

BLACKSTONE ALTERNATIVE INVESTMENT FUNDS PLC

(the “Company”)

An umbrella fund with segregated liability between sub-funds, and its sub-fund

Blackstone Diversified Multi-Strategy Fund

(the “Fund”)

SUPPLEMENT FOR UNITED KINGDOM INVESTORS

This Supplement for United Kingdom Investors (“UK Supplement”) should be read in conjunction with the prospectus for the Company dated 27 November 2018 and the supplement to the prospectus for the Fund dated 4 December 2018 (together the “Prospectus”). References to the “Prospectus” are to be taken as references to that document as supplemented or amended hereby. In addition, words and expressions defined in the Prospectus, unless otherwise defined below, shall bear the same meaning when used herein.

The Prospectus (including this UK Supplement) is issued with respect to the offering of the following shares (“Shares”) of the Funds within the United Kingdom:

Sub-Fund	Share classes
Blackstone Diversified Multi-Strategy Fund	Class I (GBP) Accumulating
Blackstone Diversified Multi-Strategy Fund	Class I (GBP) Distributing
Blackstone Diversified Multi-Strategy Fund	Class I (USD) Accumulating
Blackstone Diversified Multi-Strategy Fund	Class I (USD) Distributing
Blackstone Diversified Multi-Strategy Fund	Class I (CHF) Accumulating
Blackstone Diversified Multi-Strategy Fund	Class I (CHF) Distributing
Blackstone Diversified Multi-Strategy Fund	Class I (EUR) Accumulating
Blackstone Diversified Multi-Strategy Fund	Class I (EUR) Distributing
Blackstone Diversified Multi-Strategy Fund	Class A (GBP) Accumulating
Blackstone Diversified Multi-Strategy Fund	Class A (GBP) Distributing
Blackstone Diversified Multi-Strategy Fund	Class A (USD) Accumulating
Blackstone Diversified Multi-Strategy Fund	Class A (USD) Distributing
Blackstone Diversified Multi-Strategy Fund	Class A (CHF) Accumulating
Blackstone Diversified Multi-Strategy Fund	Class A (CHF) Distributing
Blackstone Diversified Multi-Strategy Fund	Class A (EUR) Accumulating
Blackstone Diversified Multi-Strategy Fund	Class A (EUR) Distributing
Blackstone Diversified Multi-Strategy Fund	Class Z (USD) Accumulating *
Blackstone Diversified Multi-Strategy Fund	Class Z (USD) Distributing *

**Investment in Class Z requires the approval of Blackstone Alternative Investment Advisors LLC (the “Investment Manager”), which will generally only be provided to employees and affiliates of the Investment Manager.*

The Company is categorised as a recognised scheme for the purposes of section 264 of the Financial Services and Markets Act 2000. Accordingly, Shares may be marketed to the general public in the United Kingdom. The Company has established other share classes for each sub-fund that are described in the Prospectus, which are not being offered in the United Kingdom at this time.

Potential investors should note that the investments of the Company are subject to risks inherent in investing in shares and other securities. The risks associated with an investment in the Company are set out in the section entitled “Risk Factors” in the Prospectus.

UK Taxation

The taxation of income and capital gains of the Company and Shareholders is subject, *inter alia*, to the fiscal law and practice of Ireland, any jurisdiction in which the Company makes investments and of the jurisdictions in which Shareholders are resident or otherwise subject to tax. The following general summary of the anticipated tax treatment in the United Kingdom does not constitute legal or tax advice and applies only to United Kingdom resident and (in the case of individuals) domiciled Shareholders holding Shares as an investment as the absolute beneficial owners thereof. It may not apply to certain categories of investors, such as dealers in securities, insurance companies and collective investment schemes. Any Shareholders who are in any doubt as to their United Kingdom tax position should consult their own professional advisers.

Prospective investors should consult their own professional advisers on the implications of making an investment in, holding, exchanging or disposing of, Shares and the receipt of distributions (whether or not on redemption) with respect to such Shares under the laws of the countries in which they are liable to taxation.

