Third Quarter 2015 Performance Review: Blackstone Alternative Alpha Fund (BAAF)

The Blackstone Alternative Alpha Fund (BAAF) returned -4.92% net of fees in the third quarter vs. -6.44% for the S&P 500 and -8.33% for the MSCI World Equity index. Year to date in 2015, BAAF is down -2.11% versus -5.29% for the S&P 500 and -5.63% for the MSCI World index.

<table>
<thead>
<tr>
<th></th>
<th>BAAF Net (%)</th>
<th>HFRI Equity Hedge (%)</th>
<th>S&amp;P 500 (%)</th>
<th>MSCI World (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third Quarter 2015</td>
<td>-4.92</td>
<td>-5.83</td>
<td>-6.44</td>
<td>-8.33</td>
</tr>
<tr>
<td>YTD 2015</td>
<td>-2.11</td>
<td>-2.21</td>
<td>-5.29</td>
<td>-5.63</td>
</tr>
<tr>
<td>ITD (Annualized from April 1, 2012–September 30, 2015)</td>
<td>5.57</td>
<td>3.90</td>
<td>11.61</td>
<td>8.32</td>
</tr>
</tbody>
</table>

Staying the Course amid Market Corrections

Global growth concerns in the third quarter gave rise to the largest correction in US equity markets (-12.5%) since the late summer of 2011 (-19.4%). Four years ago the backdrop included a US credit rating downgrade, a near shutdown of the US government and a recessionary relapse in Europe; the recent drop was driven by worries over Greece and the Euro, a Chinese currency devaluation (August 11), and the Fed’s hesitation to begin its long-awaited reversal in rates (September 17)—all perceived as implying slower growth ahead. But the more pertinent comparison between the two events is that in the intervening 914 days the S&P has nearly doubled, from about 1100 to over 2100. The lesson is that investors should take steps to limit these dramatic (and inevitable) declines but the key is to stay invested.

The irony is that such a decline should occur just as US GDP in the 2nd quarter advanced by 3.9%, the unemployment rate fell to 5.1%, and monetary conditions in developed markets remain as accommodative as any point in their history. In the quarter, large cap US stocks fell 6%, developed international stocks were down 10% and emerging markets were off 18%.

In both the third quarter and year to date in 2015, BAAF has helped investors soften the blow as markets have gyrated. The portfolio’s volatility, since inception, continues to run at about half the broader equity markets, and comparing their cumulative declines in down months illustrates the downside protection BAAF has provided to date.

Past performance is not necessarily indicative of future results. There can be no assurance the fund will achieve its investment objectives or avoid significant losses. Please see additional disclosures and information regarding the indices presented in the glossary of indices at the end of this section.
The BAAF Portfolio: Diversified Long/Short Equity

Throughout the quarter the portfolio struggled to navigate market volatility. The greatest headwind to performance came from our Equities Fundamental managers, where holdings across the health care sector and some energy names drove significant underperformance. Additionally, Activist managers, who tend to have less ability to dodge short-term market movements, detracted on the month. Even our Equity Trading managers, who typically excel at managing around market volatility, could not entirely avoid the turbulence this quarter. The bright spot came within our Diversifying sleeve, where our Quantitative and CTA managers helped buoy the overall portfolio modestly.

Going forward, we continue to gradually shift the portfolio toward a more market-neutral position, as we take the Activist allocation down. Other changes include the recent addition of an Energy-oriented manager to the portfolio, in hopes of participating in a potential recovery in pricing there.
Additional Disclosures:

Performance does not reflect any sales charge (up to 3.0% of investment amount). Performance data quoted represents past performance and is no guarantee of future results. Investment results will fluctuate so that an investor’s shares, if repurchased in a tender offer, may be worth more or less than original cost. Current performance may be higher or lower than performance data quoted. All returns include dividend and capital gain distributions. All investors should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. Investors can obtain a prospectus from your financial professional or on the Fund’s website at www.blackstone.com/blackstone-alternative-alpha-funds. All investors are urged to carefully read the prospectus in its entirety before investing. There can be no assurance the Fund will achieve its investment objectives or avoid significant losses.

