Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of December 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

Fund assets [6]	$6,870.16 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 I)[7]

Management Fee	1.88%
Gross Expense Ratio	2.86%
Net Expense Ratio	2.20%

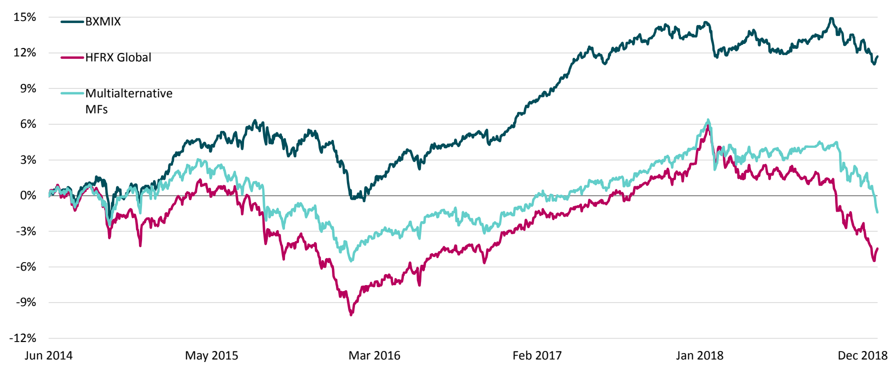
Portfolio managers

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	18 Years

Fund net performance[1,2,3]

	As of 12/31/2018				*Inception to Date Statistics*			
	1 Yr	**ITD**	**QTD**	**YTD**	**St Dev.**	**Beta**	**Alpha**	**Sharpe**
BXMIX	(1.52%)	2.46%	(2.61%)	(1.52%)	3.12%	-	-	0.55
HFRX Glbl	(7.01%)	(1.00%)	(5.85%)	(7.01%)	3.57%	0.53	2.99%	(0.48)
Barclays Glbl	(1.20%)	0.32%	1.20%	(1.20%)	4.81%	(0.10)	2.53%	(0.08)
MSCI World	(8.20%)	4.45%	(13.31%)	(8.20%)	11.34%	0.16	1.66%	0.33

Alternative strategies cumulative net performance[1,2]



1. Performance is presented through December 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.

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 December 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.

Sub-adviser allocations[1]

Manager	Strategy	Sub-strategy	Classification
Active Sub-Advisors			
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	
Boussard & Gavaudan	Event Driven	Multi-Strategy	Multi-Asset
Magnetar[(1)]	Event Driven	Risk Arbitrage	
Emso	Macro	Discretionary Thematic	
NWI[(1)]	Macro	Discretionary Thematic	
IPM	Macro	Systematic Diversified	
D.E. Shaw	Multi-Strategy	N/A	
BAIA-Direct[(2)]	Multi-Strategy	N/A	
Inactive Sub-Advisors[(3)]			
Cerberus	Relative Value	Fixed Income - Asset Backed	Inactive
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 EJF Capital LLC, Aeolus, 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[4,5]

													YTD			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	BXMIX	HFRX Glbl	Barclays Glbl	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%)	0.09%	(1.15%)	**(1.52%)**	**(7.01%)**	**(1.20%)**	**(8.20%)**

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 December 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. 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. 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 contains 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)

