

# Blackstone Alternative Multi-Strategy Fund (BXMIX)

As of October 31, 2018

## Investment approach

Blackstone Alternative Multi-Strategy Fund's ("Fund") investment objective is to seek capital appreciation. The Fund seeks this objective by allocating its assets among a variety of non-traditional or "alternative" investment strategies. Blackstone allocates the Fund's assets among investment sub-advisers with experience managing alternative investment strategies and among Investment Funds and also manages a portion of the Fund's assets directly. In pursuing the Fund's investment objective, Blackstone focuses on the preservation of capital and seeks to maintain an investment portfolio with, on average, lower volatility relative to the broader equity markets.

## Fund highlights

<b>Fund assets</b> <sup>6</sup>	\$6,114.76 million
<b>Inception date</b>	June 16, 2014
<b>Investment advisor</b>	Blackstone Alternative Investment Advisors, LLC
<b>Eligible investors</b>	US taxable & tax-exempt
<b>Liquidity</b>	Daily
<b>CUSIP</b>	09257V201

## Fund terms (Share Class I)<sup>7</sup>

<b>Management Fee</b>	1.88%
<b>Gross Expense Ratio</b>	2.86%
<b>Net Expense Ratio</b>	2.20%

## Portfolio managers

Name	Years at Blackstone
Gideon Berger	17 Years
Min Htoo	1 Year
Robert Jordan	7 Years
Ian Morris	9 Years
Alberto Santulin	16 Years
Stephen Sullens	17 Years

## Fund net performance<sup>1,2,3</sup>

	As of 09/30/2018				As of 10/31/2018				Inception to Date Statistics			
	Sep-18	YTD	1 Yr	ITD	Oct-18	YTD	1 Yr	ITD	St Dev.	Beta <sup>(4)</sup>	Alpha <sup>(5)</sup>	Sharpe
BXMIX	1.21%	1.12%	1.35%	3.25%	(1.57%)	(0.47%)	(1.15%)	2.81%	3.12%	-	-	0.69
HFRX Gbl	(0.69%)	(1.23%)	0.25%	0.34%	(3.65%)	(4.84%)	(4.08%)	(0.51%)	3.55%	0.53	3.07%	(0.33)
Barclays Gbl	(0.86%)	(2.37%)	(1.32%)	0.06%	(1.12%)	(3.46%)	(2.05%)	(0.19%)	4.86%	(0.10)	2.82%	(0.18)
MSCI World	0.60%	5.89%	11.84%	8.28%	(7.32%)	(1.86%)	1.71%	6.24%	11.04%	0.17	1.69%	0.50

1. Performance is presented through October 31, 2018. Net performance is net of the Gross Expense Ratio less waived expenses. Performance data quoted represents past performance and does not guarantee future results. All ITD statistics above are calculated using daily performance. 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).

## Alternative strategies cumulative net performance<sup>1,2</sup>



2. 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.

3. Inception to Date statistics are as of BXMIX's inception on June 16, 2014 through the most recent month end.

4. Measures beta of BXMIX to the respective index.

5. Measures alpha of BXMIX to the respective index.

6. As of October 31, 2018.

7. Gross expense ratio represents the expense ratio applicable to investors. Net expense ratio represents the Specified Expenses as of March 31, 2018. "Specified Expenses" is defined to include all expenses incurred in the business of the Fund with the exception of: (i) distribution or servicing fees, (ii) acquired fund fees and expenses, (iii) brokerage and trading costs, (iv) interest payments (including any interest expenses, commitment fees, or other expenses related to any line of credit of the Fund), (v) taxes, (vi) dividends and interest on short positions, and (vii) extraordinary expenses (in each case, as determined in the sole discretion of the Adviser). Please see the Fund's Prospectus at [www.bxmix.com](http://www.bxmix.com).