This summary is based on the taxation law in force and published practice understood to be applicable at the date of this document but prospective investors should be aware that the relevant fiscal rules and practice or their interpretation may change (possibly with retrospective effect). The following tax summary is not a guarantee to any investor of the tax results of investing in the Company.

The Company

The Directors intend to conduct the affairs of the Company in such a manner as to minimise, so far as they consider reasonably practicable, taxation suffered by the Company. This will include conducting the affairs of the Company so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein) or that any such trading transactions in the United Kingdom are carried out through a broker or investment manager acting as an agent of independent status in the ordinary course of its business, the Company should not be subject to United Kingdom income tax or corporation tax on its income and capital gains, other than United Kingdom tax on United Kingdom source income and certain other amends.

Dividends, interest and other income as well as capital gains received by the Company may be subject to withholding or similar taxes imposed by the country in which such dividends, interest, other income or capital gains originate.

It is the intention of the Company to enter and comply with the reporting fund regime for certain share classes.

The Directors may decide in future to apply for other Funds or share classes within Funds to join the reporting fund regime.

Shareholders

Application of the Offshore Funds Rules

Since the Company provides arrangements for separate pooling of the subscription proceeds from the Shareholders in the Company and the profits or income out of which payments are made to the Shareholders in the Company, the Company is an umbrella fund for United Kingdom tax purposes. In addition, each Fund within the Company consists of different classes of Shares (each such class, a “**Class**”). The United Kingdom offshore funds rules therefore apply in relation to each separate Class as if each such Class formed a separate offshore fund for United Kingdom tax purposes.

Transactions not treated as trading

Chapter 6 Part 3 of the Offshore Funds (Tax) Regulations 2009 (the "Offshore Funds Regulations") provide that transactions undertaken by the Company which fall under the definition of "Investment transactions" within Regulation 80 et seq. of the Offshore Funds Regulations will not be treated as trading transactions for the purpose of the Offshore Funds Regulations, provided that the Company meets the "Equivalence Condition" and the "genuine diversity of ownership condition" ("GDO Condition"). The Company meets the Equivalence Condition as it is a UCITS fund.

The GDO Condition will also be met if the Company meets certain conditions relating to its Shareholders and how the Shares in the Company are distributed.

With a view to meeting these conditions, the Directors of the Company confirm that the intended categories of Shareholders are as specified in the Supplement for each relevant Fund. Shares of the Company will be widely available to those categories of prospective Shareholders. Shares of the Company will be marketed and made available sufficiently widely to reach those categories of Shareholders and in a manner appropriate to attract those prospective Shareholders.

Gains on the Sale, Redemption or other Disposal of Shares

The Offshore Funds Regulations provide that if an investor who is resident in the United Kingdom for taxation purposes holds an interest in an "**Offshore Fund**" (as defined in Part 8 (section 355 et seq.) of the Taxation (International and Other Provisions) Act 2010 ("TIOPA 2010")), any gain accruing to the investor upon the sale, redemption (including a redemption which may arise upon an exchange of Shares in certain circumstances) or other disposal of that interest (including a deemed disposal on death) will be taxed at the time of such sale, redemption or other disposal as income ("offshore income gains") and not as a capital gain, unless that Offshore Fund has been a "**Reporting Fund**" throughout the period during which the investor holds that interest.

The Shares will constitute interests in an Offshore Fund.

Details of the Classes of Shares which have been accepted by HM Revenue & Customs as a Reporting Fund for the purpose of the Offshore Funds Regulations can be found at <https://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds>.

Each Class accepted by HM Revenue & Customs as a Reporting Fund will maintain such status for each period of account of the Company provided the Company continues to comply with the applicable rules and does not elect in relation to any such Class to become a Non-Reporting Fund. It is the Company's intention that Reporting Fund status will be maintained for all relevant periods of account of the Company, however this cannot be guaranteed.

For so long as each Class accepted by HM Revenue & Customs as a Reporting Fund maintains such status, a Shareholder will be subject to tax on the share of the Reporting Fund's income attributable to its holding in the Reporting Fund, whether distributed or not, and any profit from a disposal of Shares of such Class (for example, by way of transfer or redemption) by a Shareholder should be taxed as a capital gain with any undistributed income that has been subject to tax being treated as deductible capital expenditure for the purpose of computing the amount of the chargeable gain (subject to the rules for corporate investors in Bond Funds, as defined and outlined below).

