

# Blackstone Alternative Multi-Strategy Fund (BXMIX)

As of December 31, 2016

## 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 sub-advisers with experience managing alternative investment strategies and among investment funds. It may also manage a portion of the Fund's assets directly.

## Fund highlights

|                                |   |
|--------------------------------|---|
| <b>Fund assets<sup>6</sup></b> | \$4,435 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>      | 1.92% |
| <b>Gross expense ratio</b> | 3.29% |
| <b>Net expense ratio</b>   | 2.40% |

## Portfolio managers

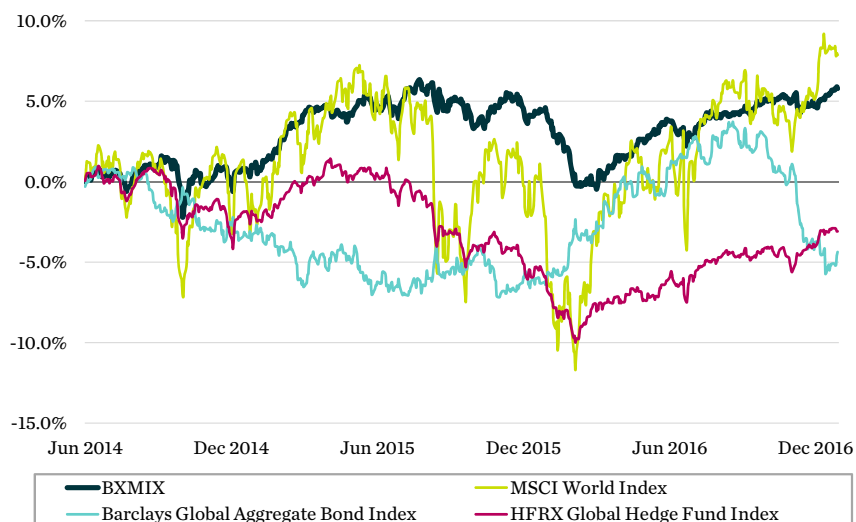
| <b>Name</b>      | <b>Years at Blackstone</b> |
|------------------|----------------------------|
| Gideon Berger    | 14 Years                   |
| Robert Jordan    | 5 Years                    |
| David Mehenny    | 6 Years                    |
| Ian Morris       | 6 Years                    |
| Alberto Santulin | 13 Years                   |
| Stephen Sullens  | 15 Years                   |

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

|                  | As of 12/31/2016 |       |       |        | ITD Statistics |                   |                    |        |
|------------------|------------------|-------|-------|--------|----------------|-------------------|--------------------|--------|
|                  | Dec-16           | YTD   | 1 Yr  | ITD    | St. Dev.       | Beta <sup>4</sup> | Alpha <sup>5</sup> | Sharpe |
| BXMIX            | 0.85%            | 1.35% | 1.35% | 2.24%  | 3.57%          | -                 | -                  | 0.60   |
| HFRX Global      | 0.86%            | 2.50% | 2.50% | -1.24% | 3.80%          | 0.61              | 4.22%              | -0.36  |
| Barclays Gbl Agg | -0.46%           | 2.09% | 2.09% | -1.67% | 5.20%          | -0.15             | 2.73%              | -0.34  |
| MSCI World       | 2.43%            | 8.15% | 8.15% | 3.02%  | 12.08%         | 0.18              | 2.15%              | 0.24   |

1. Performance is presented through December 31, 2016. 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. BXMIX launched on June 16, 2014 and has a limited performance record. Additional information and performance data current to the most recent month-end is available at [www.blackstone.com/bxmix](http://www.blackstone.com/bxmix).

## Cumulative net performance<sup>1,2</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 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 December 31, 2016.

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 August 31, 2018, 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.

