Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of December 31, 2019

Fund Net Performance[1,2]

	As of December 31, 2019						Inception to Date Statistics			
	MTD	QTD	YTD	1 Yr	5 Yr	ITD	St. Dev.	Beta	Alpha	Sharpe
BXMIX	**1.39%**	**2.14%**	**6.77%**	**6.77%**	**3.42%**	**3.22%**	**2.99%**			**0.76**
HFRX Global HF Index	1.27%	2.62%	8.68%	8.68%	1.20%	0.73%	3.36%	0.53	2.31%	(0.07)
Morningstar Category Average	0.88%	1.61%	7.40%	7.40%	1.21%	1.14%	3.50%	0.57	2.08%	0.05
Barclays Global Agg Index	0.58%	0.49%	6.84%	6.84%	2.31%	1.50%	4.59%	(0.09)	2.28%	0.12
MSCI World Index	3.03%	8.68%	28.40%	28.40%	9.36%	8.41%	11.16%	0.16	1.02%	0.67

Q4 2019 Market Commentary

Geopolitical aftershocks impacted global asset prices disproportionately in 2019. As discussed in our third quarter note, uncertainty caused by the trade war and Brexit, combined with a Chinese pivot to slower but higher-quality growth, led directly to a global economic slowdown concentrated in the manufacturing sector. In response, the Federal Reserve (the "Fed") eased monetary policy. From November 2018 to December 2019, expectations for March 2020 Fed Funds rates fell by 50%, and now sit 150bps below the market expectation just 13 months ago. For the last 10 years, declining interest rates have driven abnormally high risk-adjusted returns, and 2019 proved to be no exception: repricing of discount rates (the time-value of money) in turn repriced all future cash flows, driving a 10% rally in 10 year maturity bonds and an expansion in price-to-earnings multiples that resulted in a 20% rally in US equities through the end of Q3.

In September we observed that the recession that was then priced for the winter of 2021 was "[N]ot a foregone conclusion. A positive economic surprise could contribute to a significant equity rebound and a subsequent 'fear of missing out' rally." Further, we pointed to a de-escalation in the trade war and continued strength in employment as key catalysts for a rebound. On October 11th, President Trump announced a tentative agreement for the "first phase" of a trade deal with China, and mutual tariffs scheduled to be imposed on December 15th were not implemented. Then, November Non-Farm Payrolls in the US jumped by a robust 266,000[3], bringing unemployment to a 50 year low. Finally, on December 12th, the landslide Conservative victory in the United Kingdom's general election secured a clear mandate for Brexit, reducing uncertainty, if not bringing closure. In an environment of falling geopolitical and economic uncertainty, investors felt more comfortable chasing the risk-on rally, bringing the S&P 500 to new all-time highs and a more than 30% return for the calendar year.

Against this macroeconomic backdrop we witnessed some reversals of prior price action in the Q4. Lower quality credit, which had underperformed dramatically during the year, caught a bid. The Healthcare and Energy sectors too experienced a significant rebound, reflecting a declining probability of an Elizabeth Warren presidency. The turbulence caused by geopolitical aftershocks and concomitant swings in investor appetite for risk created significant opportunity for alpha, and as a result investors were able to drive meaningful returns that had little to do with overall market risk.

[1] Performance is presented through December 31, 2019. 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's inception on June 16, 2014 through Dec. 31, 2019. Measures of beta or alpha of BXMIX are to the respective index.
[3] Source: US Bureau of Labor Statistics

In this environment, BXMIX delivered on its objectives. We seek to provide capital appreciation with low volatility and beta to traditional asset classes[4]. In 2019, we delivered 6.77%[1] net returns with volatility of 2.28% and US equity beta of ~0.1. In more concrete terms, BXMIX was up or flat on 54% of the days in which the S&P 500 fell in 2019, compared to 84% of the days when it was up[5].

During the course of the year we made several adjustments to the portfolio. First, we reduced risk to and changed the composition of our exposure to quantitative strategies: we moved a sub-adviser of systematic trading strategies to the "inactive" roster because we felt that crowding could reduce forward-looking returns while increasing tail risk. Following this risk reduction, we added an allocation to the Renaissance Institutional Diversified Alpha fund ("RIDA") in December. We believe RIDA is both a strong diversifying strategy in its own right, but also felt it prudent, as we head into the end of the cycle, to shift our quantitative risk towards one of the most respected quantitative managers in the industry.

