# Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of June 30, 2020

## Fund Net Performance[1,2]

| | As of June 30, 2020 | | | | | | Inception to Date Statistics | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **MTD** | **QTD** | **YTD** | **1 Yr** | **5 Yr** | **ITD** | **St. Dev.** | **Beta** | **Alpha** | **Sharpe** |
| **BXMIX** | **3.05%** | **7.80%** | **(8.15%)** | **(6.70%)** | **1.02%** | **1.52%** | **4.36%** | | | **0.14** |
| HFRX Global HF Index | 1.75% | 6.19% | (1.09%) | 3.09% | 0.71% | 0.47% | 3.68% | 0.73 | 0.93% | (0.12) |
| Morningstar Category Avg. | 0.66% | 4.75% | (5.36%) | (3.31%) | 0.03% | 0.13% | 4.63% | 0.69 | 1.12% | (0.17) |
| Barclays Global Agg Index | 0.89% | 3.32% | 2.98% | 4.22% | 3.55% | 1.87% | 4.86% | 0.01 | 0.67% | 0.20 |
| MSCI World Index | 2.69% | 19.54% | (5.48%) | 3.40% | 7.50% | 6.69% | 15.40% | 0.18 | (0.51%) | 0.38 |

[1] Performance is presented through June 30, 2020 for the Fund's Class I share class (BXMIX). Net performance is net of the Expense Ratio less waived expenses. Performance data quoted represents past performance and does not guarantee future results. Statistics above are calculated using daily performance and are annualized. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance data quoted. Information is estimated and unaudited. Additional information and performance data current to the most recent month-end is available at www.bxmix.com.

[2] Inception to Date statistics are as of BXMIX inception on June 16, 2014. Measures of beta or alpha of BXMIX are to the respective index. Please see the end of this document for additional disclosures regarding indices presented.

## Q2 2020 Market Commentary

***Important Note:*** *People around the world are feeling the impact of the COVID-19 pandemic. Above all else, we hope that everyone is taking every precaution to stay safe and remain healthy. This is an unprecedented time for us all, and if you have any questions, please do not hesitate to reach out to your Blackstone client service representative.*

In the second quarter, a marked increase in global risk appetite fueled a rebound in asset prices. Investors came to terms with the economic uncertainty caused by the COVID-19 crisis and looked past ongoing economic damage, record infections, and societal unrest. Assets supported by fiscal and monetary policy were the first to rebound and soon investors deployed waves of capital to harvest relative value opportunities in dislocated strategies and assets. We observed approximately $55 billion in private capital raises for dislocation funds, many of which began to be deployed in June and will continue to invest for one to two years[3].

Notable in this rebound is the participation of retail investors, with many online brokerages reporting marked increases in activity. This participation contributed to a fear-of-missing-out rally in the quarter into which many initially skeptical institutional investors were dragged. Outside of equities, retail investors added more than $30 billion in net flows to high yield debt securities and more than $75 billion to investment-grade bonds[4]. With this backdrop the Fund was up 7.80%[1].

In our first quarter commentary, we pointed to what we believed was embedded value in residential mortgage-backed securities, emerging market sovereign bonds, and loans/collateralized loan obligations. These assets drove the majority of the Fund's second quarter recovery as dislocated assets began to rebound. Residential mortgage-backed securities strategies contributed 2.1%[5] to Fund performance, while emerging market sovereign bond strategies delivered 2.3%[5], and loan/high yield strategies drove another 2.3%[5].

[3] Source: Bloomberg, FundFire, DowJones Factiva, Hedge Fund Alert, Pensions & Investments, Institutional Investor, and BAAM Analysis. As of May 31, 2020.

[4] Source: Credit Suisse Research. As of July 8, 2020.

[5] Past performance may not be a reliable guide to future performance. The value of BXMIX shares may go down as well as up and there can be no assurance that the Fund will achieve its investment objectives or avoid significant losses. Sub-strategy performance is shown gross of all fees and expenses and is calculated using daily performance. Performance attribution represents the contribution of each sub-strategy to the Fund's total return. Performance is estimated and unaudited.