## Sub-adviser allocations

| MANAGER                    | STRATEGY       | SUB-STRATEGY                | CURRENT ALLOCATION |
|----------------------------|----------------|-----------------------------|--------------------|
| Goldman Sachs              | Equity Hedge   | Equity Long Short           | 27%                |
| HealthCor                  | Equity Hedge   | Equity Long Short           |                    |
| Rail-Splitter <sup>2</sup> | Equity Hedge   | Equity Long Short           |                    |
| Wellington <sup>2</sup>    | Equity Hedge   | Equity Long Short           |                    |
| Senfina <sup>1</sup>       | Equity Hedge   | Equity Market Neutral       |                    |
| Two Sigma Advisers         | Equity Hedge   | Equity Market Neutral       |                    |
| Bayview                    | Relative Value | Fixed Income - Asset Backed | 29%                |
| Cerberus                   | Relative Value | Fixed Income - Asset Backed |                    |
| Good Hill                  | Relative Value | Fixed Income - Asset Backed |                    |
| Sorin                      | Relative Value | Fixed Income - Asset Backed |                    |
| Waterfall                  | Relative Value | Fixed Income - Asset Backed |                    |
| Chatham                    | Relative Value | Fixed Income - Corporate    |                    |
| Caspian                    | Event Driven   | Distressed/Restructuring    | 11%                |
| Boussard & Gavaudan        | Event Driven   | Multi-Strategy              |                    |
| Nephila <sup>2</sup>       | Event Driven   | Reinsurance                 |                    |
| Emso                       | Macro          | Discretionary Thematic      | 34%                |
| AlphaParity                | Macro          | Systematic Diversified      |                    |
| IPM                        | Macro          | Systematic Diversified      |                    |
| D.E. Shaw                  | Multi-Strategy | N/A                         |                    |
| BAIA-Direct <sup>3</sup>   | Multi-Strategy | N/A                         |                    |

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. Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.

1. Blackstone Senfina Advisors L.L.C. ("Senfina") is an indirect wholly-owned subsidiary of The Blackstone Group L.P., a publicly traded master limited partnership that has units that trade on the New York Stock Exchange under the symbol "BX." Senfina is an affiliate of BAIA, the Fund's investment adviser, in that it is under common control with BAIA. An investment by BXMXIX with Senfina benefits Blackstone and a withdrawal from Senfina would be detrimental to Blackstone. Senfina is not currently managing any Fund assets. Allocations may change at any time without notice.

2. Sub-adviser is not currently managing any Fund assets. Allocations may change at any time without notice.

3. BAIA manages a portion of the Fund's assets directly. Such assets include allocations to a risk premia trading strategy and may also include opportunistic trades. BAIA's fees on directly managed assets are not reduced by a payment to a sub-adviser.

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

|      | Jan    | Feb    | Mar   | Apr    | May   | June   | 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% | -0.39% | 1.26% | -1.15% | 1.93%  | -1.04% | -0.67% | 0.29%  | 0.48%  | -0.71% | 3.55% |
| 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% |

1. Performance is presented through November 30, 2016. 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.blackstone.com/bxmix](http://www.blackstone.com/bxmix). BXMXIX 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 BXMXIX, Class I carefully before investing. The prospectus and the summary prospectus contain this and other information about BXMXIX and are available on BXMXIX's website at [www.blackstone.com/bxmix](http://www.blackstone.com/bxmix). All investors are urged to carefully read the prospectus and 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 BXMXIX. In addition, the indices employ different investment guidelines and criteria than BXMXIX; as a result, the holdings in BXMXIX 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 BXMXIX, but rather is disclosed to allow for comparison of BXMXIX'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 Global 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:** 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. **MSCI World 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 all the developed markets in the world.

### Important Risks

An investment in BXMXIX, 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. BXMXIX'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 BXMXIX: **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.

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.

