

# Blackstone Alternative Multi-Strategy Fund (BXMIX)

As of March 31, 2015

## 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 nontraditional or "alternative" investment strategies. Blackstone will allocate the Fund's assets among investment subadvisers with experience managing alternative investment strategies and among investment funds. It may also manage a portion of the Fund's assets directly.

## Fund highlights

Fund assets <sup>6</sup>	\$1,197 million
Inception date	June 16, 2014
Investment advisor	Blackstone Alternative Investment Advisors, LLC
Eligible investors	US taxable & tax-exempt
Liquidity	Daily
CUSIP	09257V201

## Fund terms (Share Class D)

Minimum investment	\$1,000,000
Omnibus/Bank investment minimum	\$0*
Management fee	1.95%
Gross expense ratio	3.32%
Net expense ratio <sup>7</sup>	2.40%

\* The investment minimum is waived for clients of a financial intermediary, broker-dealer, financial institution, or registered investment advisor that invest in the Fund through an omnibus account.

## Portfolio managers

Name	Experience
Stephen Sullens	25 years
Alberto Santulin	19 years
Rich Scarinci	12 years

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

	As of 3/31/15		ITD STATISTICS			
	ITD	Mar-15	St Dev.	Beta <sup>4</sup>	Alpha <sup>5</sup>	Sharpe
BXMIX	4.43%	0.97%	3.72%	-	-	1.50
HFRX Global	0.17%	0.33%	3.76%	0.74	4.29%	0.05
Barclays Agg Bond	4.12%	0.46%	2.94%	-0.38	6.06%	1.71

1. Performance is presented through March 31, 2015. 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. BXMIX launched on June 16, 2014 and has a limited performance record. Additional information and current performance data is available at [www.blackstone.com/bxmix](http://www.blackstone.com/bxmix).

## The firm

Blackstone is a large and diversified alternative asset manager, with

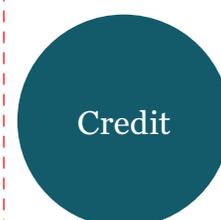
**\$290B**

in assets under management.<sup>8,9</sup>

Blackstone is the largest discretionary allocator to hedge funds in the world, with over

**\$64B**

in assets under management.<sup>8,9</sup>



2. 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 (ITD) statistics are as of BXMIX's inception on June 16, 2014.

4. Measures beta of BXMIX to the respective index.

5. Measures alpha of BXMIX to the respective index.

6. As of March 31, 2015.

7. Net expense ratio consists of the total expense ratio, as reflected in the Fund's prospectus adjusted to reflect any fee waiver/expense reimbursement and excluding interest and dividends on securities sold short, acquired fund fees and expenses not subject to the expense cap. Through May 31, 2016, Blackstone Alternative Investment Advisors LLC has contractually 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 for Class I shares.

8. Source: InvestHedge Billion Dollar Club (as of December 2014) based on AUM.

9. As of January 1, 2015.

## Sub-adviser allocations

MANAGER*	STRATEGY	SUB-STRATEGY	CURRENT ALLOCATION
Goldman Sachs HealthCor Rail-Splitter Union Point Wellington	Fundamental Fundamental Fundamental Fundamental Fundamental	Equity long short Equity long short Equity long short Equity long short Equity long short	28%
Emso Bayview Good Hill Sorin Waterfall	Fundamental Fundamental Fundamental Fundamental Fundamental	EM-Credit MBS / ABS MBS / ABS MBS / ABS MBS / ABS	27%
Cerberus Caspian Chatham	Opportunistic trading Opportunistic trading Opportunistic trading	MBS/ABS Credit Credit	9%
BTG Pactual Verde Boussard & Gavaudan	Global macro Global macro Multi-strategy	Global macro Global macrp Multi-strategy	9%
AlphaParity Two Sigma Advisers	Quantitative Quantitative	Systematic macro Equity market neutral	27%

\*Manager name may be a short form name of the legal name of each sub-adviser: The list of sub-advisers and target allocations above is subject to change. Please check the prospectus for the most up-to-date list of sub-advisers. Allocations are exclusive of cash and other. Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.

## Monthly net performance<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	—	—	—	—	—	0.50%	-0.40%	0.90%	0.30%	-0.59%	0.30%	-0.19%	0.80%
2015	0.70%	1.88%	0.97%										3.59%

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All investors should consider the investment objectives, risks, charges and expenses of BXMIX, Class I 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.blackstone.com/bxmix](http://www.blackstone.com/bxmix). All investors are urged to carefully read the prospectus and, if available, the summary prospectus in its entirety before investing.

**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 10-year U.S. Treasury bond – 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.