As a reminder, in 2019 we believed we were late in the economic cycle. As such we ran an underweight to corporate credit and an overweight to securities backed by residential mortgages and commercial real estate. Specifically, we did not believe corporate yields were high enough to compensate for the risk of default in a recession. In contrast, we felt that, after ten years of economic recovery, improving consumer balance sheets and tailwinds for real estate prices created significant margins of safety for positions in residential and commercial mortgage-backed securities. We held the positions with the belief that in order to be impaired we would have to see losses significantly greater than those experienced in the Global Financial Crisis ("GFC"), and more consistent with 30-50% depreciation in real estate prices. Unfortunately, as discussed last quarter, the mortgage market became the epicenter of what we believe was a largely technical unwind of positions in the fourth week of March.

Within a severely stressed environment, we leveraged the expertise of Blackstone — one of the world's biggest investors in both real estate and corporate loans — as well as that of our sub-advisers to re-underwrite our positions. In so doing, we reaffirmed that the economic scenarios priced across our credit book were not only inconsistent with what was being — and continues to be — priced in the equity market, but also implied losses many times greater than what was observed in the GFC. As such, in April we implemented a temporary tactical overweight to our credit book to position the portfolio for a recovery in asset prices. As investors began bidding up assets through the quarter, we returned the credit book to its former size but modulated it to emphasize residential mortgages and loans relative to commercial mortgage backed securities. We believe asset price recovery will happen at different paces as a function of both investor appetite and the underlying process of economic healing, and that this differential pacing may create investment opportunities. A year from now, we envision an environment with low rates and recovering economic growth. We believe the search for yield which characterized the late cycle will be prevalent, providing continued support for assets that demonstrate diversifying yield. As a result of this view, we continue to overweight emerging market debt positions and continue to seek value from the Fund's credit portfolio.

BXMIX aims to deliver diversified hedge fund exposures. While residential mortgages, emerging market sovereign bonds, and high yield positions understandably deserve much attention, we note that they represent 44%[6] of the portfolio. The remaining 56%[6] of the portfolio, which we believe is less correlated to market risk, contributed 1.1%[5] in Q2. Leading contributors to performance included strategies focused in equity long/short and special purpose acquisition companies ("SPACs"), while in contrast, risk parity strategies dampened performance and disappointed our expectations, and reinsurance strategies detracted after taking conservative markdowns to reflect potential for pandemic-related claims.

The COVID-19 induced disruption has improved the opportunity set for BXMIX. First, we believe the opportunity set for equity strategies has improved. Not only do we see increased dispersion (differences in performance) across single stocks and increased economic and policy complexity, we also see an influx of retail investors who often (re)act predictably to market events. Combined, these may improve the opportunity set for skillful equity investors to potentially generate uncorrelated returns. Second, significant market turbulence has placed a premium on nimble navigation of the risks in the market. The Fund was able to monetize all-time highs in risk aversion while modulating risk-taking with the goal of generating risk-adjusted returns as the market turned from fear to greed. Finally, the COVID-19 induced disruption has opened access and capacity in strategies that were previously unavailable to the Fund. We believe the addition of two new sub-advisers this quarter, one focused on short-term futures trading and the other on California Carbon Allowances, may offer the Fund compelling risk-adjusted returns that will increase diversification. More to come on this front in future writings.