Second, within our Credit book, we focused on maintaining highly liquid and high-quality exposure. As discussed in previous commentaries, we favor liquid real estate debt over corporate debt and note that fundamentals for housing have continued to improve as high yield spreads have tightened. Our fixed income managers have moved up in quality, taken profits from capital appreciation, and kept direct credit exposure controlled. 12.6% of our Net Asset Value is AAA, AA, or A rated, 10.1% is BBB rated, 12.6% is BB rated, 15.6% is B rated, and 4.7% is CCC rated. Our corporate credit exposure maintains a weighted average life of 1 year to reduce sensitivity to changes in credit spreads. Looking forward to the end of the cycle, we took the opportunity to establish a 'beach head' with GSO, a sub-adviser who stands ready to deploy capital in the event of distress, and we actively look to add opportunistic tail hedges to our portfolio[6].

Third, we terminated a sub-adviser focused on trading mandatory convertibles, equity derivatives, and other event-driven deals. Over the life of our investment, the opportunity set for these activities began to shrink. This lowered our forward-looking return expectations and we believed it was time to sunset this exposure as alpha opportunities waned.

Fourth and finally, in our diversifying pool of strategies, after strong performance this year in our reinsurance risk we spread exposure across two managers while keeping our maximum loss exposure constant. We also added Sage Rock, a sub-adviser specializing in special purpose acquisition companies.

Looking forward, we observe that market consensus is now pricing modest global growth and mid-single digit earnings growth. The economy is largely healthy and supported by the 6-9 month lag on monetary easing, a retreat from trade wars, and a fiscally supportive White House in an election year. However, as this is already priced, equity returns may be more modest. Further, with the backdrop of full capacity utilization in the United States and the Fed on hold, it is possible that 10 year rates temporarily rise above 2.25% as investors revisit inflation expectations and the path of real yields. In this environment we will continue to innovate to deliver less correlated streams of returns, looking for opportunities globally where we can use our strategic positioning as one of the biggest global investors in alternatives. We focus in particular in sourcing less-well covered exposures, tapping into developing markets with a demographic dividend, and continuing to add value where changing regulations have created opportunities in the financial ecosystem.

An example of this is our emerging market sovereign lending program, which enjoyed positive returns in 2019. These positions are US Dollar- or Euro-denominated loans to sovereign and quasi-sovereign entities in developing markets. This market was historically bank-dominated, but because of regulatory changes, they are no longer able to warehouse as much of this exposure. As a result, our Fund is building a portfolio of this hard-to-find risk that is less correlated to mainstream risk assets. More broadly, as we look towards investing through the next decade, we continue to focus on the implications of bigger, longer-term trends that will impact the investment universe, from the implications of global demographics, to decreasing global interdependence and balkanization into competing spheres of economic and intellectual capital, to burgeoning US debt that handcuffs counter-cyclical fiscal stimulus in the next recession. Alpha is ephemeral and as such we must innovate to deliver.

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[4] There can be no assurance that the Fund will achieve its goals or avoid losses.

[5] 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 6/16/2014 to 12/31/2019, on days that the S&P 500 was up, the average daily returns for the S&P 500 and BXMIX were 0.57% and 0.08%, respectively. Over the same period, on the ten best S&P 500 trading days, the average daily returns for the S&P 500 and BXMIX were 2.96% and 0.42%. The S&P 500 is not a benchmark or target for the Fund.

[6] There can be no assurance that the Fund will achieve its goals or avoid losses.

Review of Q4 2019 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 Q4, the Fund's Class I share class returned 2.14%[1] net of fees and expenses versus 2.62% for the HFRX Global Hedge Fund Index, 0.49% for the Barclays Global Aggregate Bond Index and 8.68% for the MSCI World index[8].

Equity Strategies[9]

Equity strategies contributed 0.56% to the Fund for the quarter, as profits generated in November and December more than offset losses suffered in October. From a sub-strategy perspective, Equity Long Short was the leading contributor of gains and benefited from exposure to Health Care. Within this portion of the book, exposure to a biotechnology company produced profits following an announcement related to a new drug targeting Alzheimer's disease. Equity Market Neutral sub-strategies finished slightly positive in the fourth quarter, but experienced pain in October and December as exposure to the momentum and low volatility factors underperformed. Gains produced by sub-advisers with exposure to the Financials sector helped alleviate the losses, however, as bank stocks appreciated from markets' anticipation of a bottoming in near-term interest rates, which may provide a tailwind for industry net interest margins.