## Sub-adviser allocations<sup>1</sup>

Manager	Strategy	Sub-strategy	Classification
<b>Active Managers</b>			
HealthCor	Equity Hedge	Equity Long Short	Equity
Endeavour	Equity Hedge	Equity Market Neutral	
Two Sigma Advisers	Equity Hedge	Equity Market Neutral	
Bayview	Relative Value	Fixed Income - Asset Backed	Credit
Good Hill	Relative Value	Fixed Income - Asset Backed	
Sorin	Relative Value	Fixed Income - Asset Backed	
Caspian	Event Driven	Distressed/Restructuring	Multi-Asset
Boussard & Gavaudan	Event Driven	Multi-Strategy	
Magnetar <sup>(1)</sup>	Event Driven	Risk Arbitrage	
Emso	Macro	Discretionary Thematic	
NWI <sup>(1)</sup>	Macro	Discretionary Thematic	
IPM	Macro	Systematic Diversified	
D.E. Shaw	Multi-Strategy	N/A	
BAIA-Direct <sup>(2)</sup>	Multi-Strategy	N/A	
<b>Inactive Managers<sup>(3)</sup></b>			
Cerebellum	Equity Hedge	Equity Market Neutral	Inactive
Cerberus	Relative Value	Fixed Income - Asset Backed	
Waterfall	Relative Value	Fixed Income - Asset Backed	
Nephila	Event Driven	Reinsurance	
H2O	Macro	Discretionary Thematic	
GSA	Macro	Systematic Diversified	

1. Blackstone and its affiliates have financial interests in asset managers. Any allocation by Blackstone to a subsidiary or other affiliate benefits The Blackstone Group L.P. and any redemption or reduction of such allocation would be detrimental to The Blackstone Group L.P., creating potential conflicts of interest in allocation decisions. For a discussion of this and other conflicts, please see the Additional Disclosure section at the end of this document.

2. BAIA manages a portion of the Fund's assets directly. Such investments include allocations to BAIA's systematic risk premia trading strategy, funds managed by Glenview Capital Management LLC and EJP Capital LLC, opportunistic credit trades and hedging. BAIA allocations are subject to change and BAIA's fees on directly managed assets are not reduced by a payment to a sub-adviser.

3. Inactive managers are not currently managing any Fund assets. Allocations may change at any time without notice.

## Monthly net performance<sup>4,5</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD			
													BXMIX	HFRX Gbl	Barclays Gbl	MSCI World
2014	-	-	-	-	-	0.50%	(0.40%)	0.90%	0.30%	(0.59%)	0.30%	(0.19%)	0.80%	(0.58%)	0.58%	5.50%
2015	0.70%	1.88%	0.97%	(0.39%)	1.26%	(1.15%)	1.93%	(1.04%)	(0.67%)	0.29%	0.48%	(0.71%)	3.55%	(3.64%)	(3.15%)	(0.32%)
2016	(2.17%)	(2.22%)	1.45%	1.32%	0.90%	(0.50%)	1.10%	(0.00%)	0.89%	0.00%	(0.20%)	0.85%	1.35%	2.50%	2.09%	8.15%
2017	1.67%	0.77%	0.96%	1.52%	1.12%	(1.01%)	0.93%	0.92%	(0.09%)	0.92%	(0.64%)	(0.05%)	7.20%	5.99%	7.39%	23.07%
2018	0.28%	(1.30%)	0.38%	0.94%	(1.49%)	(0.09%)	0.94%	0.28%	1.21%	(1.57%)			(0.47%)	(4.84%)	(3.46%)	(1.86%)

4. 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.

5. Performance is presented through October 31, 2018. Net performance is net of the Gross Expense Ratio less waived expenses. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Additional information and performance data current to the most recent month-end is available at [www.bxmix.com](http://www.bxmix.com). BXMIX launched on June 16, 2014 and thus performance for June 2014 is limited to June 16 through June 30.

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.

### Glossary of Terms

**Beta:** A measure of the volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole. **Volatility/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. **Sharpe Ratio:** A ratio to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate – such as that of the 90 day T-Bill – from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been. **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.

### Important Risks

An investment in BXMIX, Class I 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. BXMIX'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 BXMIX: **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. **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. **Distressed Securities Risk** – investments in securities of business enterprises involved in workouts, liquidations, reorganizations, bankruptcies and similar situations involve a high degree of risk of loss since there is typically substantial uncertainty concerning the outcome of such situations. **Event-Driven Trading Risk** – involves the risk that the specific event identified may not occur as anticipated and that this may have a negative impact upon the market price of the securities involved. **Foreign Investments/ Emerging Markets Risk** – involves special risks caused by foreign political, social and economic factors, including exposure to currency fluctuations, less liquidity, less developed and less efficient trading markets, political instability and less developed legal and auditing standards. **High Portfolio Turnover Risk** – active trading of securities can increase transaction costs (thus lowering performance) and taxable distributions. **Model and Technology Risk** – involves the risk that model-based strategies, data gathering systems, order execution and trade allocation systems and risk management systems may not be successful on an ongoing basis or could contain errors, omissions, imperfections or malfunctions. **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** – borrowing money or engaging in transactions that create investment leverage can produce volatility and may exaggerate changes in the net asset value of Fund shares.