This material is not an offer to sell the Fund’s securities and is not soliciting an offer to buy the Fund’s securities in any state where the offer is not permitted. Interests in the Fund are offered through Blackstone Advisory Partners L.P., a member of FINRA and an affiliate of Blackstone Alternative Asset Management L.P., the investment manager of the Fund. Please note that the contents herein are intended for informational purposes only. They are not intended as legal or investment advice nor do they express any legal or industry views of The Blackstone Group L.P. or any of its businesses, including Blackstone Alternative Asset Management L.P. (“BAAM”). Certain information contained in this report has been provided by, or is based on information provided by, third parties that are not affiliated with BAAM. BAAM has not independently verified such information and makes no representation or warranty as to the accuracy or completeness of such information. Opinions expressed and information presented reflect the current opinions of and information obtained by BAAM as of the date appearing in this material only.

Risks of Investment in BAAF

An investment in this Fund is an appropriate investment only for those investors who can tolerate a high degree of risk and do not require a liquid investment. The Fund's investment program includes investments in Hedge Funds that may utilize such investment techniques as short sales, substantial leverage, securities lending, investments in non-marketable securities, use of derivatives and highly concentrated portfolios, among others, which could contain under certain circumstances magnify the impact of any negative market or investment developments. Certain additional principal risks of an investment in the Fund include: Allocation Risk – Blackstone’s judgment about the attractiveness, value or market trends affecting a particular asset class, investment style, or Hedge Fund may be incorrect and this may have a negative impact upon performance. Equity Securities Risk – Stock markets are volatile. The value of equity securities purchased by the Fund could decline if the financial condition of the companies the Fund invests in decline or if the overall market and economic conditions deteriorate. Event-Driven Trading Risk – involves the risk that the specific event identified may not occur as anticipated and that this may have a negative impact upon the market price of the securities involved. Liquidity Risks – Shares will not be traded on any securities exchange or other market and will be subject to substantial restrictions on transfer. Although the Fund may offer to repurchase shares from time to time, no assurance can be given that these offers or repurchases will occur. Shares will not be redeemable at a shareholder’s option. As a result, a shareholder may not be able to sell or otherwise liquidate his or her Shares. Multi-Manager Risk – Hedge Funds may make investment decisions that conflict with each other and as result, the Fund could indirectly incur transaction costs without accomplishing any net investment results.

Glossary of Indices:

Market indices are obtained through Bloomberg. Indices are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of the fund. In addition, the indices employ different investment guidelines and criteria than the fund; as a result, the holdings in the fund may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of the fund, but rather is disclosed to allow for comparison of the fund’s performance to that of well-known and widely recognized indices. A summary of the investment guidelines for the indices presented are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

S&P 500 Total Return Index: Capital-weighted index that includes 500 stocks representing all major industries. Returns are denominated in USD and include dividends. The index is a proxy of the performance of the broad U.S. economy through changes in aggregate market value. This is not a managed portfolio and does not reflect fees or expenses.

MSCI World Index: Free float-adjusted market capitalization index designed to measure developed-market equity performance throughout the world. The MSCI World Index is maintained by Morgan Stanley Capital International, and is comprised of stocks from Developed Market countries around the world. MSCI World Index covers over 6,000 securities in 24 Developed Markets countries, spanning large, mid, small and micro-cap securities which can be segmented across styles and sectors.

HFRI Equity Hedge Index: An unmanaged equal-weighted index representing hedge funds tracked by Hedge Fund Research, Inc. that have an equity hedge strategy. Equity hedge strategies invest in both long and short positions in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. The Index is a proxy for the performance of the universe of funds of hedge funds focused on equity hedged strategies. There are no asset-size or track record length minimum requirements for inclusion in the Index. The Index reflects actual fees and expenses charged by the hedge funds included in the index.