### Glossary of Indices

Market indices obtained through Bloomberg. Indices are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of BXMIX. In addition, the indices employ different investment guidelines and criteria than BXMIX; as a result, the holdings in BXMIX may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of BXMIX, but rather is disclosed to allow for comparison of BXMIX's performance to that of well-known and widely recognized indices. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. **Barclays Aggregate Bond Index:** covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities all with a maturity of greater than one year. **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; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, even driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

### 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

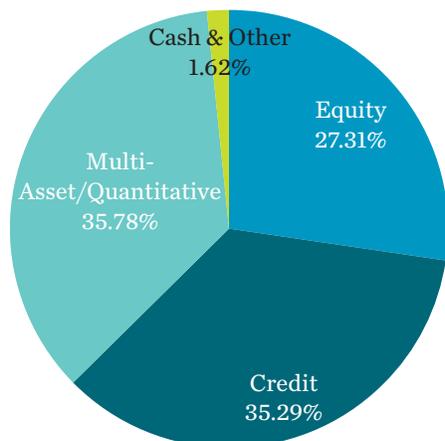
liquidity and volatility of returns. The following is a summary description of certain additional principal risks of investing in BXMIX: **Allocation Risk** – Blackstone's judgment about the attractiveness, value or market trends affecting a particular asset class, investment style, subadviser or security 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.

Prepared by Blackstone Advisory Partners L.P., a member of FINRA and an affiliate of Blackstone Alternative Investment Advisors LLC, the investment adviser of the Fund.

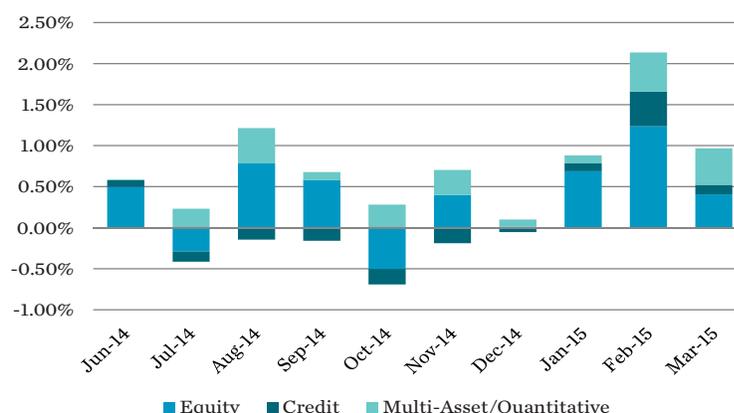
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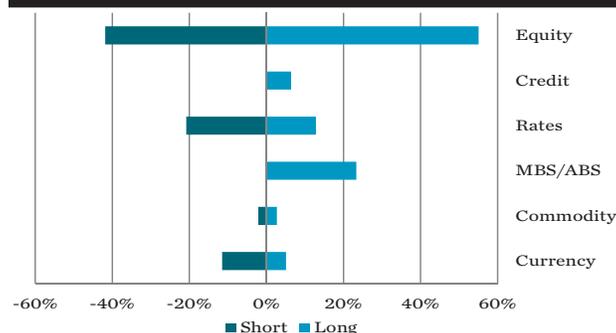
## Sub-strategy summary



## Gross strategy attribution<sup>1,5</sup>



## Asset class exposure<sup>2</sup>



## Average Daily Return for Days When S&P500 Total Return Index was Positive/Negative<sup>1</sup>



## Geographic exposure<sup>2,3</sup>

	Long	Short	Net
US/Canada	56.93%	32.89%	24.04%
Core Europe	26.50%	22.42%	4.09%
Peripheral Europe	6.50%	0.40%	6.11%
Lat. Am./Caribbean	8.44%	1.15%	7.29%
Middle East/Africa	2.09%	1.45%	0.65%
Japan	3.23%	11.59%	-8.36%
Asia general	0.37%	5.83%	-5.46%
China/HK/Taiwan	1.19%	0.56%	0.63%
<b>Total</b>	<b>105.26%</b>	<b>76.28%</b>	<b>28.99%</b>

## Equity exposure - sector breakdown<sup>3</sup>

	Long	Short	Net
Energy	1.16%	0.49%	0.67%
Materials	0.20%	0.09%	0.11%
Industrials	2.80%	0.26%	2.55%
Consumer Discretionary	3.80%	0.23%	3.57%
Consumer Staples	1.28%	0.38%	0.90%
Healthcare	12.90%	3.13%	9.77%
Financials	11.64%	0.76%	10.89%
Technology	2.63%	0.37%	2.26%
Telecom	1.22%	0.29%	0.93%
Utilities	0.35%	0.00%	0.35%
Unclassified	7.50%	26.98%	-19.48%
<b>Total</b>	<b>45.48%</b>	<b>32.97%</b>	<b>12.51%</b>

1. 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. Information about BXMIX, including current month-end performance, is available on BXMIX's website at [www.blackstone.com/bxmix](http://www.blackstone.com/bxmix) or by calling 855-890-7725. Index performance is shown for illustrative purposes only. You cannot invest directly in an index. Data is from June 17, 2014 to March 31, 2015.

2. Interest rate exposure information is represented by the 10 year equivalent

3. Compared to the overall NAV of the fund. Takes into consideration delta adjustments for options

4. Comprised of index futures, options on index futures, ETFs, and ETF options

5. Equity is comprised of Equity Long/Short; Credit is comprised of Fundamental Credit and Opportunistic Trading Credit; Multi-Asset/Quantitative is comprised of Quantitative and Global Macro/Multi-Strategy

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.