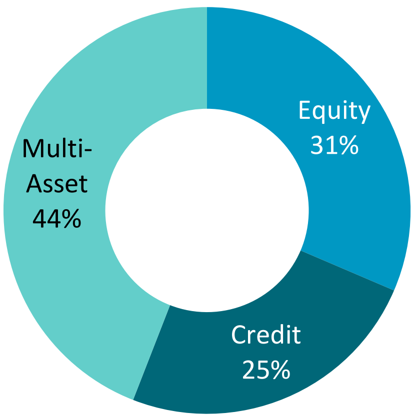
Blackstone

As of December 31, 2018

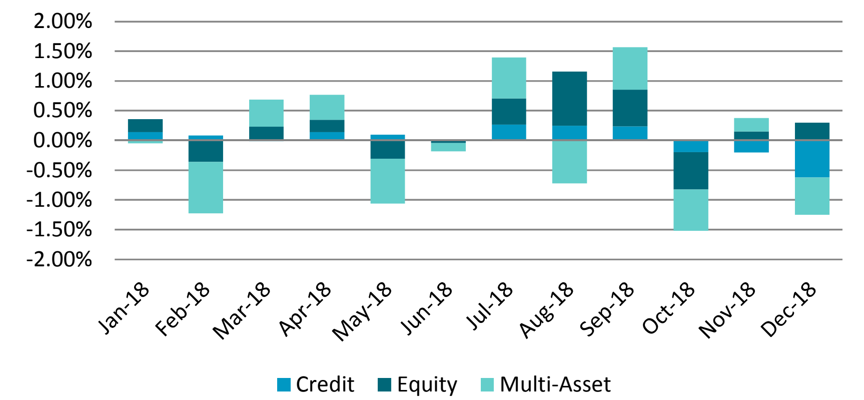
Performance summary[1,2,3]

Sub-Strategy Performance	Allocation at 12/31/2018	MTD Return	MTD Attribution	QTD Return	QTD Attribution	YTD Return	YTD Attribution	Trailing 12 Months Return	Trailing 12 Months Attribution	ITD Cumulative Performance Return	ITD Cumulative Performance Attribution
Equity	31.44%	0.77%	0.30%	0.33%	0.08%	2.43%	1.07%	2.43%	1.07%	27.35%	10.35%
Credit	24.47%	(2.13%)	(0.62%)	(3.11%)	(0.91%)	1.55%	0.16%	1.55%	0.16%	26.18%	7.56%
Multi-Asset	44.09%	(1.21%)	(0.63%)	(2.43%)	(1.24%)	(1.11%)	(0.61%)	(1.11%)	(0.61%)	13.12%	4.56%
Cash & Other			(0.19%)		(0.53%)		(2.15%)		(2.15%)		(10.79%)
Net Return			(1.15%)		(2.61%)		(1.52%)		(1.52%)		11.67%

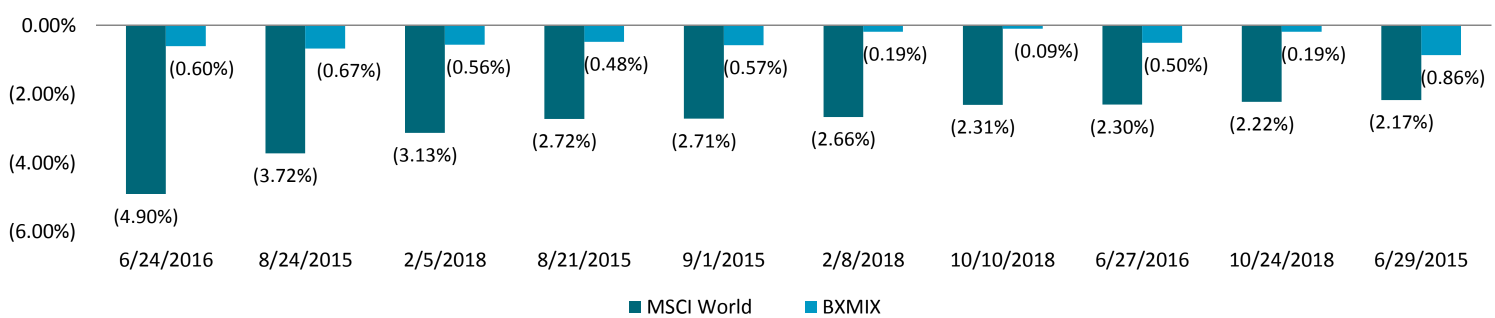
Portfolio Allocations[2]



Trailing 12 month sub-strategy attribution[1,2,3]



BXMIX performance on worst 10 trading days for MSCI World since inception[4]