* All investors should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. Investors can obtain a prospectus from your financial professional or on the Fund’s website at www.blackstone.com/blackstone-alternative-alpha-funds. All investors are urged to carefully read the prospectus in its entirety before investing. There can be no assurance the Fund will achieve its investment objectives or avoid significant losses. This material is not an offer to sell the Fund’s securities and is not soliciting an offer to buy the Fund’s securities in any state where the offer is not permitted. Interests in the Fund are offered through Blackstone Advisory Partners L.P., a member of FINRA and an affiliate of Blackstone Alternative Asset Management L.P., the investment manager of the Fund.

Past performance is not necessarily indicative of future results. There can be no assurance the Fund will achieve its investment objectives or avoid significant losses. Please see additional disclosures and information regarding the indices presented in the glossary of indices at the end of this section.
Past performance is not necessarily indicative of future results. There can be no assurance the fund will achieve its investment objectives or avoid significant losses. Please see additional disclosures and information regarding the indices presented in the glossary of indices at the end of this section.
Blackstone Alternative Alpha Fund (BAAF) is a closed-end registered fund of hedge funds. The investment objective of BAAF is to seek to earn long term risk-adjusted returns that are attractive as compared to those of traditional public equity and fixed income markets. As an equity-focused fund, BAAF invests predominantly in hedge funds that employ equity-based investment strategies. BAAF also invests in hedge funds that employ diversifying strategies that have exhibited low correlation to equity markets as part of an effort to seek to reduce volatility. There can be no assurance that BAAF or any of the hedge funds in which BAAF invests will achieve their investment objectives or avoid significant losses.

**Fund highlights**

- **Master Fund AUM (as of October 1, 2015):** $912 million
- **Inception Date:** April 2, 2012
- **Investment Advisor:** BAAM
- **Eligible Investors:** U.S. Accredited Investors
- **Tenders (Liquidity):** Expected quarterly

**Fund terms**

- **Minimum Initial Investment:** $25,000
- **Subsequent Investment:** $5,000
- **Placement Fee (may be adjusted or waived by placement agent):** Up to 3.0%
- **Management Fee:** 1.25%
- **Distribution & Service Fee:** 0.85%
- **Other Expenses:** 0.35% (capped)
- **Tax Reporting:** Form 1099

"ITD" reflects annualized performance of the Fund and the indices from the inception of the Fund on April 2, 2012 to the end of the time period shown. Performance data quoted represents past performance and is no guarantee of future results. Investment results will fluctuate so that an investor’s shares, if repurchased in a tender offer, may be worth more or less than their original cost. Current performance may be higher or lower than performance data quoted. Performance does not include a deduction of the maximum sales charge (up to 3.00%), which would lower the performance shown.

**Allocations by strategy**

<table>
<thead>
<tr>
<th>Equity Strategies</th>
<th>71.23%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversifying</td>
<td>27.77%</td>
</tr>
</tbody>
</table>

**Portfolio Managers**

<table>
<thead>
<tr>
<th>Name</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberto Santulin</td>
<td>20 years</td>
</tr>
<tr>
<td>Richard Scarinci</td>
<td>13 years</td>
</tr>
</tbody>
</table>

All investors should consider the investment objectives, risks, charges and expenses of BAAF carefully before investing. The prospectus contains this and other information about BAAF and is available on BAAF’s website at www.blackstone.com/blackstone-alternative-alpha-funds/. All investors are urged to carefully read the prospectus in its entirety before investing.

Please see glossary and disclosures at the end of this document for important information regarding terms, risks and limitations of BAAF.

1 Performance is net of all fees and expenses. For information regarding indices presented, please see “Glossary of Terms – Indices” at the end of this document.
2 Beta and alpha statistics measure BAAF to each respective index.
3 90 day Treasury bill is used as the risk free rate.
4 Terms herein are not intended to be complete; for further information, please see the prospectus.
5 Portfolio allocations represent the assets of Blackstone Alternative Alpha Master Fund (“Master Fund”). BAAF invests substantially all of its assets in Blackstone Alternative Alpha Master Fund (“Master Fund”). AUM data is estimated and unaudited.
6 BAAF expects, subject to the discretion of its Board of Trustees, to offer to repurchase between 5-25% of outstanding shares via quarterly tender offers. A repurchase fee of 2% applies to shares repurchased within the first 12 months of their issuance. Please see “Fund Terms – Tender Offer Details” at the end of this document for a summary of notice requirements and payment terms.
7 BAAF will also bear the management and incentive fees charged by the underlying hedge funds. These fees are not subject to the cap on Other Expenses and may be substantial.
**Gross strategy attribution**