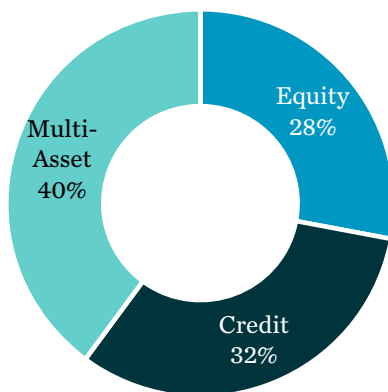
# Blackstone Alternative Multi-Strategy Fund (BXMIX)

As of December 31, 2016

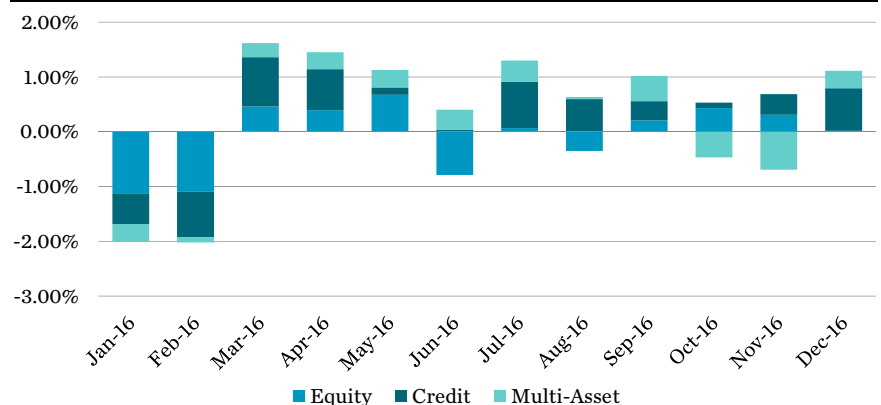
## Performance summary<sup>1,2,3,4</sup>

| Sub-Strategy Performance | Allocation at | MTD    |             | QTD    |             | YTD    |             | ITD Cumulative Performance |             |
|--------------------------|---------------|--------|-------------|--------|-------------|--------|-------------|----------------------------|-------------|
|                          | 12/30/2016    | Return | Attribution | Return | Attribution | Return | Attribution | Return                     | Attribution |
| Equity                   | 27.96%        | 0.05%  | 0.02%       | 2.34%  | 0.76%       | -1.15% | -0.80%      | 15.64%                     | 6.14%       |
| Credit                   | 32.15%        | 2.26%  | 0.78%       | 3.73%  | 1.25%       | 11.10% | 3.43%       | 10.50%                     | 3.51%       |
| Multi-Asset              | 39.90%        | 0.64%  | 0.32%       | -1.68% | -0.84%      | 2.11%  | 0.83%       | 7.33%                      | 2.14%       |
| Cash & Other             |               |        | -0.26%      |        | -0.52%      |        | -2.12%      |                            | -6.00%      |
| Net Return               |               |        | 0.85%       |        | 0.65%       |        | 1.35%       |                            | 5.79%       |

