Blackstone Alternative Multi-Strategy Fund (BXMIX)

Blackstone

As of March 31, 2020

Fund Net Performance[1,2]

	As of March 31, 2020						Inception to Date Statistics			
	MTD	QTD	YTD	1 Yr	5 Yr	ITD	St. Dev.	Beta	Alpha	Sharpe
BXMIX	**(14.39%)**	**(14.79%)**	**(14.79%)**	**(12.32%)**	**(0.55%)**	**0.27%**	**4.32%**			**(0.15)**
HFRX Global HF Index	(5.88%)	(6.85%)	(6.85%)	(1.39%)	(0.65%)	(0.54%)	3.68%	0.72	0.44%	(0.40)
Morningstar Category Avg.	(7.21%)	(9.67%)	(9.67%)	(6.73%)	(1.20%)	(0.67%)	4.55%	0.70	0.46%	(0.35)
Barclays Global Agg Index	(2.24%)	(0.33%)	(0.33%)	4.20%	2.64%	1.38%	4.91%	(0.00)	(0.55%)	0.09
MSCI World Index	(13.17%)	(20.93%)	(20.93%)	(9.87%)	3.83%	3.74%	14.65%	0.19	(1.25%)	0.19

Q1 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.*

A once-in-a-century viral pandemic has led to one of the fastest contractions in global economic activity in history. Unlike previous end-of-cycle events that have typically been driven by a buildup of untenable macroeconomic imbalances, this slowdown differs materially in that it has been caused by a global, government-mandated cessation of certain economic activity in an attempt to combat a major health crisis. Going into this downturn, consumer balance sheets were generally strong, home loan-to-value ratios had fallen largely as a result of price appreciation, and banks were much less levered as a result of regulatory restrictions imposed after the Global Financial Crisis ("GFC"). While the reaction to the pandemic has impacted both the supply and demand sides of the economic equation, it is the pace of the drawdown, exacerbated by the flooding of global oil markets with Saudi and Russian supply, which we believe led to record-breaking losses across financial markets:

- U.S. equal-weighted equities experienced their largest quarterly drawdown since 1990 and a 22-day drop into bear market territory—the fastest such drop in history, while mid- and small-cap indices witnessed their biggest quarterly drawdowns ever[3]
- 10-year treasury yields fell to as low as 54bps—a 134bps drop in response to the expected economic fallout[4]
- Investment grade and high-yield credit experienced peak-to-trough declines of 14.7% and 21.4%, respectively—their largest drawdowns since September 2008[5]

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[1] Performance is presented through March 31, 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.

[3] Source: Bloomberg. Equity performance is measured by the S&P 500 Equal Weight Index (QTD: -26.7%), Mid-Cap by the S&P 400 Index (QTD: -29.70%), and Small-Cap by the S&P 600 Index (QTD: -32.65%).

[4] Source: Federal Reserve Bank of St. Louis. Treasury yields reference U.S. 10-year Notes during the first quarter of 2020. During this period, the highest closing yield was 188bps on January 2nd, while the lowest rate was 54bps on March 9th. As of March 31st, the end of the quarter, the closing yield was 70bps.

[5] Source: Bloomberg. Investment Grade Credit is measured by the J.P. Morgan Investment Grade Credit Index during its peak-to-trough period (March 6th – March 20th). The index returned -3.43% QTD. High-Yield Credit is measured by the J.P. Morgan US High-Yield Credit Index during its peak-to-trough period (February 20th – March 23rd). The index returned -14.30% QTD.

- Structured credit markets suffered losses between 30-50% at a significantly faster rate than during the GFC[6]
- Oil fell 66.5% to levels not seen in over 19 years[7]
- Emerging markets high-yield sovereign debt fell 28.7% in less than a month—its fastest drawdown on record[8]
- Mortgage REITs lost 63.6% of their value—their greatest fall since and at a much faster rate than during the GFC[9]

In the midst of a historic quarter for financial market drawdowns, the Blackstone Alternative Multi-Strategy Fund (the "Fund" or "BXMIX") Class I share class was down 14.8% on the quarter.