The following 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.

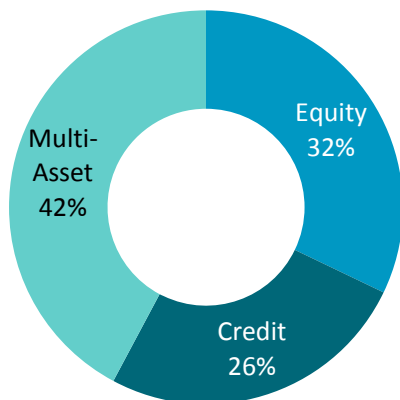
# Blackstone Alternative Multi-Strategy Fund (BXMIX)

As of October 31, 2018

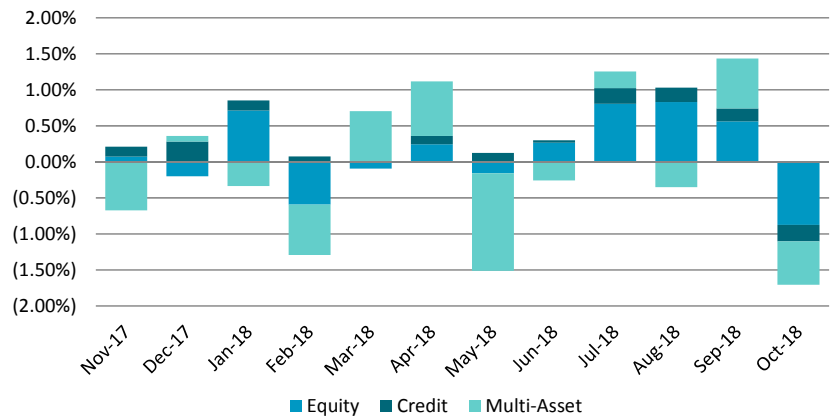
## Performance summary<sup>1,2,3</sup>

Sub-Strategy Performance	Allocation at 10/31/2018	MTD		QTD		YTD		Trailing 12 Months		ITD Cumulative Performance	
		Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution	Return	Attribution
Equity	32.13%	(2.29%)	(0.88%)	(2.29%)	(0.88%)	4.41%	1.67%	4.09%	1.54%	33.49%	12.16%
Credit	25.68%	(0.74%)	(0.23%)	(0.74%)	(0.23%)	4.04%	0.86%	6.04%	1.27%	29.26%	8.35%
Multi-Asset	42.20%	(1.21%)	(0.60%)	(1.21%)	(0.60%)	(2.12%)	(1.25%)	(3.20%)	(1.84%)	9.71%	2.75%
Cash & Other			0.14%		0.14%		(1.74%)		(2.12%)		(10.38%)
Net Return			(1.57%)		(1.57%)		(0.47%)		(1.15%)		12.87%