The second half of the year brings significant uncertainty, which may modulate further increases in risk appetite. Economic uncertainty remains as COVID-19 cases are reaching new highs in many regions. While it is clear that many businesses will witness a rebound as the economy opens, it is less clear when and if consumer behavior will 'normalize' for many others. We are early in the default cycle as companies, particularly smaller firms with less access to capital markets, burn through cash reserves. Election year posturing with respect to further fiscal support, international relations, and deeper social issues will amplify swings in investor sentiment. And, to top off the calendar of uncertainty, Brexit will come shortly after the November election in the US. While we navigate the portfolio through this turbulent

[6] Portfolio allocations reflect allocations as of the date of the report. The Fund may shift allocations among sub-advisers, strategies and sub- strategies at any time. Accordingly, the allocations are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its sub-advisers), which may change at any time.

time, we remain convicted that, in the near term, interest rates will remain low, the tail wind for equities from falling rates will subside, demand for higher yielding assets and sources of return that complement equity beta will increase, and thus we remain focused on positioning the portfolio to navigate a choppy market.

## Review of Q2 2020 Fund Performance

The investment objective of the Blackstone Alternative Multi-Strategy Fund is to seek capital appreciation. The Fund aims to achieve its objective by allocating assets among a variety of investment sub-advisers, each with experience managing non-traditional or “alternative” investment strategies and by managing assets directly (via BAIA[7]). In Q2, the Fund’s Class I share class returned 7.80%[1] net of fees and expenses versus 6.19% for the HFRX Global Hedge Fund Index, 3.32% for the Barclays Global Aggregate Bond Index, and 19.54% for the MSCI World Index[8].

**Equity Strategies[5]**

Equity strategies (0.17%) contributed only slightly positive performance despite a broad-based rebound in global stocks. Alpha captured by all three sub-advisers amid heightened market volatility more than outweighed the impact of our short futures position. Sub-advisers of Equity Market Neutral sub-strategies benefited from exposure to Financials, where we believe the impacts of COVID-19 have further accelerated the bifurcation of winners and losers in the sector.

Equity Long/Short sub-strategies also produced gains. Exposure to a biopharmaceutical company that beat earnings and a managed care provider that hiked its dividend aided performance. Conversely, losses came from exposure to a retail pharmacy that continued to face headwinds due to the growing threat of e-commerce growth, and a medical technology company that abandoned profit guidance for the remainder of the year due to uncertainties caused by the pandemic.

As mentioned in previous quarters’ commentaries, we have sought to hedge out residual equity beta in this portion of the portfolio via a short S&P futures position since mid-2017, predicated on our view of elevated stock market valuations. While the Fund’s beta-neutral positioning reduced losses for Equity strategies during the record-breaking selloff in the first quarter, it similarly limited their upside participation as markets regained ground in the second quarter.

**Credit Strategies[5]**

Credit strategies (4.79%) were the largest contributor to returns in Q2 and were aided by the improved performance of Fixed Income – Asset Backed sub-strategies. After suffering losses late in March due to technical selling pressure in structured credit markets, these sub-strategies bounced back as capital returned to these arenas and spreads tightened. Sub-advisers noted that bids were strong for high-quality assets and market dynamics improved throughout the quarter as a result of capital formation. While the recovery was broad-based, we observed greater stabilization in residential mortgage markets, which were aided by reports of slowing loan forbearance growth, and less substantial price appreciation in commercial mortgages, where the government shutdown continued to weigh on corporate revenues. Furthermore, certain Financials-related exposures continued to feel pain and demonstrated a slower speed of recovery.

The performance of Distressed/Restructuring sub-strategies also rebounded in the second quarter. While the credit market dislocation resulted in mark-to-market pain for these sub-advisers, it also presented chances to purchase attractive assets at prices they believe represent discounts to fundamental value. Throughout the quarter, sub-advisers took advantage of opportunities to generate risk-adjusted returns in the stressed loan market, as a growing number of companies struggled to service debt and restructured existing financing arrangements. Gains were diverse across sectors, with notable contributions coming from exposure to loans to an automaker and an energy company.