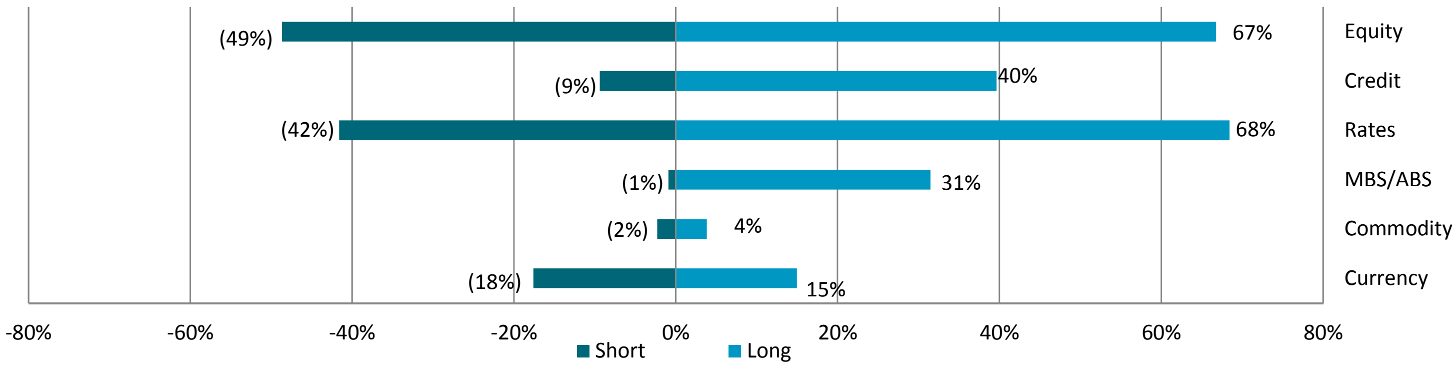
Because of the broadly diversified and low beta nature of the portfolio, BXMIX is not expected to participate in the full upside of broader equity markets. From 06/16/14 to 12/31/18, on the ten best MSCI World TR trading days, the average daily returns for the MSCI World TR and BXMIX were 2.07% and 0.39% 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 or by calling 855-890-7725. Data is from June 16, 2014 to December 31, 2018.

1. Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.
2. 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.
3. Sub-strategy allocations exclude exposures to Fund level cash, hedging and expenses and are adjusted pro-rata to equal 100%.
4. *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[1]



Geographic exposure[1]

	Long	Short	Net
US/Canada	131.18%	(61.65%)	69.52%
Core Europe	65.94%	(41.93%)	24.01%
Peripheral Europe	3.12%	(0.47%)	2.65%
Lat. Am./Caribbean	8.03%	(1.39%)	6.64%
Middle East/Africa	2.81%	(1.37%)	1.44%
Japan	3.26%	(2.26%)	1.00%
Asia general	8.45%	(7.03%)	1.42%
China/HK/Taiwan	2.42%	(4.37%)	(1.95%)
Total	**225.21%**	**(120.47%)**	**104.74%**

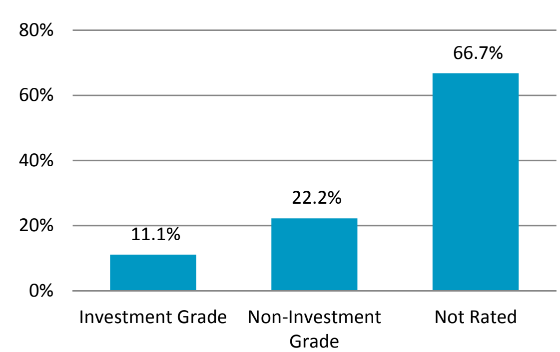
Currency exposure[1]

Region	Long	Short	Net
Asia general	3.12%	(0.65%)	2.47%
China/HK/Taiwan	0.03%	(0.08%)	(0.05%)
Core Europe	9.21%	(12.16%)	(2.95%)
Japan	1.88%	(1.16%)	0.72%
Latin America	0.39%	(0.24%)	0.15%
Middle East/Africa	0.16%	(0.25%)	(0.09%)
Peripheral Europe	0.18%	(0.15%)	0.03%
US/Canada	0.01%	(2.90%)	(2.89%)
Total	**14.98%**	**(17.58%)**	**(2.61%)**

Equity exposure – sector breakdown[1]

	Long	Short	Net
Energy	2.20%	(2.32%)	(0.12%)
Materials	1.63%	(1.06%)	0.57%
Industrials	4.92%	(1.79%)	3.13%
Consumer Discretionary	5.27%	(6.79%)	(1.52%)
Consumer Staples	2.02%	(1.28%)	0.74%
Health Care	11.19%	(6.40%)	4.79%
Financials	7.24%	(5.60%)	1.63%
Real Estate	0.98%	(1.55%)	(0.57%)
Information Technology	7.95%	(3.62%)	4.34%
Communication Services	3.16%	(2.38%)	0.78%
Utilities	2.09%	(0.90%)	1.18%
Index**	16.01%	(14.97%)	1.03%
Unclassified***	2.14%	-	2.14%
Total	**66.79%**	**(48.67%)**	**18.13%**

Fixed income ratings[1,2]



