

# Blackstone Alternative Multi-Strategy Fund (BXMIX)

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

	<i>As of December 31, 2022</i>						<i>Inception to Date Statistics</i>			
	MTD	QTD	YTD	1 Yr	5 Yr	ITD	St. Dev.	Beta	Alpha	Sharpe
<b>BXMIX</b>	<b>0.80%</b>	<b>2.22%</b>	<b>(4.62%)</b>	<b>(4.62%)</b>	<b>0.87%</b>	<b>2.00%</b>	<b>4.20%</b>	-	-	<b>0.26</b>
HFRX Global HF Index	(0.06%)	0.16%	(4.41%)	(4.41%)	1.03%	1.13%	3.46%	0.77	0.01	0.06
Morningstar Category Avg.	(0.63%)	2.53%	(2.82%)	(2.82%)	1.62%	1.77%	4.14%	0.74	0.01	0.21
Barclays Global Agg Index TR	0.54%	4.55%	(16.25%)	(16.25%)	(1.69%)	(0.64%)	5.04%	0.04	0.01	(0.31)
MSCI World Index TR	(4.21%)	9.89%	(17.73%)	(17.73%)	6.76%	7.36%	15.45%	0.18	0.00	0.42

<sup>1</sup> Performance is presented through December 31, 2022, for the Fund's Class I share class (BXMIX). Returns are shown net of all fees and expenses 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.

## Q4 2022 Market Commentary<sup>4</sup>

Global markets reversed three consecutive quarters of negative performance in the fourth quarter of 2022, with the MSCI World Index returning 9.9% in Q4, bringing year to date returns to -17.7%.<sup>5</sup> As with much of 2022, inflation and the policy direction of the Fed continued to draw the attention of investors through the end of the year. As such, economic data was particularly impactful in a sensitive and volatile market as investors attempted to anticipate a pivot in the Fed's rate hiking path. Even with the bright spots throughout the fourth quarter, a negative performance in equity markets during December ensured that 2022 was the worst year for stocks since 2008.<sup>5</sup>

The quarter started with a turbulent October for equity markets. On October 13<sup>th</sup>, September CPI data came in higher than expected for both headline (8.2% vs. 8.1%) and Core (6.6% vs. 6.5%)<sup>6</sup>, likely prompting equity markets to reach fresh YTD low on the day.<sup>7</sup> However, markets reversed into bullish behavior that continued into the rest of the month with the MSCI World Index returning 7.2% for October.<sup>8</sup> Despite the higher-than-expected reading of inflation data, sentiment in the market presumed the Fed was nearing its victory in the war on inflation and consequently approaching the end of the rate hiking cycle. In November, presumptions of peak inflation were bolstered as October CPI (released November 10, 2022) data came in lower than expected for both headline (7.7% vs. 7.9%) and Core (6.3% vs. 6.5%).<sup>9</sup> The MSCI World Index finished the month of November up 7.00%, marking two strong months of equity performance in the fourth quarter.<sup>10</sup>

<sup>4</sup> Opinions and views expressed reflect the current opinions and views of BAIA as of the date of this material only.

<sup>5</sup> Source: Bloomberg as of December 31, 2022.

<sup>6</sup> Source: United States Bureau of Labor Statistics: Consumer Price Index as of October 13, 2022.

<sup>7</sup> Source: Bloomberg as of October 13, 2022.

<sup>8</sup> Source: Bloomberg as of October 31, 2022.

<sup>9</sup> Source: United States Bureau of Labor Statistics: Consumer Price Index as of November 10, 2022.

<sup>10</sup> Source: Bloomberg as of November 30, 2022.

Ideas of inflation potentially receding likely boosted investor sentiment in October and November despite the Fed implementing a 75bps rate hike in November.<sup>11</sup> Positive performance in equity markets followed FOMC commentary alluding to the possibility of a more dovish outlook should key statistics showed signs of easing (unemployment, inflation, etc.). The uptrend continued into December likely on anticipation of a more dovish Fed. The hopes brought on by the 50bps increase at the December FOMC meeting were quickly dashed as Powell reemphasized the need for higher rates for longer until inflation showed stronger signs of waning.<sup>12</sup> Equity markets declined for the remainder of the year with the MSCI World Index returning -4.12% on the month.<sup>5</sup>

The US economic situation has shown evidence it has remained resilient, reversing two consecutive quarters of negative GDP growth with a positive revision of 3.2% for the third quarter.<sup>13</sup> However, the effects of tighter financial conditions have begun to show. Increased borrowing costs are starting to take their toll on housing activity and the appreciation of the U.S. dollar is potentially weighing on U.S. corporate profit margins.<sup>14</sup> With the Fed likely approaching peak rates within the next 12-18 months equity market discourse has begun to focus more on the coming earnings season.<sup>14</sup> Full-year 2023 guidance is expected to be communicated as a component of Q4 earnings that begin in January, which will likely impact markets at the start of the year.