The extent of the impact of a global slowdown in consumption and production as a result of protective actions taken in response to COVID-19 is difficult to predict with accuracy, and the economic consequences of such a feedback loop are just beginning to come into focus. While February saw the lowest U.S. unemployment rate in recent history[10], the number of Americans filing for unemployment benefits jumped to 3.28 million for the week ending March 21st, more than 11x those of the prior week, more than 3x consensus expectations, and the highest absolute figure since the series began in 1967[11]. A record 6.65 million initial jobless claims followed in the week ending March 28th, again exceeding analyst expectations[12]. Unfortunately, initial economic impact has not been limited to the U.S.—a recent report projected the year-over-year change in real GDP for the United Kingdom to be -6.5% in 2020, which would make it the third largest annual economic contraction since 1900 and significantly larger than the -4.2% contraction faced in the aftermath of the GFC in 2009 (which was then the largest since World War II)[13].

The government response to this threat has been broad. Central banks have largely revisited the monetary policy playbook adopted in response to the GFC to support the efficient functioning of capital markets and they have generally exceeded expectations in the speed of their action. In the U.S., the Federal Reserve ("Fed") cut its benchmark interest rate to the zero lower-bound from 1.50% at the start of the month. The Fed has also supported liquidity in international funding markets, treasuries, mortgages, asset-backed securities, money markets (commercial paper) and repurchase agreements, in part by pledging to purchase hundreds of billions of treasuries, mortgage-backed-securities, and investment grade bonds as the buyer of last resort. In terms of fiscal policy, lawmakers have reached across the aisle to bring together a $2 trillion relief package known as the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), which aims to provide financial support for individuals, corporations, and the broader public health system. U.S. lawmakers are already constructing the next phase of this response, signaling a similar open-ended posture to that demonstrated by the Fed. Many government institutions around the globe are rolling out similar measures to support the healthy functioning of financial markets. These include a €750 billion Pandemic Purchasing program by the European Central Bank ("ECB"), rate cuts and emergency spending provisions by the United Kingdom, and wide-scale lending through zero interest rate facilities for low-income countries by the International Monetary Fund ("IMF"), among many other country-specific efforts. These fiscal and monetary policy responses are large and have historically been helpful in mitigating the impact of any potential economic slowdown.

Whereas some asset classes have reacted to the threat imposed by COVID-19 as we might have expected, we believe there are opportunities wherein prices have either under- or overshot fundamental values. These dislocations present opportunities to re-underwrite existing portfolio risk and potentially capitalize on mispriced risk. Some of these include:

- **Loans and Collateralized Loan Obligations ("CLOs")[14]:** Leveraged loans sold off nearly 21% between January 26th to March 23rd, as $11 billion of capital left the asset class[15]. This was comparable to high-yield credit, which

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[6] Source: Bloomberg. Structured Credit Markets are represented by CMBX BBB- CDSI S12 PRC Corp ("CMBX"), which returned -46.57% during its peak-to-trough period (February 12th – March 24th). CMBX returned -32.53% QTD.
[7] Source: Bloomberg. Oil is measured by the Active WTI Crude Oil Futures Contract ("CL1 COMB Comdty"), which returned -66.46% during the quarter.
[8] Source: Bloomberg. Emerging Markets High-Yield Sovereign Debt is measured by the JP Morgan EMBI Global Diversified High-Yield Index ("JPGCHY") during its peak-to-trough period (February 21st – March 23rd). JPGCHY returned -22.44% QTD.
[9] Source: Bloomberg. Mortgage REITS are represented by BBREIT Mortgage Index ("BBREMGT"), during its peak-to-trough period (February 20th – March 23rd). BBREMGT returned -57.77% QTD.
[10] Source: U.S. Bureau of Labor Statistics.
[11] Source: Trading Economics: United States Initial Jobless Claims.
[12] Source: Federal Reserve Bank of St. Louis Economic Research: Weekly Initial Claims (as of March 28th, 2020).
[13] Source: Deutsche Bank Research – "800 Years of Large Economic Contractions" (March 30th, 2020).
[14] All ratings are based on Standard & Poor's credit ratings. Other ratings agencies may provide ratings for securities that vary from those for securities represented as "Investment Grade" or "Non-Investment Grade." 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.
[15] Source: Bloomberg. Leveraged loans are represented by the S&P/LSTA U.S. Leveraged Loan 100 Index ("SPBDAL"), which returned -20.71% during its peak-to-trough period (January 26th – March 23rd). The index returned -13.05% QTD.