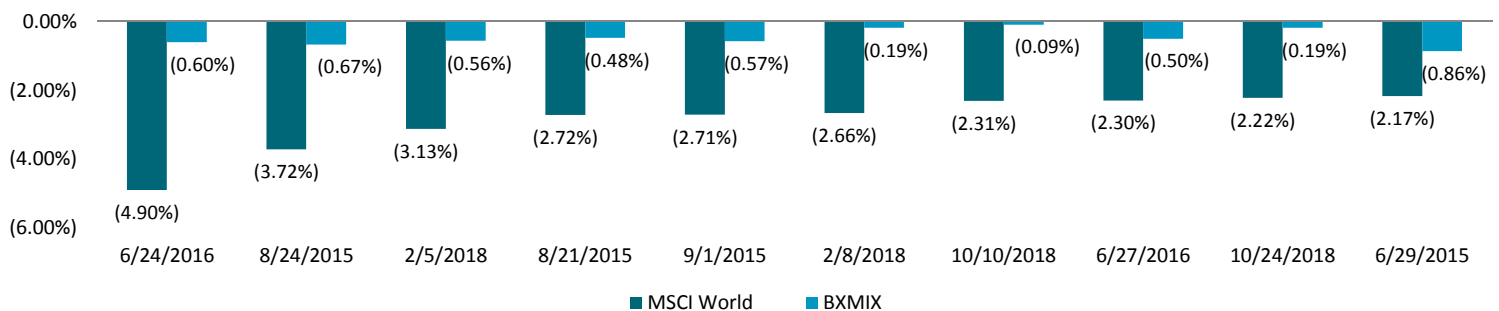
## Portfolio Allocations<sup>2</sup>



## Trailing 12 month sub-strategy attribution<sup>1,2,3</sup>



## BXMIX performance on worst 10 trading days for MSCI World since inception<sup>4</sup>



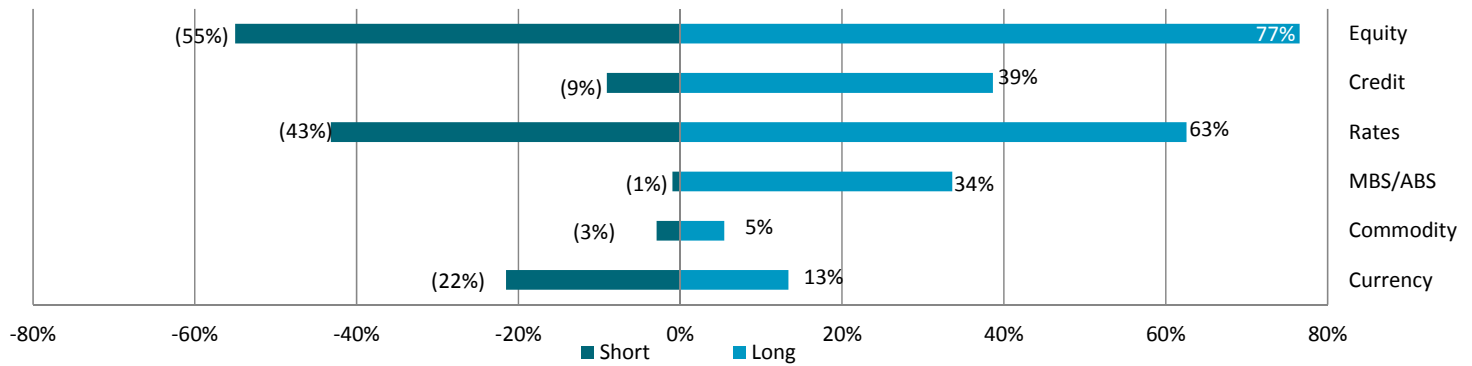
Because of the broadly diversified and low beta nature of the portfolio, BXMIX is not expected to participate in the full upside of broader equity markets. From 06/16/14 to 10/31/18, on the ten best MSCI World TR trading days, the average daily returns for the MSCI World TR and BXMIX were 2.07% and 0.39% respectively. The MSCI World TR is not a benchmark or target for the Fund. Please see important Disclosure Information at the end of this presentation.

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. Strategy attribution is presented on a gross basis as Blackstone fees are applied at the Fund level and not at the strategy level. ITD net return is cumulative not annualized. Information about BXMIX, including current month-end performance, is available on BXMIX's website at [www.bxmix.com](http://www.bxmix.com) or by calling 855-890-7725. Data is from June 16, 2014 to October 31, 2018.

- Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
- Portfolio allocations include exposure to certain BAIA-Direct investments. Equity allocation includes Equity Long/Short and Equity Market Neutral sub-strategies, funds managed by Glenview Capital Management LLC and equity hedges. Credit allocation includes Fixed Income – Asset Backed, Fixed Income – Corporate and Distressed/Restructuring sub-strategies; a fund managed by EJF Capital LLC and opportunistic credit trades. Multi-Asset is comprised of Discretionary Thematic, Systematic Diversified, Risk Arbitrage and Multi-Strategy sub-strategies, and BAIA's systematic risk premia trading strategy.
- Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.
- Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks for the Fund, but rather are disclosed to allow for comparison of the Fund's performance to that of well-known and widely recognized indices. Indices are unmanaged and investors cannot invest in indices. Please see important Disclosure Information at the end of this presentation.