In computing such gains, amounts reinvested (if any) which have been subject to United Kingdom tax as income can be added to the cost of the Shares disposed of and, as a result, reduce any liability to taxation on disposal. Losses on disposals of Shares should generally be eligible for capital gains loss relief.

Bond Funds

As regards Shareholders within the charge to corporation tax in the United Kingdom, under the rules for the taxation of loan relationships contained in Part 6 of the Corporation Tax Act 2009, if at any time in an accounting period of such a Shareholder, that Shareholder holds interests in an Offshore Fund and there is a time in that period when that Offshore Fund fails to satisfy the “qualifying investments test” i.e. the Offshore Fund has more than 60 per cent. by market value of its investments in any of (a) securities (other than shares in a company); (b) money placed at interest (other than cash awaiting investment); (c) building society shares; (d) holdings in an open-ended investment company, unit trust scheme or other Offshore Fund that itself fails to satisfy the qualifying investments test; (e) alternative finance arrangements; (f) derivative contracts in respect of currency or any of the matters listed in (a) to (e) above (other than certain alternative finance arrangements); (g) contracts for differences relating to interest rates, credit worthiness or currency; and (h) derivative contracts where there is a hedging relationship between the derivative contract and an asset within (a) to (d) above (a “**Bond Fund**”), the interest held by such Shareholder will be treated for accounting purposes as if it were rights under a creditor relationship for the purposes of the loan relationship rules. The Shares will constitute such interests in Offshore Funds and on the basis of the investment policies of the Fund, the Fund could fail to satisfy the qualifying investments test. In that eventuality, the Shares will be treated for corporation tax purposes as within the loan relationships regime with the result that all returns on the Shares in respect of such Shareholder’s accounting period (including gains, profits and losses) will be taxed or relieved as an income receipt or expense on a fair value accounting basis. These rules will apply to such investors if the 60 per cent. limit is exceeded at any time during the relevant Shareholder’s accounting period, even if it was not holding Shares at that time.

Individual Shareholders subject to United Kingdom income tax should note Section 378A of Income Tax (Trading and Other Income) Act 2005 which provides that certain distributions of an income nature from offshore funds that are economically similar to payments of yearly interest will be chargeable to tax as if they were yearly interest. As such, where the Offshore Fund fails to satisfy the “qualifying investments test” (outlined above) at any point in the relevant period, then any income distribution will be treated as interest for income tax purposes and the United Kingdom investors will be subject to income tax on such distributions at their appropriate marginal rate.

Income arising from Dividends or other Income Distributions

According to their personal circumstances Shareholders resident in the United Kingdom for tax purposes may be liable to income tax or corporation tax in respect of dividend or other income distributions of the Company (if any and whether or not actually distributed or reinvested and including (for the avoidance of doubt) any undistributed reported income calculated under the Reporting Fund regime).

Shareholders who are within the charge to corporation tax in respect of Shares will generally be exempt from corporation tax on dividends and other income distributions, unless the Bond Fund rules (see above) or other anti-avoidance provisions apply.

The nature of the charge to tax and any entitlement to a tax credit in respect of dividends or other distributions of an income nature made by the Fund will depend on a number of factors which may include the composition of the relevant assets of the Fund and the extent of a Shareholder’s interest in the Fund.

Individual Shareholders within the charge to income tax may be entitled to the annual dividend allowance which will exempt their first £2,000 of dividend income. Dividends received over this amount will be taxed at rates of 7.5 per cent. to the extent they fall within the basic rate band, 32.5 per cent. to the extent they fall within the higher rate band, and 38.1 per cent. to the extent they fall within the additional rate band.

Under current law, a gain on a disposal of Reporting Fund Shares (which includes a redemption) by an individual Shareholder who is resident in the United Kingdom for taxation purposes should be taxed at the current capital gains tax rate of 20 per cent. or 10 per cent. (depending on the Shareholder’s total taxable

income in the year). The principal factors that will determine the extent to which such capital gains will be subject to capital gains tax are the level of the annual exemption in the year in which the disposal takes place, the extent to which the Shareholder realises any other capital gains in that year and the extent to which the Shareholder has incurred capital losses in that or any earlier tax year.