<table>
<thead>
<tr>
<th>Manager Name</th>
<th>Strategy</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magnetar Financial LLC (5)</td>
<td>Multi-Strategy/Equities-Fundamental</td>
<td>11.93%</td>
</tr>
<tr>
<td>Convex Management LP</td>
<td>Equities-Activist</td>
<td>7.99%</td>
</tr>
<tr>
<td>Southpoint Capital Advisors LP</td>
<td>Equities-Fundamental</td>
<td>6.33%</td>
</tr>
<tr>
<td>Wellington Management Company, LLP</td>
<td>Equities-Fundamental</td>
<td>5.72%</td>
</tr>
<tr>
<td>Coate Management, L.L.C.</td>
<td>Equities-Fundamental</td>
<td>5.26%</td>
</tr>
<tr>
<td>Samlyn Capital LLC</td>
<td>Equities-Trading</td>
<td>5.24%</td>
</tr>
<tr>
<td>AKO Capital LLP</td>
<td>Equities-Fundamental</td>
<td>5.22%</td>
</tr>
<tr>
<td>Bridger Management, LLC</td>
<td>Equities-Fundamental</td>
<td>5.21%</td>
</tr>
<tr>
<td>Tudor Investment Corporation</td>
<td>Macro-Thematic</td>
<td>4.58%</td>
</tr>
<tr>
<td>Hoplite Capital Management, LLC</td>
<td>Equities-Fundamental</td>
<td>4.27%</td>
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</tbody>
</table>

**Top 10 Underlying Managers**

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<td>Hoplite Capital Management, LLC</td>
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<td>4.27%</td>
</tr>
</tbody>
</table>

**Monthly fund exposure**

<table>
<thead>
<tr>
<th>Date</th>
<th>Gross</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/30/15</td>
<td>241.85%</td>
<td>55.99%</td>
</tr>
<tr>
<td>07/31/15</td>
<td>245.21%</td>
<td>65.88%</td>
</tr>
<tr>
<td>08/31/15</td>
<td>251.10%</td>
<td>58.33%</td>
</tr>
</tbody>
</table>

**Average monthly return for months when S&P500 Total Return Index was positive/negative**

**Monthly net performance**

<table>
<thead>
<tr>
<th>BAAF</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>3.16%</td>
<td>0.10%</td>
<td>2.31%</td>
<td>0.07%</td>
<td>1.99%</td>
<td>-0.78%</td>
<td>0.74%</td>
<td>-1.11%</td>
<td>1.40%</td>
<td>1.71%</td>
<td>0.95%</td>
<td>2.05%</td>
<td>13.24%</td>
</tr>
<tr>
<td>2014(5)</td>
<td>0.08%</td>
<td>2.46%</td>
<td>-1.72%</td>
<td>-1.25%</td>
<td>2.41%</td>
<td>1.52%</td>
<td>-1.31%</td>
<td>1.65%</td>
<td>-0.30%</td>
<td>0.11%</td>
<td>2.27%</td>
<td>0.33%</td>
<td>6.29%</td>
</tr>
<tr>
<td>2015</td>
<td>-0.35%</td>
<td>3.39%</td>
<td>0.58%</td>
<td>-0.82%</td>
<td>1.48%</td>
<td>-1.28%</td>
<td>1.24%</td>
<td>-2.83%</td>
<td>-3.35%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1 Gross performance contribution is represented on a full-look through basis to the underlying manager level. Results are net of underlying hedge fund manager fees, but gross of BAAM fees; when BAAM fees are applied returns will be lower. See total portfolio net performance above for results net of fees and expenses.