**Multi-Asset Strategies[5]**

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[7] BAIA manages a portion of the Fund’s assets directly. Such investments include allocations to fund managed by Glenview Capital Management LLC, EJF Capital LLC, Aeolus Capital Management Ltd., Renaissance Technologies LLC, PIMCO Investment Management, and opportunistic trades. 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] **Indices are provided for illustrative purposes only. They have not been selected to represent 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. Please see end of document for additional disclosures regarding indices presented.**

Multi-Asset strategies (3.38%) also contributed positively during the quarter. Within this part of our portfolio we saw a notable recovery in the performance of Discretionary Thematic sub-strategies, which benefited from exposure to emerging market credit. These exposures generated gains throughout the quarter, as sovereign and quasi-sovereign bond prices appreciated due in part to broader risk appetite bolstered by investor optimism and the search for yield. Easing financial conditions and support from the IMF also reduced refinancing risk for sovereign bonds, as interest rates in the US remained near-zero, LIBOR declined for three consecutive months and $250 billion of financial assistance was provided to 77 countries[9]. Not to be outdone, aggressive actions from policy makers, including central bank interest rate cuts (e.g. Mexico, Brazil) and government stimulus measures (e.g. Russia), provided further support for sovereign bonds.

Multi-Strategy sub-strategies also produced gains for the quarter. Exposure to Special Purpose Acquisition Companies units, comprised of common stock, warrants and rights of companies pursuing initial public offerings ("IPOs") generated profits. SPACs, which have raised over $6.5 billion[10] in capital thus far in 2020, continued to see their adoption increase as private companies seek to raise capital via an IPO to finance a merger or acquisition. In Q2, exposure to the warrants associated with a business combination in the biotechnology sector was among the top contributors of profits.

Risk Arbitrage sub-strategies delivered mixed performance. These sub-strategies, which invest in mergers and acquisitions through long exposure to targets and short exposure to acquirers, produced gains in April and May before suffering losses in June. For the quarter, losses were led by pairs of theatre, luxury retail and insurance companies.

**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 second quarter of 2020, we added two new sub-advisers and terminated one existing sub-adviser.

Q2 2020 Sub-Adviser Additions:

1. **Bayforest-G10 (Bayforest Capital Limited and G10 Capital Limited)[11]:** Bayforest-G10 is a multi-asset quantitative research firm that combines real-time statistical inference analytics with deep market expertise. Bayforest-G10's strategy invests across asset classes, with a focus on trading futures on commodity indices, equity indices, interest rate and foreign exchange contracts. The strategy relies solely on quantitative analysis to build signals that are translated to financial instrument orders. The end-to-end process is entirely systematic and aims to capture perceived market inefficiencies.

2. **Luminus (Luminus Management, L.L.C):** Luminus is an equity hedge manager that focuses on a fundamental, low net, relative value oriented strategy that invests opportunistically across the capital structure of companies within the broader energy ecosystem. Luminus' strategy for the Fund is focused exclusively on generating absolute returns through investments in California Carbon Allowances ("CCAs") and/or CCA futures. The strategy benefits from Luminus' deep understanding of the intricate along with the regulatory, compliance, and environmental issues that are inextricably tied to this market.

Q2 2020 Sub-Adviser Terminations:

3. **H2O (H2O AM LLP):** H20 has been an inactive sub-adviser since June 2018, and we have mutually agreed to remove them from the Fund's sub-adviser roster.

Terminations and redemptions are normal events in our investment process and result from our dynamic evaluation of the top-down assessment of the opportunity set for specific investment strategies as well as the bottom-up evaluation of a sub-adviser's ability to deliver alpha in a given environment.



[9] Source: International Monetary Fund ("IMF"). As of July 2, 2020.
[10] Source: Pitchbook. "SPAC surge points to shifting IPO landscape" (May 26, 2020).
[11] Bayforest Capital Limited and G10 Capital Limited together serve as a discretionary sub-adviser to the Fund.