The definitions and disclosures appearing at the end of this document are an integral part of this presentation and should be read in their entirety for a complete understanding of the information contained herein.

## Asset class exposure<sup>1</sup>



## Geographic exposure<sup>1</sup>

	Long	Short	Net
US/Canada	133.36%	(63.59%)	69.77%
Core Europe	64.39%	(45.72%)	18.67%
Peripheral Europe	3.52%	(0.64%)	2.88%
Lat. Am./Caribbean	7.82%	(1.12%)	6.70%
Middle East/Africa	1.74%	(1.87%)	(0.13%)
Japan	3.18%	(3.22%)	(0.04%)
Asia general	13.16%	(12.15%)	1.01%
China/HK/Taiwan	2.99%	(4.39%)	(1.40%)
<b>Total</b>	<b>230.15%</b>	<b>(132.70%)</b>	<b>97.45%</b>

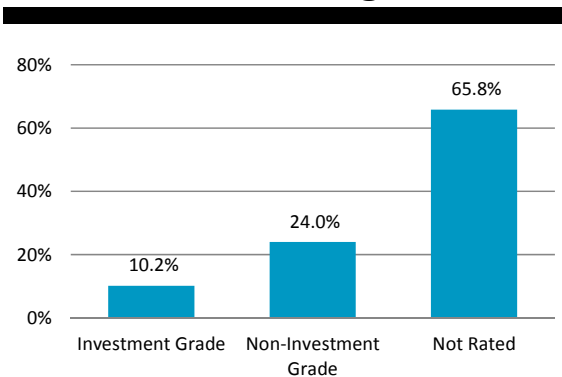
## Currency exposure<sup>1</sup>

Region	Long	Short	Net
Asia general	2.82%	(0.27%)	2.55%
China/HK/Taiwan	0.04%	(0.27%)	(0.23%)
Core Europe	7.53%	(15.91%)	(8.38%)
Japan	1.25%	(2.30%)	(1.05%)
Latin America	0.39%	(0.29%)	0.10%
Middle East/Africa	0.00%	(0.56%)	(0.56%)
Peripheral Europe	0.20%	(0.12%)	0.08%
US/Canada	1.13%	(1.81%)	(0.68%)
<b>Total</b>	<b>13.36%</b>	<b>(21.53%)</b>	<b>(8.17%)</b>

## Equity exposure – sector breakdown<sup>1</sup>

	Long	Short	Net
Energy	1.44%	(2.91%)	(1.47%)
Materials	1.65%	(1.62%)	0.03%
Industrials	4.94%	(2.06%)	2.88%
Consumer Discretionary	5.30%	(8.33%)	(3.02%)
Consumer Staples	2.27%	(1.52%)	0.75%
Health Care	12.90%	(5.91%)	7.00%
Financials	9.37%	(6.32%)	3.05%
Real Estate	0.96%	(1.73%)	(0.77%)
Information Technology	8.52%	(3.39%)	5.14%
Communication Services	3.40%	(2.54%)	0.86%
Utilities	1.63%	(0.55%)	1.08%
Index**	21.49%	(18.16%)	3.33%
Unclassified***	2.68%	-	2.68%
<b>Total</b>	<b>76.56%</b>	<b>(55.03%)</b>	<b>21.53%</b>

## Fixed income ratings<sup>1,2</sup>



1. In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. The Fund does not guarantee the accuracy of such data.

2. Positions of unknown type (if any) are excluded from exposure data. Data is obtained from StateStreet, the administrator for the Fund. The Fund does not guarantee the accuracy of such data. Using the higher Standard & Poor's ("S&P's") and/or Moody's Investor Service ("Moody's") ratings. Investment grade is a rating of a bond that has a relatively low risk of default. Investment grade are bonds rated above BBB- for S&P and Baa3 for Moody's. Non-investment grade is below Investment grade to D.