Against this macroeconomic backdrop, volatility in the market is poised to remain elevated as fears of a coming recession are still in play for 2023.<sup>15</sup> Taking these factors into consideration, BXMIX remains positioned to be underweight strategies with directional market exposure and overweight relative value and direct trading strategies across macro rates, credit, and commodities as of December 31, 2022.<sup>16</sup>

## Q4 2022 Fund Performance Highlights

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>16</sup>). In Q4, the Fund's Class I share class returned 2.2%<sup>1</sup> net of fees and expenses versus 0.2% for the HFRX Global Hedge Fund Index, 4.6% for the Barclays Global Aggregate Bond Index, and 9.9% for the MSCI World Index.<sup>1,3</sup>

*Note: Highlighted contributors/detractors are not exhaustive of all contributors/detractors for the Fund.*

<b>Macro<sup>17</sup></b>	<b>+1.63%</b>
<b>Contributors</b>	+ European/quasi sovereign debt exposure profited during search for yield amidst global duration uncertainty
<b>Detractors</b>	- Emerging market debt weighed on performance in the beginning of Q4 amid rising yields
<b>Quant<sup>17</sup></b>	<b>+0.34%</b>
<b>Contributors</b>	+ Risk parity strategies benefitted from a broad risk on environment
<b>Detractors</b>	- Risk arbitrage strategies suffered from idiosyncratic negative contributors (i.e., deal break)
<b>Credit<sup>17</sup></b>	<b>+0.59%</b>
<b>Contributors</b>	+ Agency mortgage strategies added to gains as Mortgage Basis Spread contracted
<b>Detractors</b>	- Distressed/restructuring strategies suffered from capital outflows in HY and widening spreads

<sup>11</sup> Source: Federal Open Market Committee as of November 2, 2022.

<sup>12</sup> Source: Federal Open Market Committee as of December 14, 2022.

<sup>13</sup> Source: Bureau of Economic Analysis as of December 12, 2022.

<sup>14</sup> Source: New York Times: "Wall Street Braces for a Weak Earnings Season" as of January 9, 2023.

<sup>15</sup> Source: Bloomberg: "Economists Place 70% Chance for US Recession in 2023", as of December 12, 2022.

<sup>16</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 LP and opportunistic trades

<sup>17</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.bxmixon.com](http://www.bxmixon.com).

**Equities<sup>17</sup> +0.41%**

**Contributors** + Long sector exposures to Financials were additive to performance in the fourth quarter

**Detractors** – Sector exposures to Media and Technology detracted from performance

## 2022 Full Year Fund Performance Highlights

For the full year 2022, the Fund's Class I share returned -4.6%<sup>1</sup> net of fees and expenses versus -4.4% for the HFRX Global Hedge Fund Index, -16.3% for Barclays Global Aggregate Bond Index, and -17.7% for the MSCI World Index.<sup>1,3</sup>

*Note: Highlighted contributors/detractors are not exhaustive of all contributors/detractors of the Fund.*

**Macro<sup>17</sup> -0.02%**

**Contributors** + Profited from active trading in rates during a volatile environment in 2022

**Detractors** – European sovereign and quasi sovereign debt strategies detracted as bond spreads widened

**Quant<sup>17</sup> +0.23%**

**Contributors** + Benefited from elevated market volatility during the year

**Detractors** – Regional exposure to Asian equities suffered among Chinese equity market sell-off

**Credit<sup>17</sup> -0.03%**

**Contributors** + Agency mortgage strategies added to gains as Mortgage Basis Spread widened

**Detractors** – Corporate bond positions declined along with contracting company valuations

**Equities<sup>17</sup> -2.28%**

**Contributors** + Long equity sector exposure to Healthcare

**Detractors** – Drastic reduction in capital markets activity coupled with negative alpha

## 2022 Sub-Advisers 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 year, there were five new sub-advisers added and no sub-advisers removed.

### 2022 Sub-Adviser Additions:

- Aperture Investors, LLC:** Strategy aims to identify and invest in enablers, beneficiaries, and targets of transformation. Leveraging an investable universe that includes over 2,000 small cap companies traded in the US, the strategy focuses primarily within the Consumer Discretionary, Information Technology, Healthcare, Industrials and Materials sectors.
- Mariner Investment Group:** seeks to capitalize on Agency mortgage spreads over US Treasuries ("UST") primarily by pairing UST long exposures against Mortgage Backed-Securities ("MBS") short exposures.
- Fir Tree Capital Management LP ("PAMLI"):** Strategy seeks to find attractive credit arbitrage, credit convexity and credit hedging opportunities with low-to-negative correlation to broader credit market spread performance.

4. **North Reef Capital Management LP:** Strategy seeks to generate a long-short spread by taking advantage of opportunities in the North American financial sector that are misunderstood or not reflected in market prices. The strategy seeks to take advantage of dislocations between stock prices and the fundamental values of the underlying businesses.
5. **Seven Grand Managers, LLC:** Strategy seeks to profit by engaging in post-deal trading of equity capital markets issuance, as well as opportunistic adjacent capital markets-related special situations as they arise (such as private investments in public equity transactions).

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.

## Portfolio Management Update

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Effective January 1, 2023, Riad Abrahams is added as a portfolio manager of the Fund and Raymond Chan and Robert Jordan will no longer serve as portfolio managers of the Fund. The other existing portfolio managers will continue to serve as portfolio managers of the Fund. In connection with these changes, effective January 1, 2023, all references to the Fund's portfolio managers in the Fund's Prospectus are amended to include Mr. Abrahams and remove Messrs. Chan and Jordan.

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

**As of Date: 12/31/2022**

**Expense Ratio: 3.31%**

**Adjusted Expense Ratio: 2.28%**

1. Through August 31, 2024 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-adviser 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-adviser 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) acquired fund fees and expenses (E.g the fees associated with third-party investments), (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.bxmixon.com](http://www.bxmixon.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.bxmixon.com](http://www.bxmixon.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.bxmixon.com](http://www.bxmixon.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.

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