Credit Strategies[9]

Credit strategies contributed 0.69% to the Fund in the fourth quarter and all sub-advisers delivered positive performance. Exposure to Fixed Income – Asset Backed sub-strategies was accretive, as gains were generated from carry and capital appreciation as a result of spread tightening throughout the period. The Fund's emphasis on mortgage and structured credit exposure, as highlighted in the previous quarter's commentary, was beneficial to performance, as exposures to commercial and residential mortgage-backed securities, as well as collateralized loan obligations, benefited from price appreciation. Distressed/Restructuring sub-strategies also generated gains, though losses were incurred. On the positive side, exposure to a physician services organization, music retailer and enterprise software company led sub-strategy gains, while losses were led by exposure to companies focused on mining, health care services and media.

Multi-Asset Strategies[9]

Multi-Asset strategies (+1.42%) were the largest contributor to Fund performance in Q4, with six of seven sub-advisers contributing gains. Discretionary Thematic sub-strategies generated notable profits and benefited from exposure to emerging market bonds as the market reacted positively to an initial resolution in the US-China Trade War. Risk-Arbitrage sub-strategies also produced profits, as gains from exposure to 16 successful mergers and acquisitions deals more than offset losses from exposure to companies focused on telecommunications, wireless technology and data center services. Multi-strategy sub-strategies also produced gains in the fourth quarter. Profits came from exposure to emerging market equities and natural gas trades, though losses resulted from exposure European and US nominal rates.

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 2019, we terminated two of our existing sub-advisers.

2019 Sub-Adviser Terminations:

1. Boussard & Gavaudan (Boussard & Gavaudan Investment Management, LLP): Boussard & Gavaudan is a multi-strategy manager that seeks to generate alpha by integrating its cross-asset class fundamental expertise with its

[7] BAIA manages a portion of the Fund's assets directly. Such investments include allocations to funds managed by Glenview Capital Management LLC, EJF Capital LLC, Aeolus Capital Management Ltd., Renaissance Technologies LLC, 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.**

[9] 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 contribution is shown gross of all fees and expenses. Performance is estimated and unaudited.

dynamic volatility trading approach, focusing on "value with catalyst" special situations and capital asset mispricing. Boussard & Gavaudan's deep experience in equity derivatives trading and rigorous risk management approach provide the manager with a broadened toolkit for trade structuring and implementation, a key component to its volatility and arbitrage strategies.

2. Sorin (Sorin Capital Management, LLC): The Fund's assets managed by Sorin have been re-allocated to Good Hill Partners LP ("Good Hill"), a current sub-adviser to the Fund. BAIA expects Good Hill to manage the assets previously allocated to Sorin using similar resources, including certain personnel, processes and technology.

Review of 2019 Year-End Fund Performance

For the full year 2019, the Fund's Class I share class returned 6.77%[1] net of fees and expenses versus 8.68% for the HFRX Global Hedge Fund Index, 6.84% for the Barclays Global Aggregate Bond Index and 28.40% for the MSCI World index[10].

Equity Strategies[11]

Equity strategies contributed 1.51% for the year and generated profits in three of four quarters. Equity Market Neutral sub-strategies were the leading contributor of gains, though Equity Long/Short sub-strategies were also positive. The Fund's exposure to Financials was particularly accretive and benefited from exposure to alternative asset managers, which broadly outperformed their traditional counterparts throughout the year. Losses did result from exposure to bank stocks, however, as prices traded down following four interest rate cuts from the Federal Reserve that placed pressure on industry net interest margins. Exposure to Healthcare was positive, despite intermittent periods of volatility tied to polling shifts in the Democratic Presidential Primaries and an increased probability of an Elizabeth Warren candidacy.

Credit Strategies[11]

Credit strategies (+3.67%) were the second largest contributor to Fund performance for the year, with all sub-advisers generating profits. Within this portion of the book, the Fund's continued emphasis on mortgage and structured credit exposure was beneficial, with notable gains coming from Fixed Income – Asset Backed sub-strategies. Sub-advisers of these strategies collected carry and benefited from capital appreciation as a result of continued spread tightening throughout the year. Distressed/Restructuring sub-strategies also contributed positively, though losses did result from exposure to corporate credit. Among the largest detractors to Fund performance within these sub-strategies were exposures to the bonds of companies focused on utilities, media, mining, physician services and health care services.