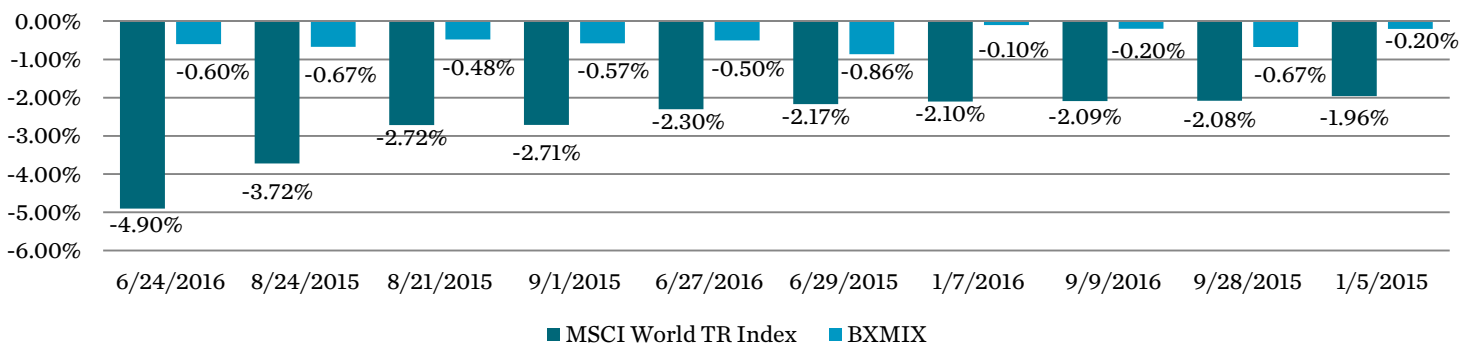
## Sub-strategy summary<sup>3</sup>



## Trailing 12 month sub-strategy attribution<sup>1,3,4</sup>

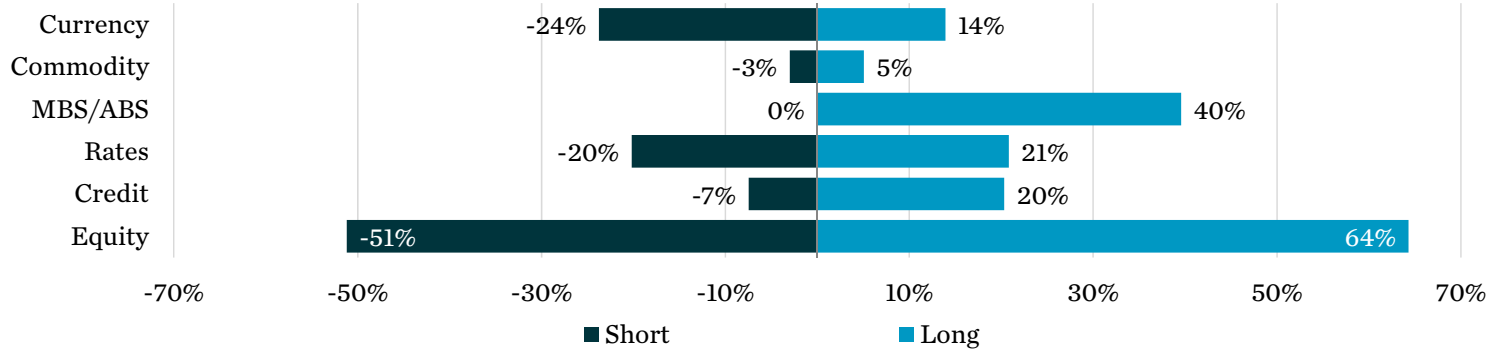


## Downside protection: worst 10 trading days for MSCI world since inception<sup>5</sup>



1. Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.  
 2. 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  
 3. Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.  
 4. 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.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 16, 2014 to November 30, 2016.  
 5. The indices presented are indicative and for illustrative purposes only. The volatility of the index presented may be materially different from that of the performance of the Fund. In addition, the index employs different investment guidelines and criteria than the Fund; as a result, the holdings in the Fund may differ significantly from the securities that comprise the index. The performance of the index has not been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of the Fund's performance to that of well-known and widely recognized index. A summary of the investment guidelines for the index presented is available upon request. Performance of the index reflects the reinvestment of dividends. Please see glossary of terms at the end of this presentation for index definitions. The average daily return for BXMIX for the 10 best MSCI World TR days is 0.39%, while the average return of MSCI World TR for the 10 best MSCI World TR days was 2.07%.  
 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>