dropped 21% in the same period despite being lower in the capital structure[5]. Additionally, we note that BBB CLOs that had traded at $95 at the beginning of March now trade at $65. While we anticipate credit events, particularly for lower-quality issues, on balance a typical 2.0 BBB CLO (the "2.0" designates vintages created post-GFC) can withstand ~37% of cumulative defaults, assuming a 50% recovery rate, before principal impairment. Of note, less than 1% of BBB CLOs and 2% of BB CLOs suffered principal impairment through the GFC. We believe strong credit selection will make a significant difference in navigating opportunities in this market.

- **Residential and Commercial Mortgage-Backed Securities:** In the second half of March, we saw a significant sell-off in residential and commercial mortgage-backed securities ("RMBS" and "CMBS," respectively), with a number of assets marking down between 30 – 50% during this time. We believe this was largely the result of forced selling by mutual funds facing daily investor redemptions and leveraged holders needing to post collateral to their lenders as the price of these securities fell. The closest historical parallel to this drawdown is the peak-to-trough decline in RMBS and CMBS in 2008; however, that occurred over a period of more than five months[16]. Our view is that current pricing implies losses that exceed GFC-era mortgage stress, despite the loans in question being originated and underwritten to higher standards than were required prior to the GFC. Additionally, we believe that in select asset classes, such as credit risk transfer ("CRT") bonds, there are potentially large-scale buying opportunities if one is constructive on the fundamental risk in mortgages and has the patience to withstand pricing pressure.

- **Emerging Market Sovereign Bonds:** At the OPEC+ meeting on March 8th, Saudi Arabia and Russia failed to agree on expanding production cuts. Instead, they flooded the market with oil and sent global prices plummeting, negatively impacting a number of emerging market ("EM") assets. Material outflows from retail investors likely exacerbated the drawdown, with peak outflows of more than $4 billion per day contributing to extreme pricing pressure. In total, approximately $40 billion has flowed out of EM debt markets in the last few weeks[17], but the selling has been indiscriminate, in our view failing to differentiate between countries' relative ability and willingness to pay their debts given the strength of their balance sheets and other fundamentals. While there is likely to be an impact on GDP caused by both oil price declines and the COVID-19 pandemic, we believe that some of the price declines in EM sovereign bonds represent opportunities to capture additional value.

Each of the examples above highlights an area of the marketplace where we have observed security prices diverge significantly from what we believe to be their fundamental value, many times driven and amplified by what we believe to be technical selling pressure. It is important to note that there are several ways that investors can lose money in this environment, some of which include a deterioration in the underlying economic fundamentals of an investment and forced selling of assets regardless of underlying fundamentals (e.g., to generate liquidity). It is our view that many of the sellers in the aforementioned examples fall squarely in the second category, which we believe will result in buying opportunities for investors who can afford to be liquidity providers[18].

While BXMIX has suffered losses to date, our sub-advisers continue to re-underwrite their positions and we are encouraged by their belief in the dislocation between market prices and fundamental values of the instruments that they own. The Fund maintains an unconstrained investment mandate with no target weights to any particular asset class, and we are committed to managing our investors' assets prudently during these historic and unprecedented times. We are positioning the Fund to be able to provide liquidity for investors who need it in this environment while also working to capture some of the dislocated opportunities that we believe have a high probability of recovery.

