor to Fund performance for the quarter with notable contributions from Commodity Energy focused sub-strategies and the Fund’s direct exposure to commodities. Commodity Energy sub-strategies profited from the sharp increase in prices in the energy sector that coincided with the beginning of the Russia-Ukraine conflict. Similarly, the Fund’s long exposure in both Nickel and Copper were accretive to performance as the supply squeeze from geopolitical events pushed prices higher. The Fund’s short positions against US bonds produced additional contributions to performance, benefiting from the rising interest rate environment.

A sub-strategy focused on Carbon Credit Allowances (“CCAs”) was a detractor to overall fund performance as a result of a weak CCA auction in December 2021, triggering a price correction amidst broader hedge fund de-risking that followed

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<sup>15</sup> BAIA manages a portion of the Fund’s assets directly. Such investments include allocations to funds managed by Asgard Asset Management, Aeolus Capital Management Ltd., PIMCO Investment Management, Islet Management, L.P., Atreides Management, L.P., Rokos Capital Management LLP and opportunistic trades.

<sup>16</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. Additional information and performance data current to the most recent month-end is available at [www.bxmix.com](http://www.bxmix.com).

through to the first quarter. Additional losses emanated from the Fund's positions in Scandinavian fixed income relative value strategies, due to broader outflows from European bond markets.

### **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 the first quarter, we added two new sub-advisers:

1Q2022 Sub-Adviser Additions:

- 1. Aperture:** The manager seeks to profit from early identification of smaller-cap companies undergoing dynamic transformational change, over a long-time horizon. This manager targets companies experiencing acceleration in revenue growth, improving returns on deployed capital, and positively trending cash flow generation.
- 2. Mariner Investment Group, LLC:** The manager seeks to capitalize on a widening in Agency mortgage spreads over US Treasuries. This manager may also benefit from interest rate volatility due to active hedging strategies.

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.

### **Portfolio Manager Update**

We are pleased to announce that **David Ben-Ur** joined Blackstone Alternative Asset Management ("BAAM") as a Senior Managing Director of Blackstone and Chief Investment Officer of BAAM's Principal Solutions ("BPS") and Individual Investor Solutions ("IIS") businesses. Mr. Ben-Ur joined Blackstone from CAM Capital, the single-family office of Bruce Kovner, where he served as Chief Investment Officer for nearly 10 years, and managed assets exclusively for entities related to Mr. Bruce Kovner and CAM's senior employees. He also served as Chief Investment Officer of the Kovner Foundation. Prior to joining CAM Capital, Mr. Ben-Ur was a Partner and Co-Chief Investment Officer at Corbin Capital Partners, an independent alternative asset management firm that specializes in multi-strategy hedge fund and opportunistic credit investing, for nearly 8 years. He has previously worked at Goldman Sachs Asset Management and Fidelity Management & Research Company. Mr. Ben-Ur received an MPP in International Trade and Finance from the John F. Kennedy School of Government at Harvard University and BA from Tufts University, where he graduated magna cum laude. Mr. Ben-Ur will serve as a Portfolio Manager on the Investment Committee for BXMIX, taking on responsibility for all allocation and investment decisions for the Fund.

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 I)<sup>1</sup>

**As of Date: 3/31/2022**

**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 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.

**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.

**Russian Invasion of Ukraine.** On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and, as of the date of this Material, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and therefore could adversely affect the performance of the Fund's investments. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict, and as a result, could present material uncertainty and risk with respect to the Fund and the performance of its investments and operations, and the ability of the Fund to achieve its investment objectives. Similar risks will exist to the extent that any portfolio entities, service providers, vendors or certain other parties have material operations or assets in Russia, Ukraine, Belarus, or the immediate surrounding areas.

**Epidemics/Pandemics.** Certain countries have been susceptible to epidemics which may be designated as pandemics by world health authorities, most recently COVID-19. The outbreak of such epidemics, together with any resulting restrictions on travel or quarantines imposed, has had and will continue to have a negative impact on the economy and business activity globally (including in the countries in which the Funds invest), and thereby is expected to adversely affect the performance of the Funds' Investments. Furthermore, the rapid development of epidemics could preclude prediction as to their ultimate adverse impact on economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the Funds and the performance of their Investments.

**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<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.