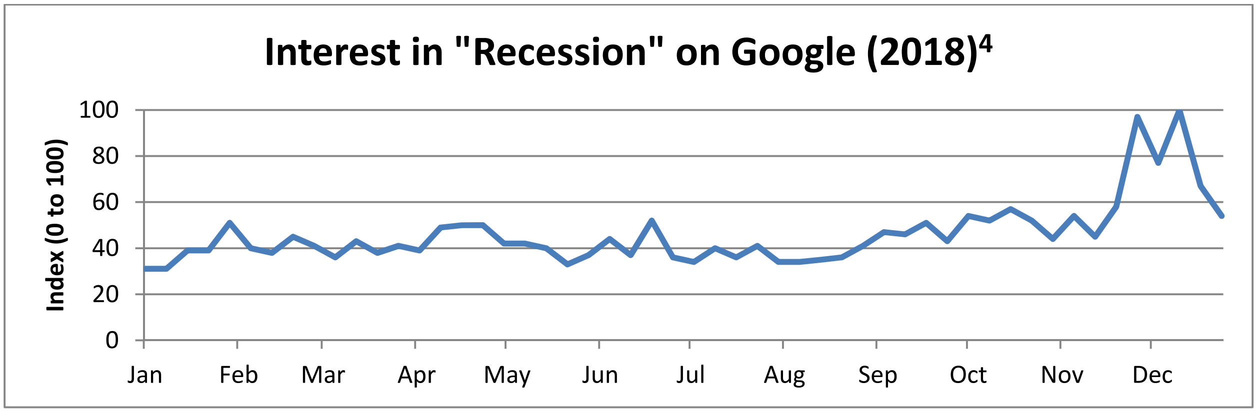
1. In the case of non-interest rate instruments, exposure data represents the delta adjusted market value. In the case of interest rate products, exposure data is represented by the 10-year equivalent instrument. Positions of unknown type (if any) are excluded from exposure data. The Fund does not guarantee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

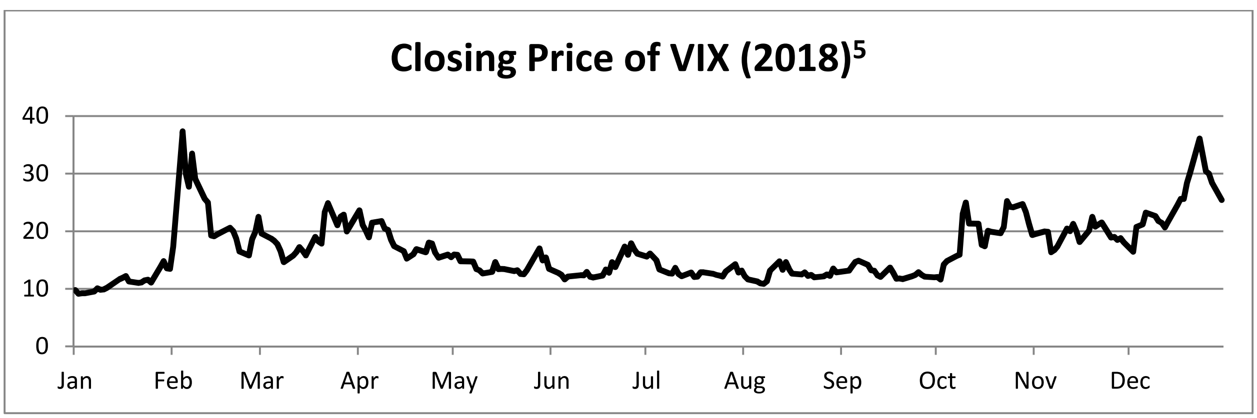
***Do not have a GICS sector assigned

December Market Commentary

Public equity markets closed down for the year (S&P 500 TR: -4.38%) for the first time since 2008, driven primarily by the month's returns (S&P 500 TR: -9.03%). The month's headlines were negative seemingly everywhere you looked: "Wall St. Ignored Signs of Trouble for Months. Now it Sees Risks Everywhere[1]," "U.S. Stocks Make Emerging Markets Look Placid[2]," "What Is a Recession, and Why Are People Talking About the Next One[3]." Even Google searches for the term "Recession" spiked in the United States[4] (as seen below).