Multi-Asset Strategies[11]

Multi-Asset strategies (+4.20%) were the largest contributor to Fund profits in 2019, led by the performance Multi-Strategy sub-strategies. Sub-advisers of these sub-strategies generated gains from exposure to emerging market equities and additional profits from exposure to opportunistic trades focused within the oil and gas industry. Proceeds were reduced, however, from losses suffered from exposure to convertible securities and equity derivatives. Discretionary Thematic sub-strategies also delivered positive performance for the year, though performance was mixed. Profits were collected from exposure to emerging market credits amid declining US interest rates, though losses were suffered from exposure to Argentinian bonds after a surprise result in their presidential elections was negatively received by markets.

Portfolio Manager Addition

We also want to make you aware of a change in our Portfolio Manager line-up – effective as of September 11, 2019, Raymond ("Ray") Chan has joined the Fund as a Portfolio Manager. Ray demonstrates high-quality, experienced investment talent that will bring a fresh perspective and be additive to our investment process. He will serve alongside the Fund's six other existing Portfolio Managers. For more information on Ray's experience, please refer to the "Portfolio Managers" section on www.bxmix.com.

Sub-Advisers and Strategies Added/Removed

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[10] **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.**

[11] 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 contribution is shown gross of all fees and expenses. Performance is estimated and unaudited.

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 2019, we added three new sub-advisers and terminated two of our existing sub-advisers.

2019 Sub-Adviser Additions:

1. BRESSA (Blackstone Real Estate Special Situations Advisors L.L.C.)[12]: BRESSA, a wholly-owned subsidiary of The Blackstone Group Inc. and an affiliate of BAIA, is an investment adviser within the Blackstone Real Estate Debt Strategies group ("BREDS"). BRESSA's investment strategy for the Fund primarily focuses on credit-oriented, liquid high-yield real estate investments including CMBS, RMBS, corporate debt, CDOs, CLOs, CMBX and REITs and seeks to identify relative value opportunities between asset classes.

2. Sage Rock (Sage Rock Capital Management LP): Sage Rock is an event driven manager with a focus on special situations investing. Sage Rock's sub-strategy seeks to capture the embedded value of Special Purpose Acquisition Company ("SPAC") units (comprised of common stock, warrants and rights). The SPACs sub-strategy involves systematically buying positions in a broad range of outstanding SPAC units and future SPAC unit IPOs, and generally holding the associated common stock, warrants and rights until the completion of a deal.

3. GSO DFM (GSO / Blackstone Debt Funds Management LLC)[12]: GSO DFM, a wholly-owned subsidiary of The Blackstone Group Inc. and an affiliate of BAIA, is an investment adviser within Blackstone's global credit investment platform, GSO Capital Partners LP ("GSO"). GSO DFM's strategy for the Fund is focused primarily on investments in below-investment grade corporate credit. GSO DFM is focused on generating risk-adjusted returns with a strong emphasis on capital preservation across various credit instruments including bank loans, high yield bonds and collateralized loan obligation ("CLO") securities.

2019 Sub-Adviser Terminations:

1. Boussard & Gavaudan (Boussard & Gavaudan Investment Management, LLP): Boussard & Gavaudan is a multi-strategy manager that seeks to generate alpha by integrating cross-asset class fundamental expertise with its dynamic volatility trading approach, focusing on "value with catalyst" special situations and capital asset mispricing.

2. Sorin (Sorin Capital Management, LLC): The Fund's assets managed by Sorin have been re-allocated to Good Hill Partners LP ("Good Hill"), a current sub-adviser to the Fund. BAIA expects Good Hill to manage the assets previously allocated to Sorin using similar resources, including certain personnel, processes and technology.

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.

[12] Blackstone and its affiliates have financial interests in asset managers. Any allocation by Blackstone to a subsidiary or other affiliates (such as BRESSA and GSO) benefits The Blackstone Group Inc. and any redemption or reduction of such allocation would be detrimental to The Blackstone Group Inc., 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.

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

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 Expense Ratio net of Excluded Expenses was 2.19%. "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.

Important Risks

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.

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.

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. 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.

Glossary of Indices

Market indices obtained through Bloomberg. HFR Indices obtained through HFR Asset Management. **Bloomberg Barclays Global Agg Bond Index:** a 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. **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 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. **MSCI World TR Index:** a market capitalization weighted index designed to provide a broad measure of large and mid-cap equity performance across 23 developed markets countries. **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 BAAM as of the date of the report only.

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.

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