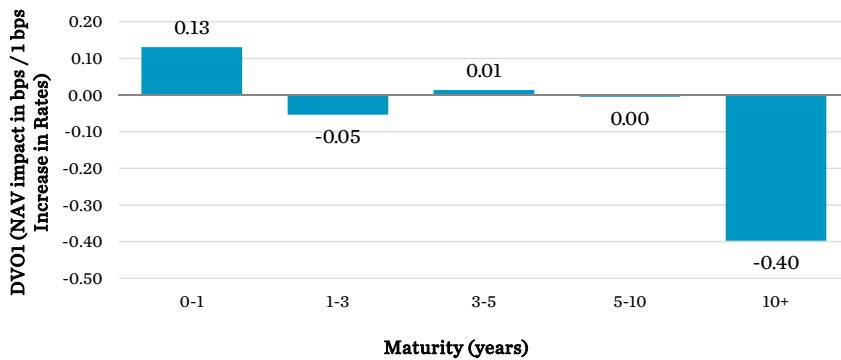
## Geographic exposure<sup>1</sup>

|                    | Long           | Short          | Net           |
|--------------------|----------------|----------------|---------------|
| US/Canada          | 98.21%         | 49.59%         | 48.63%        |
| Core Europe        | 36.76%         | 36.40%         | 0.36%         |
| Peripheral Europe  | 5.44%          | 3.29%          | 2.16%         |
| Lat. Am./Caribbean | 9.38%          | 0.74%          | 8.64%         |
| Middle East/Africa | 0.73%          | 3.49%          | -2.75%        |
| Japan              | 4.81%          | 5.94%          | -1.13%        |
| Asia general       | 7.12%          | 3.73%          | 3.39%         |
| China/HK/Taiwan    | 1.54%          | 2.46%          | -0.92%        |
| <b>Total</b>       | <b>164.00%</b> | <b>105.64%</b> | <b>58.36%</b> |

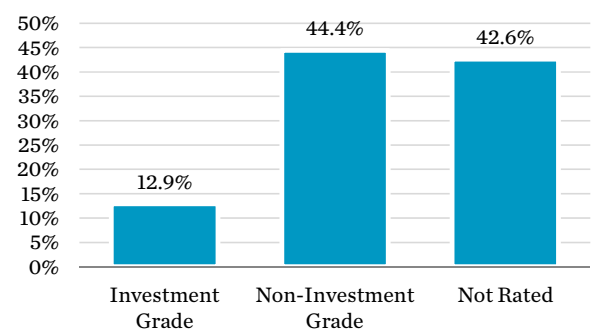
## Currency exposure<sup>1</sup>

| Region             | Long          | Short         | Net           |
|--------------------|---------------|---------------|---------------|
| Asia general       | 2.64%         | 2.96%         | -0.32%        |
| China/HK/Taiwan    | 0.02%         | 0.84%         | -0.83%        |
| Core Europe        | 4.30%         | 13.34%        | -9.05%        |
| Japan              | 3.52%         | 1.45%         | 2.08%         |
| Latin America      | 0.87%         | 0.36%         | 0.51%         |
| Middle East/Africa | 0.47%         | 2.30%         | -1.83%        |
| Peripheral Europe  | 1.28%         | 0.58%         | 0.70%         |
| US/Canada          | 0.83%         | 1.92%         | -1.09%        |
| <b>Total</b>       | <b>13.92%</b> | <b>23.75%</b> | <b>-9.83%</b> |

## Fixed income interest rate sensitivity<sup>3</sup>



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



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

|                            | Long          | Short         | Net           |
|----------------------------|---------------|---------------|---------------|
| Energy                     | 1.37%         | 1.27%         | 0.10%         |
| Materials                  | 2.93%         | 0.59%         | 2.34%         |
| Industrials                | 3.30%         | 2.17%         | 1.12%         |
| Consumer Discretionary     | 5.55%         | 4.91%         | 0.64%         |
| Consumer Staples           | 2.29%         | 1.25%         | 1.05%         |
| Health Care                | 11.26%        | 6.45%         | 4.81%         |
| Financials                 | 4.10%         | 3.04%         | 1.06%         |
| Real Estate                | 0.45%         | 1.53%         | -1.09%        |
| Information Technology     | 7.38%         | 3.20%         | 4.18%         |
| Telecommunication Services | 1.51%         | 0.67%         | 0.84%         |
| Utilities                  | 0.29%         | 0.42%         | -0.13%        |
| Index*                     | 23.37%        | 25.67%        | -2.30%        |
| Unclassified**             | 0.51%         | 0.02%         | 0.49%         |
| <b>Total</b>               | <b>64.31%</b> | <b>51.19%</b> | <b>13.12%</b> |

## VaR analysis<sup>4</sup>

| Date     | VaR  |
|----------|------|
| 12/31/16 | 2.3% |

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.