\*\*Comprised of index futures, options on index futures, ETFs, and ETF options

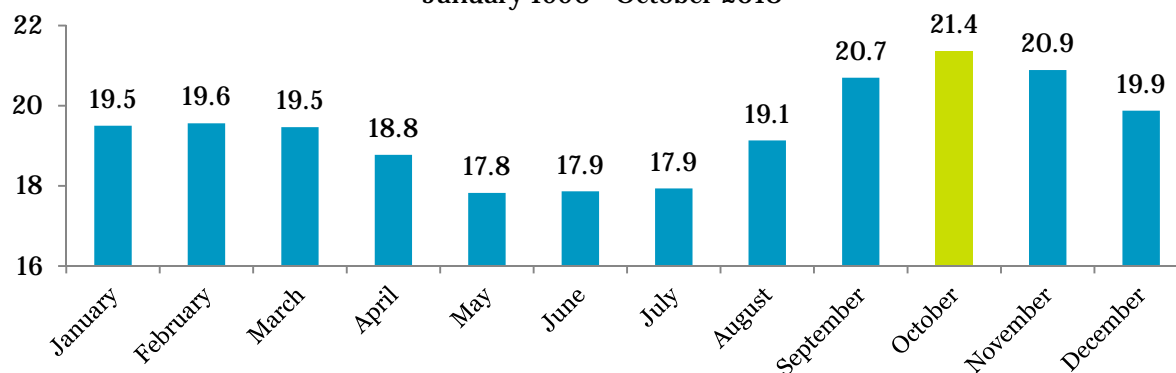
\*\*\*Do not have a GICS sector assigned

## October Market Commentary

Halloween was not the only thing spooking investors this October, as U.S. stock markets took investors on a wild ride. Over the course of the month, the S&P 500 (-6.9%) experienced ten single day price movements greater than 1% in either direction, more than it saw in all of 2017, while the Dow Jones Industrial Average (-5.1%) underwent 18 of such days of its own. By month-end, the S&P 500 had lost \$1.71 trillion in market cap, marking the worst month for the index since September 2011. Similarly, the NASDAQ Composite (-9.2%), beaten down by broad losses in technology stocks, experienced its worst month since November 2000.

The cause of this volatility, surprisingly, is less clear. Macro indicators reported in October were positive, which supports our view that this past month's selloff was likely a market correction and not the start of a sustained downturn. In fact, October volatility is nothing out of the ordinary. Our analysis of the CBOE Volatility Index (VIX), which represents the market's expectation of 30-day forward-looking volatility, indicates that, on average, October has been the most volatile month of every year since the inception of the index in 1990<sup>1</sup>. The VIX, or the "fear index" as it is sometimes referred to, closed the month trading at an average of 16.6, well below its long-term average of 21.4, which helps quell some of our fears of declining investor sentiment.

**CBOE Volatility Index (VIX) Monthly Average<sup>1</sup>**  
January 1990 - October 2018



October also brought with it a number of positive economic indicators. Chief among them was a strong jobs report, reflecting that the economy added 250,000 jobs and extended its job growth streak to a record 97 months<sup>2</sup>. Job gains took place across a wide variety of sectors, including healthcare (+36,000) manufacturing (+32,000), construction (+30,000), and transportation and warehousing (+25,000). At the same time, the unemployment rate remained steady at 3.7%, indicating that jobless workers found work as the economy added new jobs. Even wage growth, a stated concern of the Fed in setting its future interest rate policy<sup>3</sup>, experienced strong gains. Monthly wages were up 3.1% year-over-year, the best gain seen since 2009.

Further support of our short-term market outlook came from third quarter earnings reports. Among the 376 S&P 500 companies that reported earnings prior to the end of October, 77.9% beat analyst expectations, relative to the long-term average of 64% and in-line with the results of the previous four quarters<sup>4</sup>. Beats were diverse across sectors, with Communication Services (92%), Information Technology (91%) and Utilities (90%) featuring the highest share of companies delivering above expectations. In aggregate, earnings beat estimates

<sup>1</sup> Source: CBOE Options Exchange

<sup>2</sup> Source: US Department of Labor

<sup>3</sup> Source: US Federal Reserve

<sup>4</sup> Source: I/B/E/S data from Refinitiv

by 6.5%, above both the long-term average of 3.2% and the trailing four quarter average of 5.3%, which we believe will provide a short-term stimulus for U.S. equity markets heading into the end of the calendar year.