Additional information and current performance data is available at [www.blackstone.com/bxmix](http://www.blackstone.com/bxmix).

# Performance commentary

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The investment objective of Blackstone Alternative Multi-Strategy Fund (the “Fund”) is to seek capital appreciation by allocating assets among a variety of investment sub-advisers with experience managing non-traditional or “alternative” investment strategies. During the month of March, the Fund provided a return of 0.97%, versus declines of -1.58% and -1.49% for the S&P 500 and MSCI World, respectively.

After a strong recovery in February, U.S. equity markets dipped again in March, rounding out a volatile first quarter. The S&P 500 reached its quarterly high on March 2nd, with investors reassured by good news from Europe, a respite in falling oil prices, and U.S. Federal Reserve Chair Janet Yellen’s generally positive assessment of the U.S. economy. Over the rest of the month, however, investors returned to core concerns centered on slowing economic growth and the prospect of higher interest rates. The U.S. dollar index is up more than 8.5% for the quarter, taking a significant toll on US companies that derive revenue from overseas, and falling oil prices continue to cause energy producers to cut spending (crude was down 10.3% over the first quarter). Other developments negatively impacting investor sentiment included disappointing U.S. manufacturing sales data announced near month-end; however this news was slightly offset by solid manufacturing gains in Europe. Other positive developments from Europe included a less than expected 0.1% decline in consumer prices, easing deflation concerns that preoccupied the market in February.

Despite declines in March, the S&P 500 still managed to register its ninth straight quarterly advance. While all markets cycles are different and we do not attempt to time markets, a quick review of market history reveals that the current equity bull market is one of the top five equity bull markets in history by magnitude of return and the third longest in duration, with approximately a 220% return over the 73 months from March 2009 to March 2015.

## **Equities:**

Equity strategies (Equity Long/Short) contributed approximately 43% of the Fund’s performance for the month. Overweight allocations to Healthcare and Financials, two sectors Blackstone believes offer opportunity for alpha by way of structural dispersion between winners and losers, benefited the portfolio in March and the first quarter more broadly. In particular, the Healthcare sector has commanded a significant amount of total M&A activity over the first quarter, creating opportunity for hedge fund strategies to capitalize on takeover premiums. Detractors in the equity space were concentrated in long positions in media companies along with exposure to short positions in several services and medical technology names.

## **Credit:**

Credit strategies were also positive for March, generating approximately 14% of the Fund’s overall return. Several strategies generated returns from their positive carry profiles, with additional gains coming from diversified ABS, CMBS, and REIT securities (further driven by robust performance in the underlying collateral). The Fund did experience some mark to market losses amidst a declining high yield market backdrop.

## **Multi-Asset/Quantitative:**

Multi-Asset and Quantitative strategies contributed approximately the remaining 43% of the Fund’s overall performance in March, with the quantitative managers generating the majority of gains. In terms of asset classes, currencies and fixed income accounted for the majority of the returns with smaller gains also coming from equities and commodities. Emerging market strategies as a whole were down for the month due to a variety of factors, including economic weakness and significant structural problems that continue to weigh on several emerging market countries.

## **1<sup>st</sup> Quarter Review**

Over the first quarter, the Fund returned 3.59%, versus 0.95% for the S&P 500 and 2.44% for the MSCI World. The Barclays Agg returned 1.45% over this period. While not all strategies produced gains each month, each of the Fund’s strategies generated positive returns over the quarter. The majority of the Fund’s gains (approximately 58%) were generated by the Equity strategies, with alpha being a material driver of performance given net exposure levels for the quarter. Multi-Asset/Quantitative and Credit strategies contributed the remaining 29% and 13%, respectively. Over the course of the quarter, sub-advisers in Equity strategies adjusted portfolio positioning and decreased net exposure in light of equity market valuations and geopolitical uncertainty. Blackstone also reduced directional equity exposure in favor of strategies that run lower net profiles or market-neutral. Credit strategies were marginally positive for the quarter. Finally, the Multi-Asset and Quantitative strategies have been strong contributors to the Fund’s overall performance, benefitting from a market environment ripe with opportunities to capture various risk premia across markets. From a top-down perspective, Blackstone has increased allocations to quantitative strategies due to their diversifying characteristics.

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# 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.blackstone.com/bxmix](http://www.blackstone.com/bxmix). 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.

## 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. **VaR:** A statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. Value at risk is used by risk managers in order to measure and control the level of risk which the firm undertakes. The risk manager's job is to ensure that risks are not taken beyond the level at which the firm can absorb the losses of a probable worst outcome. **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

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**S&P 500 Total Return Index:** market capitalization-weighted index that includes 500 stocks representing all major industries. Returns are denominated in U.S. dollars and include dividends. The index is a proxy of the performance of the broad U.S. economy through changes in aggregate market value.

## Important Risks

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**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.

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**High Portfolio Turnover Risk** – active trading of securities can increase transaction costs (thus lowering performance) and taxable distributions.

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**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.

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