Specific Types of Investor

Special rules apply to dealers in securities, insurance companies, pension schemes, investment trusts, authorised unit trusts and open ended investment companies in the United Kingdom. Such investors should seek their own professional advice in relation to the tax consequences of an investment in a Fund.

Special rules apply to United Kingdom resident individual Shareholders who are not domiciled in the United Kingdom. However, such investors should be aware of the Finance (No. 2) Act 2017 changes to the taxation of non-UK domiciled individuals with effect from April 2017. Broadly this means that certain non-UK domiciled individuals, in particular individuals who have been UK resident for 15 or more out of the previous 20 years and who are UK resident in at least one tax year after 2016/2017, will become deemed domiciled in the UK for tax purposes.

Shareholders who are not resident in the United Kingdom for taxation purposes should not generally be subject to United Kingdom taxation on any gain realised on any sale, redemption or other disposal of their Shares unless their holding of Shares is connected with a branch or agency through which the relevant Shareholder carries on a trade, profession or vocation in the United Kingdom.

Stamp Duty

No stamp duty or stamp duty reserve tax will arise on the issue of the Shares.

Provided that (as is intended) the Shares are not registered in any register kept in the United Kingdom, any agreement to transfer the Shares will not be subject to stamp duty reserve tax. No stamp duty will be payable on any transfer of the Shares, provided that the instrument of transfer is not executed in the United Kingdom and does not relate to any property situated, or to any matter or thing done or to be done, in the United Kingdom. Otherwise, if the instrument of transfer is executed within the United Kingdom and the consideration for the transfer is more than £1,000, it will be liable to United Kingdom ad valorem stamp duty at the rate of 0.5 per cent of the consideration paid rounded up to the nearest £5.

Inheritance Tax

An individual Shareholder domiciled or deemed to be domiciled in the United Kingdom for inheritance tax purposes may be liable to inheritance tax on their Shares in the event of death or on making certain categories of lifetime transfers.

Anti-Avoidance

The attention of individual Shareholders resident in the United Kingdom is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007, as amended. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled outside the United Kingdom and may render such individuals liable to taxation in respect of undistributed income profits of the Company on an annual basis. Exemptions to those rules are available for genuine commercial transactions (including genuine commercial activities overseas) where the avoidance of tax was not the purpose or one of the purposes for which the transactions were effected.

The attention of individual Shareholders resident in the United Kingdom is also drawn to the fact that under the United Kingdom tax regime for Offshore Funds or the United Kingdom regime for the taxation of chargeable gains, persons who cease to be resident in the United Kingdom and then realise a gain on the

sale, redemption or other disposal of their Shares may be subject to United Kingdom income tax or capital gains tax if they subsequently become resident in the United Kingdom within five whole tax years.

Individual Shareholders who are resident but not domiciled in the United Kingdom for tax purposes should note that, if they are applying for Shares, they may be required to make payment directly into a United Kingdom bank account. Where such an individual Shareholder intends to meet subscription proceeds from funds sourced outside the United Kingdom, such a payment may give rise to a taxable remittance for the purposes of United Kingdom taxation, depending upon the particular circumstances of that individual. Accordingly, it is recommended that such individual Shareholder seek independent tax advice in this respect before making a subscription for Shares from such funds.

The attention of persons resident in the United Kingdom for taxation purposes is drawn to the provisions of section 13 Taxation of Chargeable Gains Act 1992 ("section 13") and the supplementary provision of the Offshore Funds Regulations. Section 13 could be material to any such person who has an interest in the Company as a "participator" for United Kingdom taxation purposes (which term includes, but is not limited to, a shareholder) at a time when a gain accrues to the Company (such as on a disposal of any of its investments) which constitutes a chargeable gain or offshore income gain if, at the same time, the Company is itself controlled in such a manner and by a sufficiently small number of persons as to render the Company a body corporate that would, were it to have been resident in the United Kingdom for taxation purposes, be a "close" company for those purposes.