2 The exposure data presented above is based on information received from the underlying managers. BAAM takes reasonable steps to verify, but does not guarantee the accuracy of such information. Historical data of managers are as reported by the given manager and may not be calculated in a uniform or consistent basis with information of other managers and all information is subject to change. BAAM funds are actively managed and allocations are subject to ongoing revision.

3 BAAF is an actively managed Fund and allocations are subject to ongoing revision. The portfolio allocation percentages are reflective of the underlying hedge funds held by the Fund, and not of securities held by the underlying funds. For information regarding categories presented, please see “Glossary of Terms – Indices” at the end of this document.

4 Performance is net of all fees and expenses. Data is presented from April 2012 through September 2015. For information regarding indices presented, please see “Glossary of Terms – Indices” at the end of this document.

5 The S&P500 is not a managed portfolio and does not include fees or expenses.

6 Blackstone Strategic Capital Holdings L.P., an affiliate of BAAM and the Funds, owns a minority interest in Magnetar Capital Partners L.P., a control affiliate of Magnetar Financial LLC. Please see “Conflicts of Interest” at the end of this document.

7 During the September 2015 reporting period, updates were made to March 2014, April 2014, and August 2014 BAAF net returns resulting in a revision of this fact card’s 2014 YTD performance from 6.25% to 6.29%.
Glossary of Terms

Hedge Fund Strategies

**Equities-Fundamental**: Managers that primarily invest in equities and equity derivatives based on in depth bottom-up analysis, which may be driven top down market views. Fundamental managers tend to have higher net exposure than trading managers.

**Equities-Trading**: Managers that primarily invest in equities and equity derivatives based on in depth bottom-up analysis, which may be driven top down market views. Trading managers tend to have lower net exposure to broad market moves than Fundamental managers.

**Equities-Activist**: Managers that invest, primarily through equity securities, in companies with the intention to take an active role in unlocking value through corporate restructuring and management improvements.

**Multi Strategy**: Includes managers that invest across multiple strategies. Typical strategies found in a multi strategy manager include convertible arbitrage, long / short equities, credit – fundamental hedged, fixed income arbitrage, quantitative equity strategies, and volatility arbitrage.

**Macro-Rates**: Inter-country strategies focused primarily on relative value investments on interest rates and currency markets.

**Macro-Thematic**: Discretionary, directional, and inter-country exposure to interest rates, FX, equities and commodities.

**Commodity Trading Advisors (CTAs)**: Strategy that seeks to profit from movements in the global financial, commodity, and currency markets by investing in exchange traded futures, options, and OTC forward contracts.

**Investment Terms**

**Beta**: A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

**Alpha**: A measure of performance on a risk-adjusted basis. Alpha compares risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund’s alpha.

**Gross Exposure**: Reflects the aggregate of long and short investment positions in relation to the net asset value. For example, if the fund is 60% long and 50% short, then the fund is 110% gross invested. The gross exposure is one indication of the level of leverage in a portfolio.

**Long**: A long position occurs when an individual (or hedge fund) owns securities.

**Net Exposure**: This is the difference between long and short investment positions in relation to the net asset value. For example if the fund is 60% long and 50% short, then the fund is 10% net invested.

**Sharpe Ratio**: A ratio to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate - such as that of the 10-year U.S. Treasury bond - from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio’s Sharpe ratio, the better its risk-adjusted performance has been.

**Short**: Short selling a security not actually owned at the time of sale. Short positions can also generate returns directly when the price of a security declines.

**Volatility**: A statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

**Indices**

Market indices are obtained through Bloomberg; HFRI indices are provided by Hedge Fund Research, Inc. Indices are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of the Fund. In addition the indices employ different investment guidelines and criteria than the Fund; as a result, the holdings in the Fund may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of the Fund’s performance to that of well known and widely recognized indices. A summary of the investment guidelines for the indices presented are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

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**HFRI Equity Hedge**: is an unmanaged equal-weighted index representing hedge funds tracked by Hedge Fund Research, Inc. have an equity hedge strategy. Equity hedge strategies invest in both long and short positions in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. The Index is revised several times each month to reflect updated hedge fund return information. The Index is a proxy for the performance of the universe of funds of hedge funds focused on equity hedged strategies. There are no asset-size or track record length minimum requirements for inclusion in the Index. The Index reflects actual fees and expenses charged by the hedge funds included in the Index.