3. Dv01 represents the change in value of a security for a 1 basis point change in interest rates as a percentage of fund NAV.

4. Value at Risk ("VaR") seeks to estimate, using historical data, the loss the Fund could suffer. VaR is calculated at a 99% confidence level for a one month holding period (20 business days) using a model based on historical Fund data. Please see the Glossary of Terms for a further explanation of VaR.

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

\*\*Do not have a GICS sector assigned

## December Market Commentary

Continuing the remarkable rally in the wake of November's U.S. Presidential election, equity markets rose once again in December on investor enthusiasm for anticipated deregulation, tax cuts, and fiscal stimulus under the incoming Trump administration. On December 20th, the Dow Jones Industrial Average hit a record high, closing just shy of the milestone 20,000 mark, propelled primarily by strong performance in the financial, industrial, and energy sectors. Meanwhile, in commodities, crude oil edged higher after OPEC's decision to cut production last month led to decreased supply.

A number of economic indicators also reflected the prevailing positive sentiment in the markets. The Conference Board's consumer confidence index reached its highest level since August 2001, and the National Association of Home Builders sentiment index climbed to an 11-year high. Additionally, the U.S. unemployment rate in November was 4.6%, its lowest level since August 2007. These metrics indicated increased optimism and a strengthening economy on the home front.

Mid-month, the Federal Reserve ("Fed") held its December meeting and, with an eye on the healthier labor market and improving economic conditions, voted unanimously in favor of the second rate hike in a decade. The target Fed Funds rate increased 25 basis points to between 0.50% and 0.75%, and the Fed suggested the possibility of three additional quarter-percent hikes in 2017. Following the Fed's decision, the dollar rose as USD-denominated assets became more attractive given interest rate prospects in 2017.

With a new presidential administration about to take office and uncertainty about the implications of new political and economic policies, we believe that a low beta, low volatility portfolio like Blackstone Alternative Multi-Strategy Fund ("BXMIX") could offer diversifying exposure in a broader portfolio.

## Review of Fund Performance<sup>1</sup>

The investment objective of Blackstone Alternative Multi-Strategy Fund (the "Fund") is to seek capital appreciation. The Fund aims to achieve its objective by allocating assets among Blackstone<sup>2</sup> and a variety of investment sub-advisers with experience managing non-traditional or "alternative" investment strategies. In December, the Fund's Class I share class returned 0.85%<sup>3</sup> net of fees and expenses versus 1.98% and 2.43% for the S&P 500 and MSCI World Indices, respectively, and versus (0.46)% for the Barclays Global Aggregate Bond Index.

### *Equity Strategies*

Equity strategies ended the month flat, with mixed performance among Equity Long/Short sub-strategies and slight gains in Equity Market Neutral sub-strategies. December continued to see the aftermath of the U.S. election and the Fed's rate hike drive sector dispersion. The portfolio's lack of material long exposure to energy and utilities (typical hedge fund underweights) as well as an underweight to U.S. financials caused the Fund to miss out on the broader market rally which was largely driven by those types of exposures. However, the Fund's largest sector overweight, healthcare, did add to gains on the month.

### *Credit Strategies*

Credit strategies contributed the most this month with all sub-strategies ending the month in positive territory. Fixed Income – Asset-Backed and Corporate sub-strategies led gains, benefitting from positive carry and price appreciation. Collateralized loan obligations (CLOs) and commercial mortgage-backed securities (CMBS) also rallied. Media and materials exposures contributed to credit performance, with the latter gaining after beating Q3 earnings estimates. Credit risk transfer (CRT) securities continued rallying in December and also proved additive to performance.