**Fund Terms (Class I)[1]**
**As of Date: 3/31/2019**
**Expense Ratio: 2.93%**
**Adjusted Expense Ratio: 2.19%**

1. Through August 31, 2021 Blackstone Alternative Investment Advisers LLC has agreed to waive its fees and/or reimburse expenses of the Fund so that certain of the Fund's expenses, together with the Fund's management fees, will not exceed 2.40% annualized. Expense Ratio represents the expense ratio applicable to investors and is comprised of the management fees, other expenses and acquired fund fees and expenses as noted in the Fund's Prospectus. The Adjusted Expense Ratio represents the Expense Ratio net of Excluded Expenses. "Excluded Expenses" are expenses excluded from reimbursement by the Investment Adviser which include: (i) distribution or servicing fees, (ii) acquired fund fees and expenses, (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.

# Important Disclosure Information

**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.**

**Please not that additional details concerning the Fund's performance, liquidity and asset class exposures are available upon request. Please contact your BAAM representative for further information.**

**Important Risks**

An investment in the Fund should be considered a speculative investment that entails substantial risks; you may lose part or all of your investment or your investment may not perform as well as other investments. The Fund's investments involve special risks including, but not limited to, loss of all or a significant portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity and volatility of returns. The following is a summary description of certain additional principal risks of investing in the Fund:

**Allocation Risk** – Blackstone's judgment about the attractiveness, value or market trends affecting a particular asset class, investment style, sub-adviser or security may be incorrect and this may have a negative impact upon performance. **Market Risk and Selection Risk** – One or more markets may go down in value, possibly sharply and unpredictably, affecting the values of individual securities held by the Fund. **Derivatives Risk** – the use of derivatives involves the risk that their value may not move as expected relative to the value of the relevant underlying assets, rates, or indices. Derivatives can be subject to counterparty credit risk and may entail investment exposure greater than their notional amount**. Debt Securities Risk** – investments in bonds and certain asset-backed securities are subject to risks, including but not limit to, the credit risk of the issuer of the security, the risk that the issuer undergoes a restructuring or a similar event, the risk that inflation decreases the value of assets or income from the investments, and the risk that interest rates changes adversely impact the debt investments. **Equity Securities Risk** – prices of equity and preferred securities fluctuate based on changes in a company's financial condition and overall market and economic conditions. **Mortgage- and Asset-Backed Securities Risk** – involves credit, interest rate, prepayment and extension risk, as well as the risk of default of the underlying mortgage or asset, particularly during times of economic downturn**. Multi-Manager Risk**– managers may make investment decisions which conflict with each other and as a result, the Fund could incur transaction costs without accomplishing any net investment result. **Leverage Risk** – use of leverage can produce volatility and may exaggerate changes in the net asset value of Fund shares and in the return on the portfolio, which may increase the risk that the Fund will lose more than it has invested. **Large Purchase or Redemption Risk** – large redemption or purchase activity could have adverse effects on performance to the extent that the Fund incurs additional costs or is required to sell securities, invest cash, or hold a relatively large amount of cash at times when it would not otherwise do so.

- In addition, you should be aware of the following risks and conflicts relating specifically to the Fund: The fees paid by the Fund to Blackstone will be reduced by the full amount of any fees paid to the Fund's underlying managers. This compensation offset arrangement may give Blackstone an incentive to favor underlying managers that charge lower fees.
- Subject to applicable law, the Fund is not restricted from selecting underlying managers in which Blackstone, Blackstone Clients or their affiliates have a financial interest.

**ERISA:** The foregoing information has not been provided in a fiduciary capacity under ERISA, and it is not intended to be, and should not be considered as, impartial investment advice. If you are an individual retirement investor, contact your financial advisor or other fiduciary unrelated to BAIA about whether any given investment idea, strategy, product or service described herein may be appropriate for your circumstances.

**Important Disclosures Regarding Exposure:** Exposure figures are shown as a percentage of Fund Net Asset Value. Explanatory notes regarding calculation of exposure: (a) exposure data represents market value except in the case of derivative instruments; (b) for options, exposure data represents the delta adjusted notional; (c) for interest-rate instruments, exposure data represents the notional of the 10-year equivalent instrument; and (d) for all other derivatives, exposure data represents notional value. Positions of unknown type (if any) are excluded from exposure data. Exposure data reflects fund holdings as of the relevant trade date and includes unsettled trades.