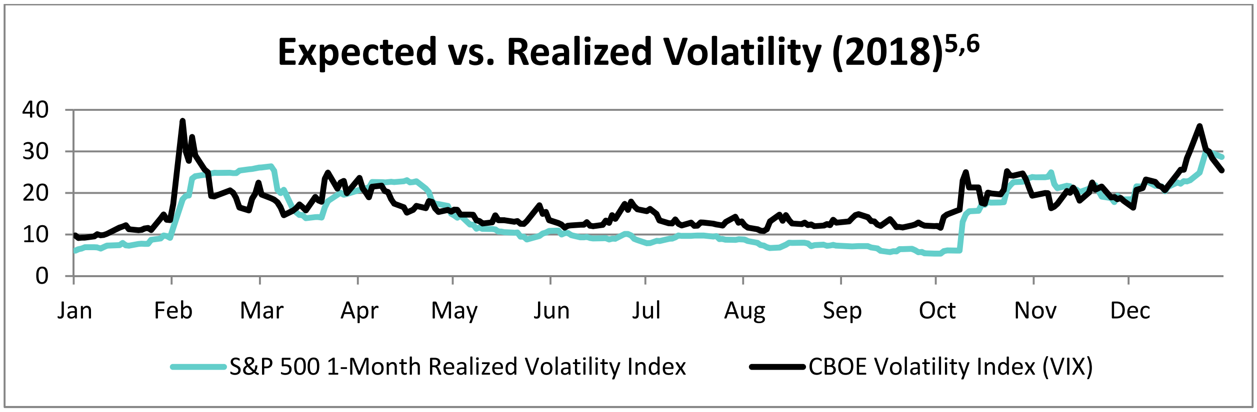
One of the measures commonly mentioned in these articles, and consequently the measure we were interested in exploring more thoroughly, was the CBOE Volatility Index (VIX). As we've mentioned in previous commentaries, the VIX measures market expectations of 30-day forward-looking volatility in the S&P 500, which has led to its "fear gauge" nickname. Fearful market sentiment is reflected in some of the articles above, which point to the recent uptick (pictured below[5]) as a sign that investors may expect even more troubling times ahead for equity markets.



[1] The New York Times: https://www.nytimes.com/2018/12/09/business/stocks-wall-street-trump-economy-trade.html
[2] The Wall Street Journal: https://www.wsj.com/articles/u-s-stocks-make-emerging-markets-look-placid-11546230681
[3] The New York Times: https://www.nytimes.com/2018/12/17/business/economy/what-is-recession-facts-history.html
[4] Information as of 01/03/2019. The data presented above is based on information obtained or derived by BAIA from Google Trends. BAIA does not guarantee the accuracy and completeness of such information.
[5] Information as of 01/03/2019. The data presented above is based on information obtained or derived by BAIA from the Chicago Board Options Exchange (CBOE). BAIA does not guarantee the accuracy and completeness of such information.

Before accepting that expectations for impending heightened volatility will lead to increases in realized volatility, we have three questions we want to better understand: 1) does a recent increase in the VIX accurately predict a sustained period of elevated volatility in the future, 2) are current expectations for future volatility much higher than they have been historically, and 3) are periods of high volatility necessarily bad for investors?

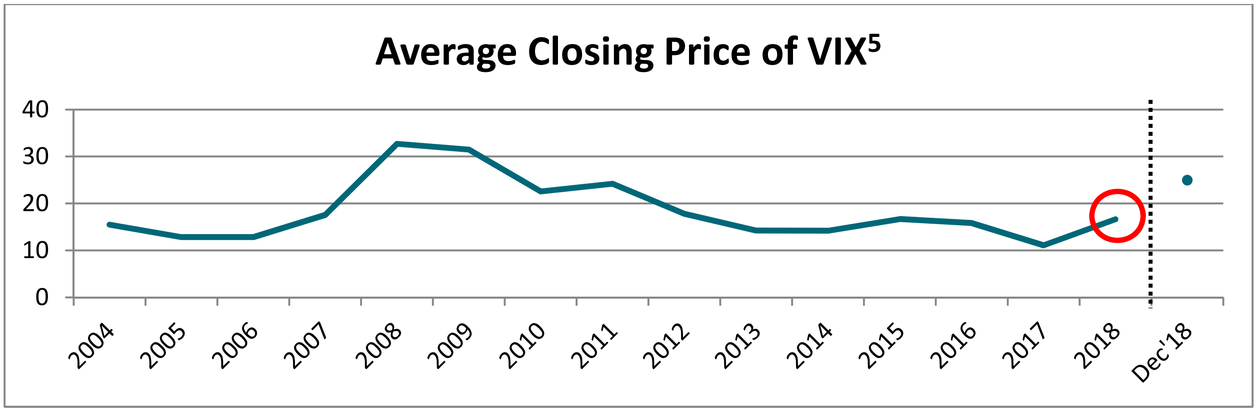
For our first question, we can compare the VIX, which measures investors' volatility expectations, to an index of the 1-month realized volatility of the S&P 500[6] (below).