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- 1. The indices presented are indicative and for illustrative purposes only. The volatility of the indices presented may be materially different from that of the performance of the Fund. In addition, these indices employ different investment guidelines and criteria than the Fund; as a result, the holdings in the Fund may differ significantly from the securities that comprise the indices. The performance of these indices has not been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of Fund performance to that of well-known and widely recognized indices. A summary of the investment guidelines for these indices is available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Source: Bloomberg, as of 31 Dec. 2016.*
  - 2. Blackstone Alternative Investment Advisors ("BAIA"), the Fund's investment advisor, manages a portion of the Fund's assets directly. Such assets include allocations to a risk premia trading strategy and may also include opportunistic trades. BAIA's fees on directly managed assets are not reduced by a payment to a sub-advisor.*
  - 3. Performance is shown net of all fees and expenses for the Fund's Class I share class. Past performance may not be a reliable guide to future performance. The value of 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. Performance is estimated and unaudited.*

## ***Multi-Asset Strategies***

After a challenging November, Multi-Asset strategies had positive contributions to December performance, driven chiefly by Multi-Strategy sub-strategies. The strengthening U.S. dollar following the Fed's decision to hike rates had mixed effects on currency positions. Gains from short exposures to Canadian Treasuries and the Euro and long exposure to Venezuelan sovereign credit were partially offset by losses from long exposures to U.S. Treasuries and the Japanese yen and short exposure to the Brazilian real. In addition, exposure to Russian rates and the ruble contributed positively as sentiment around U.S.-Russian relations improved following the U.S. presidential election. In terms of factors, Equity Value and Fixed Income Momentum were notable contributors, whereas Equity Momentum and Fixed Income Value detracted. Commodity exposures also declined this month.

## **Review of Fund Performance – Fourth Quarter 2016<sup>1</sup>**

During the fourth quarter of 2016, the Fund's Class I share class returned 0.65%<sup>2</sup> net of fees and expenses versus 3.82% for the S&P 500 Index, 1.97% for the MSCI World Index, and (7.07)% for the Barclays Global Aggregate Bond Index.

Equity strategies contributed to performance over the fourth quarter, driven primarily by Equity Market Neutral sub-strategies, with value-oriented styles leading gains. Sector dispersion in the wake of the U.S. election created opportunities for equity managers, with returns coming from healthcare, materials and information technology sector exposures. Financial sector hedges detracted from performance, along with certain single-name positions in managed care and medical devices exposures and asset management exposures after disappointing earnings results.

Credit strategies were the largest contributors to performance on the quarter, with gains coming predominantly from Fixed Income – Asset Backed and Corporate sub-strategies. Early in the quarter, we increased exposure to GSE credit risk transfer bonds, where Fannie Mae and Freddie Mac are programmatically selling risk into the market. These exposures ultimately proved additive to the portfolio even as spreads initially widened. Expectations of fiscal stimulus from the incoming Trump administration boosted corporate credit exposures. Specifically, bonds of several media companies rallied, as did bonds issued by a materials company following positive earnings results. Lastly, cash flow and positive carry topped off solid fourth quarter gains.

As for Multi-Asset strategies, performance detracted in the fourth quarter, with mixed earnings results, significant geopolitical uncertainty, and general risk-off sentiment in emerging markets weighing on Multi-Strategy exposures. Long positions in U.S. Treasuries and short U.S. dollar exposure were the primary drivers of losses. In addition, several other currency exposures – long Japanese yen and Mexican peso, and short Brazilian real – detracted from this segment of the portfolio. Negative performance, however, was offset to a modest degree by positive returns from Greek and Venezuelan credit, as well as Argentine local rates as the peso appreciated.

## **Review of Fund Performance – 2016 Year-End<sup>1</sup>**

Over the course of 2016, the Fund's Class I share class returned 1.35%<sup>2</sup> net of fees and expenses versus 11.96% for the S&P 500 Index, 8.15% for the MSCI World Index, and 2.09% for the Barclays Global Aggregate Bond Index.

Although 2016 was a challenging year for hedge fund strategies, BXMIX protected capital and generated a positive return. Equity strategies struggled during the first quarter, and though they recovered later in the year, they still detracted from performance. Entering 2016, downside surprises in global growth and resulting Fed policy led to a huge factor reversal from momentum stocks to value stocks. Outsized technical moves and elevated volatility made it a difficult environment for fundamental stock pickers, and popular hedge fund themes underperformed considerably. Additionally, significant sector dispersion existed as healthcare, financials, consumer discretionary and technology sectors (BXMIX overweights) underperformed, while telecom and utilities sectors (BXMIX underweights) outperformed.