**Glossary of Terms**

**Gross Exposure:** Reflects the aggregate of long and short investment positions in relation to the net asset value. The gross exposure is one indication of the level of leverage in a portfolio. **Net Exposure:** This is the difference between long and short investment positions in relation to the net asset value. **Long Exposure:** A long position occurs when an individual owns securities. **Short Exposure:** Short selling a security not actually owned at the time of sale. Short positions can also generate returns when the price of a security declines. **Beta*:*** A measure of the volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole. **Alpha:** A risk-adjusted performance measure that represents the average return on a portfolio over and above that predicted by the capital asset pricing model (CAPM), given the portfolio's beta and the average market return. More specifically, Jensen's Measure is used to calculate alpha. **Standard Deviation:** A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. **Basis points (BPS):** Refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

**Glossary of Indices**

Market indices obtained through Bloomberg. HFR Indices obtained through HFR Asset Management. **MSCI World Index TR:** Market capitalization weighted index designed to provide a broad measure of large and mid-cap equity performance across 23 developed markets countries. **HFRX Global Hedge Fund Index:** Designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies falling within four principal strategies: equity hedge, event driven, macro/CTA, and relative value arbitrage. Strategies are asset weighted based on the distribution of assets in the hedge fund industry.

**Barclays Global Aggregate Bond Index TR:** Flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. **Morningstar Multialternative Category:** 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.

***Indices are unmanaged and investors cannot invest in an index. Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks for BXMIX, but rather are disclosed to allow for comparison of BXMIX's performance to that of well-known and widely recognized indices. The indices may include holdings that are substantially different than investments held by BXMIX and do not reflect the strategy of the Fund. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that may differ from BXMIX. The indices do not reflect the deduction of fees or expenses. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. . Index data is obtained from unaffiliated third parties and is subject to subsequent adjustments. Blackstone makes no assurances as to the accuracy or completeness thereof.***

**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. and 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. and 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.*
- *Blackstone Real Estate Special Situations Advisors L.L.C. ("BRESSA"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group L.P., serves as a Sub-Advisor Sub-Adviser. BRESSA invests primarily in liquid, commercial and residential real estate-related debt instruments.*
- *GSO / Blackstone Debt Funds Management LLC ("GSO DFM"), an affiliate of BAIA and an indirect wholly-owned subsidiary of The Blackstone Group L.P., serves as a Sub-Adviser. GSO DFM invests primarily in below investment grade corporate credit.*
- *Blackstone utilizes technology offered by Arcesium LLC ("Arcesium") to provide certain middle- and back-office services and technology to the Fund. The parent company of a Sub-Adviser owns a controlling, majority interest in Arcesium and Blackstone Alternative Asset Management L.P. owns a non-controlling, minority interest in Arcesium.*

**Other Activities of Blackstone or the Sub-Advisers.** The activities in which Blackstone, the Sub-Advisers, or their affiliates are involved in on behalf of other accounts may create conflicts of interest or limit the flexibility that the Fund may otherwise have to participate in certain investments. For example, if Blackstone or a Sub-Adviser comes into possession of material non-public information with respect to a company, then Blackstone or the relevant Sub-Adviser generally will be restricted from investing in securities issued by that company. Further, Blackstone generally will be restricted from investing in portfolio companies of its affiliated private equity business.

**Allocation of Investment Opportunities.** Blackstone and the Sub-Advisers (or their affiliates) manage other accounts and have other clients with investment objectives and strategies that are similar to, or overlap with, the investment objective and strategy of the fund, creating potential conflicts of interest in investment and allocation decisions. These conflicts of interest are exacerbated to the extent that the other clients are proprietary or pay higher fees or performance-based fees.

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

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.