In February, market volatility expectations (measured by the VIX) moved hand in hand with the realized volatility seen on the 5th of the month, after a stronger than expected government report fueled fears about the potential of the Fed raising interest rates faster than previously expected. On that day, realized volatility moved upwards about 60% while the VIX spiked almost double that rate (116%). That means that volatility increased that day, and investors suddenly expected more of it in the future. Over the course of February, expectations of future volatility halved while realized volatility lingered. Outside of that period of overshot expectations, the graphs look remarkably similar. This suggests that throughout 2018, investors' expectations of volatility did not precede any large future increases in realized volatility – instead, expectations seem to have mostly reflected what investors were already seeing in the market.

What if we put December's volatility expectations in broader historical context – are today's expectations much higher than ever before? When we plot out the average daily close of the VIX on a yearly basis (below), we see that 2018 (circled in red) is within the band of "normal." While viewing the VIX in December may look frightening, it actually was not much higher than recent months of elevated VIX, such as September 2015 and January 2016, and those two months were followed by a period of reduced volatility expectations.

[6] Information as of 01/10/2019. The data presented above is based on information obtained or derived by BAIA from S&P Dow Jones Indices. BAIA does not guarantee the accuracy and completeness of such information.



Let's say we don't have much predictive power over the VIX and are instead trying to make the most of the situation – is a month of high volatility necessarily a bad thing? As with the answers to the other questions we have posed, the answer is "not necessarily." Even though volatility may be nerve-racking for some investors, others thrive in such situations as they may view a downward shift in prices as an opportunity to buy assets at a newly available discount.

We won't pretend to know whether heightened volatility is here to stay, however this month's volatility has been a strong reminder of the benefits of a broadly-diversified portfolio that strives for low correlation to broader equity markets. We maintain that alternative investment strategies, such as those employed by BXMIX, may provide a stream of less correlated returns that have the potential to help investors reduce volatility in their portfolio.

Review of December 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[7]). In December, the Fund's Class I share class returned -1.15%[8] net of fees and expenses versus -2.23% and 2.02% for the HFRX Global Hedge Fund and Barclays Global Aggregate Bond indices, respectively, and versus -9.03% and -7.57% for the S&P 500 and MSCI World indices, respectively[9].

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[7] 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, EJF Capital LLC, and Aeolus Capital Management Ltd., opportunistic 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.

[8] 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.bxmix.com.

[9] **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.

Equity Strategies

Equity strategies (+0.77%)[10] were the largest contributor to Fund performance in December with quantitative equity market neutral sub-strategies leading gains. As a reminder, some quantitative strategies actively trade securities based on factors rather than fundamental indicators underlying individual stocks, constructing portfolios that attempt to capitalize on different risk premia available in the market. In this particular month, factors like momentum and quality in the U.S. experienced strong gains that drove returns.

Sub-strategies with exposures to the financial sector exhibited moderate losses. The sector was broadly affected by the sharp decline in U.S. bank stocks this month with a significant portion of banks now trading at single digit P/E ratios. Banks make money when they can borrow at inexpensive short term rates and lend to businesses and individuals at higher long term rates. This leads to a positive correlation between bank valuations and expectations for future interest rates, which are influenced by the Federal Reserve ("Fed"). Given the lack of clarity around the Fed's expected pace of rate increases provided at this month's Federal Open Market Committee (FOMC) meeting, market jitters led to a slide in bank stocks. Negative market sentiment was exacerbated by growing indications that the U.S.-China trade war may be impacting fundamental economic factors, which in turn could slow future interest rate increases. While market sentiment has been declining, we view this as a temporary dislocation given that bank fundamentals remain strong; however, we are aware that the sector may continue to trade down for a period of time as economic uncertainty persists.

Sub-strategies with exposures to healthcare experienced a particularly difficult month. On December 14th, a decision invalidating the Affordable Care Act was handed down in a Texas court. While managers do not believe the ruling will stand on appeal, it occurred during a risk off period in the market with limited liquidity, resulting in a broad sell off in the Healthcare sector.