This past month was a strong reminder of the value of a broadly-diversified portfolio amidst market volatility. We maintain that alternative investment strategies may help in weathering volatile market conditions down the road. In pursuing its investment objective of capital appreciation, BXMIX actively allocates to a variety of strategies that are designed to be hedged and diversified. Over the course of this past month, the Fund delivered on its value proposition at the most important times for investors. On the worst trading day of the month, October 10<sup>th</sup>, a day in which the S&P 500 and MSCI World posted returns of -3.3% and -2.3%, respectively, BXMIX returned -0.1%. Two weeks later, on October 24<sup>th</sup>, BXMIX returned -.2%, limiting losses for investors as the S&P 500 (-3.1%) and MSCI (-2.2%) sold off considerably<sup>5</sup>. The diversification that BXMIX provides helped mitigate volatility and weather the drawdowns in equity markets.

### Review of October Fund Performance

The investment objective of the Blackstone Alternative Multi-Strategy Fund (the “Fund” or “BXMIX”) 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>6</sup>). In October, the Fund’s Class I share class returned -1.57%<sup>7</sup> net of fees and expenses versus -6.84% and -7.32% for the S&P 500 and MSCI World indices, respectively, and versus -1.12% for the Barclays Global Aggregate Bond Index and -3.11% for the HFRX Global Hedge Fund Index<sup>8</sup>.

### Equity Strategies

Equity strategies (-2.29%)<sup>9</sup> detracted from performance in October. The Fund’s low equity beta proved its value and was a strong contributor, as the equity market hedges implemented directly by BAIA helped the Fund to preserve capital amidst the market’s broader move lower. Separately, exposure to the Health Care sector benefited from broadly diversified baskets of shorts in the biotechnology and pharmaceutical spaces. Among the negative performers were long single-name Health Care investments, as companies focusing on medical devices and biotechnology declined on the month as investors broadly de-risked portfolios. This included a company that sold off after reporting quarterly earnings that did not match analysts’ sentiment.

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<sup>5</sup> 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. The indices referenced above are not benchmarks or targets for the Fund.

<sup>6</sup> BAIA manages a portion of the Fund’s assets directly. Such investments include allocations to BAIA’s systematic risk premia trading strategy, funds managed by Glenview Capital Management LLC and EJF Capital LLC, opportunistic credit trades and hedging. BAIA allocations are subject to change and BAIA’s fees on directly managed assets are not reduced by a payment to a sub-adviser.

<sup>7</sup> Performance is shown net of the Gross Expense Ratio less waived expenses for Class I shares. Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data above. Information is estimated and unaudited. For a summary of Fund performance of other share classes, please refer to the Fund’s website:

[www.bxmixon.com](http://www.bxmixon.com).

<sup>8</sup> **Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks or targets for the Fund, but rather are disclosed to allow for comparison of the Fund’s performance to that of well-known and widely recognized indices.** The indices may include holdings that are substantially different than investments held by the Fund 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 the Fund. 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. Indices are unmanaged and investors cannot invest in indices.

<sup>9</sup> Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.

The Fund's exposure to Financials similarly benefited from its market-neutral approach. The top contributor was a single-name short position on an Asia-Pacific financial institution. Additionally, the use of long and short position pairing proved beneficial as technology companies drew down more severely than the market.

Similarly, October began with a challenging first two weeks for quantitative strategies, though performance did normalize in the back half of the month. Within quant, statistical arbitrage strategies, which employ mean reversion models, detracted the most. Longer-term technical and event-driven strategies also detracted.

### **Credit Strategies**

Credit strategies (-0.74%)<sup>8</sup> also detracted from October performance. One bright spot was in relative value strategies, where lower-credit-quality bank loans have outperformed comparable bonds and loans. Profits from a short position on commercial mortgage-backed securities indices also contributed positively. High-yield strategies detracted on the month amid a difficult market environment. While many of the outsized positions held up well, less concentrated investments did experience losses despite being first lien. Credit risk transfer bonds (CRTs), highlighted in previous commentaries, also detracted from October performance as spreads widened. We remain bullish on residential mortgages nonetheless due to strong fundamentals in U.S. housing.

### **Multi-Asset Strategies**

Multi-Asset strategies (-1.21%)<sup>8</sup> contributed negative performance for the month. Emerging market exposures were challenged, as local and foreign exchange currency strategies detracted amid uncertainty stemming from global elections. Allocations to dollar-denominated emerging market sovereign debt were detrimental to performance, though positive returns were generated by holding the locally-denominated bonds. The fund benefited from risk-off sentiment in the market via its exposure to safe haven currencies, but gains were offset by broader losses in global equities. Risk premia strategies implemented by BAIA also delivered positive gains.