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- 1. The indices presented are indicative and for illustrative purposes only. The volatility of the indices presented may be materially different from that of the performance of the Fund. In addition, these indices employ different investment guidelines and criteria than the Fund; as a result, the holdings in the Fund may differ significantly from the securities that comprise the indices. The performance of these indices has not been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of Fund performance to that of well-known and widely recognized indices. A summary of the investment guidelines for these indices is available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. Source: Bloomberg, as of 31 Dec. 2016.*
  - 2. Performance is shown net of all fees and expenses for the Fund's Class I share class. Past performance may not be a reliable guide to future performance. The value of 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. Performance is estimated and unaudited.*

## Performance commentary

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Meanwhile, very strong performance in Credit strategies buoyed the Fund's performance, with every sub-strategy posting gains in aggregate. While Credit strategies came out of a challenging first quarter in the red on account of mark-to-market losses in asset-backed sub-strategies, consistently strong performance the rest of the year more than compensated for initial headwinds. With weak corporate credit markets early in the year due to excessive issuance, volatility, anticipated interest rate hikes, and slowing global growth, redemptions and fund outflows led to forced sales of attractive risk across the corporate credit spectrum. We realized the opportunity for liquidity providers to capture excess spread, and over the first half of the year, we roughly tripled the Fund's allocation to corporate credit strategies, which performed quite well later.

Finally, Multi-Asset strategies also experienced gains on the year, with performance driven by Multi-Strategy and Discretionary Thematic sub-strategies. Systematic Diversified sub-strategies partially offset gains. Emerging market exposures to Argentina, Venezuela and Greece proved positive, with notable gains in sovereign and quasi-sovereign credit.

### ***Sub-Advisers and Strategies Added/Removed***

At Blackstone, we believe that managing the optimal mix of strategies across the portfolio and adjusting it over time is key to generating returns in different market environments. Over the course of 2016, we added one new strategy and terminated two existing sub-advisers.

#### 2016 Strategy Addition:

Blackstone Risk Premia: BAIA manages assets that are not allocated to sub-advisers and, during the year, we began managing a portion of the Fund's assets according to a strategy that aims to generate returns by capturing various risk premia across asset classes and premia factors.

#### 2016 Sub-Adviser Terminations:

1. Rail-Splitter Capital Management, LLC
2. Blackstone Senfina Advisors L.L.C.<sup>1</sup>

Sub-adviser and strategy additions and terminations are normal events in Blackstone's hedge fund investment process and result from our dynamic evaluation of the top down assessment of the opportunity set for hedge fund strategies as well as the bottom up evaluation of a manager's ability to deliver alpha in a given environment.

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1. *Blackstone Senfina Advisors L.L.C. ("Senfina") is an indirect wholly-owned subsidiary of The Blackstone Group L.P., a publicly traded master limited partnership that has units that trade on the New York Stock Exchange under the symbol "BX." Senfina is an affiliate of BAIA, the Fund's investment adviser, on the basis that it is under common control with BAIA.*

*Opinions expressed reflect the current opinions of BAIA as of the date of this material only and should not be the basis of any investment decisions. Past performance is not necessarily indicative of future results. There can be no assurance that the Fund or its underlying managers will achieve their investment objectives or avoid significant losses. The Fund is actively managed and allocations are subject to ongoing revision. Certain of the information provided herein has been obtained from or derived from BAIA's underlying managers or other third parties. BAIA does not guarantee the accuracy or completeness of such information.*

# 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.

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. **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. A VaR model has certain inherent limitations and it cannot be relied upon to predict or guarantee that the size or frequency of losses incurred by a Fund will be limited to any extent. As the VaR model relies on historical market data as one of its key inputs, if current market conditions differ from those during the historical observation period, the effectiveness of the VaR model in predicting the VaR of a Fund may be materially impaired. **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. 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.

**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.