While equity markets were challenged this month, the Fund's low beta profile, helped in part by the broad equity market hedge employed by BAIA, acted as a ballast amidst the volatility.

Credit Strategies

Credit strategies (-2.13%)[8] were the largest detractor from Fund performance in December. Much like equity markets, credit markets experienced significant selling stemming largely from negative market sentiment. Long exposure to CMBX, a synthetic index that tracks 25 commercial mortgage backed securities (CMBS), suffered amid selling pressure. CMBX is one of the few instruments through which investors can attain short exposure, meaning that it is often used as protection against broad market movements. While the position faced pressure in December, we believe the collateral and fundamentals of the underlying securities remain strong. Credit risk transfer bond (CRT) prices fell in sympathy with the broad risk-off sentiment, however this drag on performance was partially offset by rising demand for more seasoned CRT issues. Additionally, relative value trades incurred losses driven by underperforming CLO debt. There were bright spots in the portfolio as well – other exposures to residential and commercial mortgage backed securities continued to perform well, underscoring what we believe are strong fundamentals in the U.S. housing market. Finally, exposure to trust preferred securities ("TRuPS") continued to be a positive contributor to the portfolio.

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[10] Sub-strategy performance is shown gross of all fees and expenses. Performance is estimated and unaudited.

Multi-Asset Strategies

Multi-Asset strategies (-1.21%)[8] detracted from Fund performance. Long exposure to commodities contributed losses as crude oil prices fell to levels not seen since 2016 on fears of oversupply. Long exposure to REITS also contributed to losses, as rising interest rates are beginning to make REIT yields look less attractive versus other income-bearing alternatives. On the positive side, exposure to European 10-year bonds and nominal rates on long U.S. exposures contributed to the majority of the gains for the month, while additional smaller gains came from risk arbitrage trades, active trading in natural gas, and emerging markets.

Discretionary thematic sub-strategies also drove gains, with emerging market credit exposures contributing positively. After being down -5.98% through November, the Emerging Markets Bond Index (EMBI) rallied 1.46% in December, primarily driven by a view that markets have been oversold through the year. In Brazil, the recent election of a president largely viewed as pro-capital markets continued to drive positive market sentiment around quasi-sovereign credit, also contributing to positive returns. Conversely, risk premia strategies were a drag on performance this month as equity and fixed income exposures both lagged.

Review of Fund Performance – Fourth Quarter 2018

During the fourth quarter of 2018, the Fund's Class I share class returned -2.61%[6] net of fees and expenses versus -5.85% and 1.20% for the HFRX Global Hedge Fund and Barclays Global Aggregate Bond indices, respectively, and versus -13.52% and -13.31% for the S&P 500 and MSCI World indices, respectively[7].

Equity strategies (+0.33%)[8] were the largest positive contributor to fourth quarter performance. In a difficult quarter for both the Financials and Health Care sectors (-13.11% and -8.71% for the S&P 500 Financials Index TR and S&P 500 Health Care Index TR, respectively), the Fund's exposure to both sectors was a drag on performance. However, the Fund's low beta positioning limited the Fund's participation in this risk-off environment. Additionally, quantitative equity market neutral strategies were accretive to performance, driven primarily by statistical arbitrage and factor premia strategies. While it has been a difficult quarter, we are constructive on underlying economic fundamentals, irrespective of market fears over the various economic uncertainties that have plagued investors.

Credit strategies (-3.11%)[8] were the largest detractor from fourth quarter performance. It was a difficult market environment throughout the fourth quarter, as both the corporate high yield and leveraged loan markets experienced weakness (Barclays U.S. Corporate High Yield Index TR returned -4.53%, while the S&P/LSTA Leveraged Loan Index TR returned -3.45%). As such, select high yield exposures and CRT bonds tallied losses within the portfolio. Exposures in structured credit, particularly in the CMBS space, generated positive performance in October and November before declining in December.

Multi-Asset strategies (-2.43%)[8] were a detractor from fourth quarter performance. Within the multi-strategy bucket, the Fund was hampered by the losses in December (discussed above), as well as the volatile environment experienced in October. Within Discretionary Thematic sub-strategies, losses in October and November were driven by volatility in emerging markets which largely reversed in December. On the other hand, certain Event Driven sub-strategies buoyed the portfolio, as gains were made on bets that declared mergers in the pharmaceutical, aerospace and defense, and utilities industries would successfully close. Gains in the directional and relative value fixed income books of Systematic Diversified sub-strategies also benefited the Fund.