**MSCI World Index**: is a float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. It consists of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.
Disclosure Information

Additional Detail on Certain Fund Terms

This summary of select Fund terms is qualified in its entirety by reference to the Fund’s prospectus, which should be read in its entirety before considering an investment in the Fund.

Fees and Expenses

Other Expenses: include professional fees and other expenses, including, without limitation, offering costs, administration fees, investor servicing fees, custody fees, trustee fees, insurance costs and financing costs. Subject to the terms of the prospectus, through August 31, 2016, BAAM has agreed to waive its fees and/or reimburse expenses of BAAM so that specified expenses will not exceed 0.35% (annualized). BAAM has agreed to repay these amounts if and to the extent that the estimated annualized specified expenses for a given month are less than 0.35% within the three year period after BAAM bears the expense. Specified expenses is defined to include all expenses incurred by the Fund or the Master Fund with the exception of (i) the Management Fee; (ii) the Distribution and Service Fee; (iii) Acquired Fund Fees and Expenses; (iv) brokerage costs; (v) interest payments (including any interest expenses, commitment fees, or other expenses related to any line of credit of the Fund or Master Fund), (vi) taxes, and (vii) extraordinary expenses (as determined in the sole discretion of BAAM).

Acquired Fund Fees and Expenses: represents fees and expenses of the hedge funds in which the Master Fund invested during the year ended March 31, 2015. For this period, Acquired Fund Fees and Expenses is estimated to be 5.33%. This estimate is based on the assets invested in each hedge fund during the period and the fees and expenses including incentive fees or allocations charged by each hedge fund during the period. The hedge funds in which the Master Fund invests generally charge between 10% and 30% of net profits as an incentive fee or allocation. Such amounts incurred by the Master Fund may be substantially higher or lower in the future because the performance of the hedge funds may fluctuate and the Master Fund may invest in different hedge funds from time to time.

Distributions — BAAM will distribute substantially all of its net investment income and taxable realized net capital gains on an annual basis. These distributions may be reinvested back into the Fund or paid to the investor. It should be noted that for taxable investors, most of the investor’s return will be taxed as ordinary income subject to the highest marginal U.S. federal income tax rates. Thus, fund dividends will not be eligible for any of the reduced U.S. federal income tax rates applicable to capital gains or “qualified dividends.”

Tender Offer Details

No investor will have the right to require the Fund to redeem Shares and repurchases of Shares will be made at such times and on such terms as may be determined by the Board of Trustees. BAAM currently anticipates that it will recommend to the board that it offer to repurchase Shares as follows:

Frequency: quarterly
Amount: between 5-25% of outstanding shares
Notice: distributed approximately 95 days prior to quarter-end with responses due approximately 65 days prior to quarter-end
Early Repurchase Fee: shares repurchased within the first 12 months of their issuance are subject to a 2% fee payable to the Fund

Repayment:

Partial Repurchases (up to 90% of a shareholder’s shares): 100% of unaudited value of shares (less any repurchase fee) paid 30 days after the tender valuation date (or upon the Fund’s receipt of redemption proceeds from the Master Fund, if later)
Full Repurchases (90% or more of a shareholder’s shares): (a) 90% of unaudited value of shares (less any repurchase fee) paid 30 days after the tender valuation date (or upon the Fund’s receipt of redemption proceeds from the Master Fund, if later) and (b) remaining payment, if any, paid promptly after completion of the Fund’s next annual audit

Risks of Investing in the Fund

The following is not a complete summary or explanation of the various risks of an investment in the Fund. For a complete summary, please see the prospectus of the Fund. You can obtain a prospectus from your financial professional or from the Fund’s website www.blockstone.com/blockstone-alternative-alpa-funds/. All investors are urged to carefully read the prospectus in its entirety before investing.