The provisions of section 13 would result in any such person who is a participator being treated for the purposes of United Kingdom taxation as if a part of any chargeable gain or offshore income gain accruing to the Company had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person's proportionate interest in the Company. No liability under section 13 could be incurred by such a person, however, in respect of a chargeable gain or offshore income gain accruing to the Company if the aggregate proportion of that gain that could be attributed under section 13 both to that person and to any persons connected with him for United Kingdom taxation purposes does not exceed one-quarter of the gain. In addition, section 13 does not apply where the asset giving rise to the gain was neither disposed of nor acquired or held as part of a scheme or arrangements having a tax avoidance main purpose. Section 13 applies to individuals domiciled outside the United Kingdom, subject to the remittance basis in particular circumstances.

It is not expected that the Company will be a "close" company, as the Funds are intended to be widely distributed.

UK resident corporate investors should be aware that if they invest into a Fund, they could be subject to the UK controlled foreign companies ("CFC") provisions. The CFC rules use both a "pre-gateway" and "gateway" test to specifically define where profits are being artificially diverted out of the UK. Where profits of a foreign company pass both the pre-gateway and the gateway test and are not excluded by any other exemption, entry condition or safe harbour, they will be chargeable profits apportioned to UK companies with a relevant interest of 25 per cent or more in the Company. Chargeable profits of the Company do not include any capital gains. This CFC charge can be reduced by a credit for any foreign tax attributable to the apportioned profits and by any UK relief which could otherwise be claimed. There are specific provisions which seek to provide relief for companies which are participants in offshore funds where there is a reasonable expectation that the 25 per cent relevant interest test will not be met.

Investor Protections

A United Kingdom investor who submits an account application for the purpose of acquiring Shares in the Company in response to the Prospectus will not have the right to cancel the agreement under the cancellation rules made by the Financial Conduct Authority. The agreement will be binding upon acceptance of the order by the Company.

The Company does not carry on any regulated activity from a permanent place of business in the United Kingdom and United Kingdom investors are advised that most of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Company. Shareholders in the Company may not be protected by the Financial Services Compensation Scheme established in the United Kingdom. The registered address of the Company is set out in the “Directory” section of the Prospectus.

Dealing Arrangements and Information

The Blackstone Group International Partners LLP has been appointed to act as the local facilities agent for the Company in the United Kingdom and it has agreed to provide certain facilities in respect of the Company at its offices at

40 Berkeley Square
London
W1J 5AL

Subscription and Redemption Procedures

The attention of investors is drawn to the subscription and redemption procedures contained in the Prospectus in particular with regard to the Trade Cut-Off Times for the Fund. Shares may be redeemed on a Dealing Day by contacting the Administrator so that a signed redemption request (in writing, by fax, by electronic means, or such other means in accordance with the requirements of the Central Bank) is received by the Administrator no later than the Trade Cut-Off Time. Alternatively, arrangements for the redemption of the Shares can be made via Mrs Sarah Acott at the above-mentioned offices.

Publication of Information

Except where the determination of the Net Asset Value has been temporarily suspended in the circumstances described below, the Net Asset Value per Share shall be made public at the office of the Administrator on each Dealing Day and shall be published on each Dealing Day on the internet address: www.blackstone.com/UCITS. Details of the determination of the Net Asset Value per Share are set out in the section entitled “Administration of the Company” in the Prospectus.

Documents

The following documents of the Company may be inspected and obtained free of charge from the registered office of the Company or from Mrs Sarah Acott at the above-mentioned offices.

- (a) the constitution of the Company;
- (b) the prospectus most recently issued by the Company together with any supplements;
- (c) the key investor information document(s) relating to the Shares most recently issued by the Company; and
- (d) the most recently published audited annual and unaudited half-yearly reports relating to the Company.

The above documents may be delivered to interested investors at their request.

Complaints

Information regarding the Company’s complaints procedure is available to Shareholders free of charge upon request to the Investment Manager. Shareholders may file any complaints about the Company or a Fund free of charge at the registered office of the Company or with Mrs Sarah Acott at the above-mentioned offices.

The date of this UK Supplement is 20 December 2018.