Opinions expressed reflect the current opinions of BAIA as of the date of this material only. 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. The Fund may shift allocations among sub-advisers, strategies and sub-strategies at any time. Certain of the information provided herein has been obtained from or derived from the Fund's sub-advisers. BAIA does not guarantee the accuracy or completeness of such information.



# Important Disclosure information

All investors should consider the investment objectives, risks, charges and expenses of BXMIX carefully before investing. The prospectus and, if available, 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, if available, the summary prospectus in its entirety before investing. Additional information regarding BXMIX is available upon request.

Opinions expressed reflect the current opinions of BAAM as of the date of the report only.

## Important Disclosures Regarding Exposure

Exposure data presented herein does not consider the impact of delta on option positions (unless noted otherwise). Instead, exposures represent the market value of each underlying instrument. Positions of unknown type (if any) are excluded from exposure data.

There is no attempt in this report to differentiate between or adjust for shorter versus longer duration rates trades. Instead, they are shown only by market value of exposure. Given that exposure data is based on fund holdings, it excludes unsettled trades. Position level data is obtained from State Street Bank and Trust Company, the administrator for BXMIX. Blackstone does not guarantee the accuracy of such data.

## Glossary of Terms:

**Gross Exposure:** Reflects the aggregate of long and short investment positions in relation to the net asset value. For example, if BXMIX has 60% long exposure and 50% short exposure to a particular asset class, then BXMIX has 110% gross exposure to that asset class. 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. For example, if BXMIX has 60% long exposure and 50% short exposure to a particular asset class, then BXMIX is 10% net exposure to that asset class. **Long:** A long position occurs when an individual owns securities. **Short:** 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. **DV01:** A bond valuation calculation showing the dollar value of a one basis point change in interest rates or yield. **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.

## Glossary of Indices

Market indices obtained through Bloomberg. **Barclays Global Aggregate Bond Index:** provides a broad-based measure of the global investment grade fixed-rate debt markets. It is comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indexes. **HFRX Global Hedge Fund Index:** HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe. **MSCI World TR Index:** a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI World is maintained by Morgan Stanley Capital International, and is comprised of stocks from 23 developed markets in the world. **Morningstar Multialternative Category Average:** Represents the average performance of mutual funds categorized as "multialternative" funds by Morningstar, Inc. These funds use a combination of alternative strategies such as taking long and short positions in equity and debt, trading futures, or using convertible arbitrage, among others. Funds in this category have a majority of their assets exposed to alternative strategies and include both funds with static allocations to alternative strategies and funds tactically allocating among alternative strategies and asset classes. **The Standard & Poor's 500 Index - S&P 500** is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value.

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.



# Additional Disclosures

## Morningstar Disclosure

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The Morningstar Rating™ for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Blackstone Alternative Multi-Strategy Fund was rated against the following number of Multi-Alternative funds over the following time periods: 298 funds in the last three years. Past performance is no guarantee of future results. Morningstar Rating is for the I share class only; other classes may have different performance characteristics. Morningstar Risk-Adjusted rankings – Multialternative category – I share class three-year 4 stars out of 298 funds as of 2/28/2018.

## Conflicts of Interest

Blackstone and the Sub-Advisers have conflicts of interest that could interfere with their management of the Fund. These conflicts, which are disclosed in the Fund’s Statement of Additional Information, include, without limitation:

- **Selection of Sub-Advisers.** Blackstone compensates the Sub-Advisers out of the management fee it receives from the Fund. This could create an incentive for Blackstone to select Sub-Advisers with lower fee rates.
- **Financial Interests in Sub-Advisers and Service Providers.** Blackstone, the Sub-Advisers, and their affiliates have financial interests in asset managers and financial service providers. Allocating to an affiliate (or hiring such entity as a service provider) benefits The Blackstone Group L.P. or the relevant Sub-Adviser and redemptions from an affiliate (or terminating such entity as a service provider) would be detrimental to The Blackstone Group L.P. or the relevant Sub-Adviser. For example:
  - 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.
  - BAAM, an affiliate of BAIA, has entered into a joint venture with NWI to create Blackstone NWI Asset Management L.L.C. (“BNAM”), an emerging markets asset manager. BNAM, BAAM and NWI share certain personnel and infrastructure.
  - Blackstone is in the process of onboarding 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 BAAM 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.