An investment in the Fund is an appropriate investment only for accredited investors who can tolerate a high degree of risk and do not require a liquid investment. The Fund’s investment program includes investments in Hedge Funds that may utilize such investment techniques as short sales, substantial leverage, securities lending, investments in non-marketable securities, use of derivatives and highly concentrated portfolios, among others, which could under certain circumstances magnify the impact of any negative market or investment developments. Certain additional principal risks of an investment in the Fund include:

Allocation Risk — BAAM’s judgment about the attractiveness, value or market trends affecting a particular asset class, investment style, or Hedge Fund may be incorrect and this may have a negative impact upon performance. Equity Securities Risk — stock markets are volatile. The value of equity securities purchased by the Fund could decline if the financial condition of the companies the Fund invests in decline or if overall market and economic conditions deteriorate. Event-Driven Trading Risk — involves the risk that the specific event identified may not occur as anticipated and that this may have a negative impact upon the market price of the securities involved. Liquidity Risks — shares of the Fund will not be traded on any securities exchange or other market and will be subject to substantial restrictions on transfer. Although the Fund may offer to repurchase shares from time to time, no assurance can be given that these offers or repurchases will occur. Shares will not be redeemable at a shareholder’s option. As a result, a shareholder may not be able to sell or otherwise liquidate his or her shares. Multi-Manager Risk — Hedge Funds may make investment decisions that conflict with each other and as a result, the Fund could indirectly incur transaction costs without accomplishing any net investment result.

Additional Risks — Investing in Hedge Funds

Investment in Hedge Funds (directly or indirectly through the Fund) is speculative and not suitable for all investors. Hedge Funds are high-risk alternative investments which are only available to qualified persons who are willing to bear the high economic risks associated with such an investment. Certain of these risks may include:

• loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices of Hedge Funds;
• lack of liquidity in that there currently is no secondary market (and none is expected to develop) for interests in Hedge Funds;
• volatility of returns;
• restrictions on transferring shares of interests in Hedge Funds;
• limited information regarding valuations and pricing;
• complex tax structures and delays in tax reporting; and
• Hedge Funds are generally subject to less regulation and higher fees than mutual funds, which may offset profits, if any.
Conflicts of Interest

The Fund’s prospectus describes conflicts of interest that may affect it and the Master Fund. One of these relates to Blackstone Strategic Capital Advisors L.L.C. ("BSCA"), an affiliate of BAAM. See Conflicts of Interest—Financial Interests in Underlying Managers—Blackstone Strategic Capital Advisors L.L.C. in the Fund’s current prospectus. BSCA 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 Financial LLC, the investment manager of two funds in which the Master Fund has invested. Investments in these funds benefits the BSCA Funds and BSCA and withdrawals from those funds are detrimental to the BSCA Funds and BSCA.

To the extent that the Master Fund invests with a Strategic Capital Manager, the BSCA Funds will receive a portion of the revenue the Strategic Capital Manager receives in respect of the Master Fund’s investment. Accordingly, there may be a conflict between BAAM’s fiduciary obligation to the Fund and the Master Fund, on the one hand, and BAAM’s interest in the success of the BSCA Funds, on the other hand. However, with respect to the Master Fund’s investment in funds managed by a Strategic Capital Manager, BSCA will typically waive its share of any net management or performance-based allocations or fees derived from the Master Fund’s investment with that Strategic Capital Manager. Those amounts will be passed through or rebated to the Master Fund. The Master Fund will not otherwise participate in any of the economic arrangements between the BSCA Funds and any Strategic Capital Manager with which the Master Fund invests.

Disclaimer

Shares of the Fund are offered pursuant to the terms of its prospectus and (1) are not FDIC-insured, (2) are not deposits or other obligations of a bank, (3) are not guaranteed by a bank, and (4) involve investment risks, including possible loss of principal. This sales literature is not an offer to sell the Fund’s securities and is not soliciting an offer to buy the Fund’s securities in any state where the offer or sale is not permitted.

Prepared by Blackstone Advisory Partners L.P., a member of FINRA and an affiliate of BAAM, the investment manager of the Fund.