[16] Source: Bloomberg. We use On-the-run CRT M2 securities as a comparable proxy for RMBS pricing. During the GFC peak-to-trough period (July 3rd, 2008 – December 5th, 2008), CRT M2 returned -47.16% over a period of 245 days. During the March 2020 peak-to-trough period (March 2nd – March 26th), CRT M2 returned -37.72% over a period of 24 days. CRT M2's ultimately returned -39.50% during the first quarter of 2020 (January 1st – March 31st).

[17] Source: Credit Suisse Research. Figures cited represent retail fund flows from both ETFs and Active funds in the Emerging Markets Debt space.

[18] This reflects the current opinions of BAIA as of the date appearing in this material only and is not intended to be a prediction of how any financial markets will perform in the future. This information is intended only as an example for discussion purposes. Certain information is stale. Actual pricing is subject to market volatility and changes daily. **There can be no assurance that any opportunity described herein will be available or, if executed will be profitable or that the Fund or a Sub-Adviser will avoid significant losses.**

Review of Q1 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[19]). In Q1, the Fund's Class I share class returned -14.79%[1] net of fees and expenses versus -6.85% for the HFRX Global Hedge Fund Index, -0.33% for the Barclays Global Aggregate Bond Index, and -20.93% for the MSCI World Index[20].

The Fund entered Q1 2020 conservatively positioned, with (i) low beta to equities, (ii) an over-allocation to securities backed by agency mortgages and commercial real estate, predicated on our view of stronger fundamentals relative to those of corporate credit, (iii) balanced, diversifying exposures, and (iv) ample sources of liquidity. While our deliberate defensive positioning and diversification mitigated market risk in January and February, our allocations to certain Credit and Multi-Asset exposures ultimately detracted from performance in March largely due to the broad-based market action described in the Market Commentary above.

Equity Strategies[20,21]

Against a materially negative global equity market backdrop, the Fund's Equity strategies (-0.27%) contributed only slightly negative performance during the quarter and outperformed the broader hedged equity universe as measured by the HFRX Equity Market Neutral Index, which was down -7.80%[22]. Our quantitative Equity Market Neutral sub-strategy generated gains as increased volatility and the large market dislocation created opportunities to exploit mispricing in technical factors. These gains were partially offset by Equity Long/Short sub-strategies, which were impacted by the broad-based stock market de-risking, and both healthcare- and financials-focused exposures detracted from performance. Since mid-2017 we have hedged out residual equity beta in this portion of the portfolio via a short S&P futures position, which also helped to mitigate losses throughout the quarter.

Credit Strategies[20,21]

Credit strategies (-22.03%) were a large detractor for the quarter. Over the past few years, we have reduced corporate credit risk in favor of structured credit. Prior to the COVID-19 outbreak, we had observed the fundamental strength of the U.S. consumer relative to global corporations, and BXMIX increased allocations to collateralized securities such as RMBS and CMBS accordingly. Our credit portfolio is composed of what we believe to be high quality exposure to predominantly residential and commercial mortgages, with smaller exposure to loans and corporate credit. However, in the second half of March we began to see forced unwinding from a variety of market participants, particularly in mortgages and other Fixed Income-Asset Backed exposures.

Against this backdrop, our exposure to RMBS and CMBS securities resulted in negative performance attribution. Driven by similar dynamics, our exposure to CRT bonds also contributed negatively to performance for the month. Finally, our exposure to debt securities tied to financial institutions suffered as well. For reasons described in the above Market Commentary, we maintain conviction in these exposures. We believe that the underlying collateral and fundamental value is still sound, and that there is the potential for price recovery for certain high-quality credits once market conditions eventually normalize.

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[19] 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.

[20] **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.**

[21] 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.