Sub-Advisers and Strategies Added/Removed

At Blackstone, we believe that managing the optimal mix of strategies across the portfolio and adjusting it over time are key to generating returns in different market environments. Over the course of the fourth quarter of 2018, we terminated one of our existing sub-advisers.

Q4 2018 Sub-Adviser Terminations:

1. Cerebellum GP, LLC

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.

Review of Fund Performance – 2018 Year-End

Over the course of 2018, the Fund's Class I share class returned -1.52%[6] net of fees and expenses versus -7.01% and -1.20% for the HFRX Global Hedge Fund and Barclays Global Aggregate Bond indices, respectively, and versus -4.38% and -8.20% for the S&P 500 and MSCI World indices, respectively[7].

Equity strategies (+2.43%)[8] were the largest contributors to 2018 performance, despite the first negative year for the S&P 500 Index in a decade. Remarkably, if the year had ended in September, the S&P 500 Index TR would have returned 10.56%, matching the double digit returns to which the market has grown accustomed in recent years. Over the next three months, deteriorating U.S.-China Trade relations, mixed reactions to the Fed's guidance, and a partial government shutdown led to increased market fears that dragged the year's returns into negative territory. As a result, many of the fund's exposures in Financials and Healthcare sectors negatively impacted returns, as outlined in the fourth quarter commentary above. Amid this drawdown, the Fund's equity hedge helped stem a majority of the losses. Within Equity Market Neutral sub-strategies, quantitative strategies contributed positive performance.

Credit strategies (+1.55%)[8] contributed positive performance in 2018. All Fixed-Income Asset Backed sub-strategies were accretive to Fund performance. CRT bonds drove strong performance, as did the Fund's exposure to CLOs. The Fund's exposure to Distressed Credit sub-strategies dragged on 2018 performance, as market anxieties over high yield loans pushed performance into negative territory for the year.

Multi-Asset strategies (-1.11%)[8] detracted from 2018 performance. Given the economic uncertainties that led to market swings at the end of the year, some Multi-Strategy sub-strategies suffered losses in December that outweighed gains made throughout the year. Long equity exposures across the U.S., Japan, and Europe all suffered as the S&P 500, the FTSE 100, and the Nikkei 225 all ended the year in the red, driven by building negative sentiment stemming from global trade tensions, political fears, and corruption scandals. The end of the year slide in U.S. corporate high yield debt also contributed to pain, as fears grew that the decline in oil prices could affect energy-related companies, who make up a substantial portion of high yield debt issuers. Discretionary Thematic sub-strategies were minor detractors through the year, managing to protect capital during a trying period which included both Turkish and Argentinian currency crises, among other notable events. On the other hand, certain Event Driven sub-strategies were able to benefit throughout the year, as several large merger arbitrage opportunities in the pharmaceutical and telecommunications sectors added to portfolio returns. Finally, Systematic Diversified sub-strategies were able to help stabilize the portfolio through its more volatile months, as they ended in the black in both October and December, driven by long developed currency exposures in October and short equity and bond exposures in December.

Blackstone

Sub-Advisers and Strategies Added/Removed

2018 Strategy Additions:

1. **Endeavour Capital Advisors LLC ("Endeavor")**: Endeavour is a financial services equity sector specialist that combines bottom-up fundamental research with perspective on the macroeconomic, regulatory, and financial conditions that impact the industry.
2. **NWI Management, L.P. ("NWI")**: NWI is a global macro manager with experience in emerging market interest rates, currency, and credit. NWI's strategy typically pursues investments and transactions in the securities of sovereign and corporate obligors, principally in emerging markets.

For further detail on these sub-advisers and others within the Fund, please see "BXMIX Sub-Adviser Profiles" in the "Literature" section of our website, www.bxmix.com.

2018 Sub-Adviser Terminations:

1. Cerebellum GP, LLC
2. Chatham Asset Management, LLC
3. Gracian Capital LLC
4. GS Investment Strategies, LLC

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.bxmix.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

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 utilizes technology offered by Arcesium LLC ("Arcesium") to provide certain middle- and back-office services and technology to the Fund. The parent company of a Sub-Adviser owns a controlling, majority interest in Arcesium and 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.

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.

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