[22] For the period from the Fund's inception on June 16, 2014 through March 31, 2020, the HFRX Equity Market Neutral Index had an annualized return of -1.56%.

Multi-Asset Strategies[20,21]

Multi-Asset strategies (-13.16%) also detracted from performance during the quarter. Within this part of our portfolio, we have focused on allocating to sub-advisers that we believe are differentiated and exposures that we believe could provide diversifying properties to balance the rest of our portfolio[23]. While we like the risk/return profile that we have underwritten for certain of our EM credit exposures, particularly in sovereign and quasi-sovereign bonds, recent developments such as plummeting oil prices and the subsequent wave of retail outflows from the sector, resulted in a material drawdown. This adversely affected some of our Discretionary Thematic sub-strategies.

We recently reduced our allocation to a risk parity strategy. As a reminder, risk parity strategies typically allocate capital across multiple asset classes by equalizing the risk contributions of each. While this can provide a meaningful source of diversification when negative correlations hold between these asset classes, the strategy can come under pressure when cross-asset correlations increase, as we saw during March. While our exposure to this strategy was one of our strongest performers in 2019, the current market environment has ultimately turned it into one of the larger detractors this quarter.

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 first quarter of 2020, we terminated one existing sub-adviser.

Q1 2020 Sub-Adviser Terminations:

1. **GSA (GSA Capital Partners LLP):** GSA has been an inactive sub-adviser since September 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.

[23] The Fund may shift allocations among strategies and sub-strategies at any time. Accordingly, the exposures are presented for illustrative purposes only and should not be viewed as predictive of the ongoing composition of the Fund's portfolio, which may change at any time.

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.

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 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. **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. **S&P 500 TR:** Market capitalization-weighted index that includes 500 stocks representing all major industries. The index is a proxy of the performance of the broad U.S. economy through changes in aggregate market value **S&P 500 Equal Weight:** This index is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. **S&P 400 Mid-Cap Index:** Market-capitalization-weighted index that includes 400 U.S. publicly traded companies with midrange market capitalization. Designed to provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis. **S&P 600 Small-Cap Index:** The S&P 600 is an index of small-cap stocks managed by Standard and Poor's. It tracks a broad range of small-sized companies that meet specific liquidity and stability requirements. **10Yr Treasuries:** The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. **J.P. Morgan Investment Grade Credit Index:** Seeks to track the investment results of an index composed of U.S. dollar-denominated, investment grade corporate bonds. **J.P. Morgan US High-Yield Credit Index:** Seeks to track the investment results of an index composed of U.S. dollar-denominated, high-yield corporate bonds. **CMBX BBB- CDSI S12 PRC Corp:** CMBX Indexes are a group of indexes that track the commercial mortgage-backed securities (CMBS) market. The indexes represent 25 tranches of CMBS, each with a different a credit rating. With respect to the BBB- CMBX Index, the required tranche is rated BBB-. **JP Morgan EMBI Global Diversified High-Yield Index:** A sub-index of the JPMorgan EMBI Global Diversified Index ("EMBI") including below investment grade securities. EMBI is comprised of USD denominated Brady bonds, Eurobonds and Traded loans issued by sovereign and quasi sovereign entities. Limits the weights of the index countries by only including a specified portion of those countries' eligible current face amounts of debt outstanding. This provides a more even distribution of weights within the countries in the index. **BBREIT Mortgage Index:** Capitalization-weighted index of infinite life Mortgage REITs having a market capitalization of $15 million or greater. **Active WTI Crude Oil Futures Contract ("CL1 COMB Commodity Index"):** Tracks the price return of Crude Oil futures. **HFRX Equity Market Neutral Index:** Strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short. **CRT M2s:** On-the-run tranches of M2 tranches of Credit Risk Transfer Bonds. S&P/LSTA U.S. Leveraged Loan 100 Index: This index is designed to reflect the performance of the largest facilities in the leveraged loan market.

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.

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.