

Blackstone

Blackstone Alternative Asset Management L.P.

ANNUAL REPORT

For the Year Ended March 31, 2020

Blackstone Alternative Alpha Fund

Beginning on May 8, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on the Fund's website. You will be notified by mail each time a report is available, and you will be provided with a website link to access the report.

If you already have elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. Shareholders who hold accounts directly with the Distributor or the Fund may elect to receive shareholder reports and other communications from the Fund electronically by calling 1-855-890-7725 to make such arrangements. Shareholders who hold accounts through a broker-dealer or other financial intermediary should contact that financial intermediary directly for information on how to receive shareholder reports and other communications electronically.

You may elect to receive all future reports in paper free of charge. If you hold accounts directly with the Distributor, you can inform the Fund that you wish to continue receiving paper copies of your shareholder reports by calling 1-855-890-7725 to make such arrangements. For shareholders who hold accounts through a broker-dealer or other financial intermediary, please contact your financial intermediary directly to inform them that you wish to continue receiving paper copies of your shareholder reports. If your Fund shares are held through a financial intermediary, your election to receive reports in paper will apply to all funds held with that financial intermediary.

Capitalized terms not defined herein have the meanings assigned to them in the Prospectus.

TABLE OF CONTENTS

Blackstone Alternative Alpha Fund

Report of Independent Registered Public Accounting Firm	1
Statement of Assets and Liabilities	2
Schedule of Investment	3
Statement of Operations	4
Statements of Changes in Net Assets	5
Statement of Cash Flows	6
Financial Highlights	7
Notes to Financial Statements	8
Supplemental Information (Unaudited)	14
Privacy Policy	19

Blackstone Alternative Alpha Master Fund and Subsidiary

Report of Independent Registered Public Accounting Firm	22
Consolidated Statement of Assets and Liabilities	23
Consolidated Schedule of Investments	24
Consolidated Statement of Operations	25
Consolidated Statements of Changes in Net Assets	26
Consolidated Statement of Cash Flows	27
Consolidated Financial Highlights	28
Notes to Consolidated Financial Statements	29
Supplemental Information (Unaudited)	38

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Trustees of
Blackstone Alternative Alpha Fund

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statement of assets and liabilities of Blackstone Alternative Alpha Fund (the “Fund”) including the schedule of investment, as of March 31, 2020, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of March 31, 2020, and the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on December 16, 2019, the Board of Trustees of the Fund approved a plan to liquidate the Fund. As of December 31, 2019, Blackstone Alternative Alpha Master Fund and Subsidiary (“the Master Fund”) began to liquidate its investments in investee funds. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP
New York, New York
May 26, 2020

We have served as the auditors of one or more investment companies within the group of investment companies since 2010.

Blackstone Alternative Alpha Fund

Statement of Assets and Liabilities

As of March 31, 2020

Assets:

Investment in Blackstone Alternative Alpha Master Fund (“Master Fund”), at fair value (Cost \$387,699,414)	\$343,110,663
Cash	<u>7,725,217</u>
Total assets	<u>350,835,880</u>

Liabilities:

Payable for shares repurchased	9,314,554
Payable for shares purchased from Master Fund	444,092
Shareholder service and distribution fees payable	241,336
Payable to Investment Manager	241,171
Accrued expenses and other liabilities	<u>226,104</u>
Total liabilities	<u>10,467,257</u>
Net assets	<u><u>\$340,368,623</u></u>

Components of Net Assets:

Paid-in Capital	\$371,681,587
Total Accumulated Earnings/(Loss)	<u>(31,312,964)</u>
Net assets	<u><u>\$340,368,623</u></u>

Net Asset Value:

Net assets	\$340,368,623
Shares of beneficial interests outstanding, no par value, unlimited shares authorized	<u>346,837</u>
Net asset value per share	<u><u>\$ 981.35</u></u>

See accompanying Notes to Financial Statements.

Blackstone Alternative Alpha Fund
Schedule of Investment
March 31, 2020

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percentage of Total Net Assets</u>
Blackstone Alternative Alpha Master Fund ("Master Fund")	334,306	\$387,699,414	\$343,110,663	100.81%
Other liabilities, less assets			<u>(2,742,040)</u>	<u>(0.81)%</u>
Total Net Assets			<u><u>\$340,368,623</u></u>	<u><u>100.00%</u></u>

See accompanying Notes to Financial Statements.

Blackstone Alternative Alpha Fund
Statement of Operations
For the Year Ended March 31, 2020

Expense Reversal Due to Liquidation:

Registration fees	\$ 118,506
Trustees fees	10,729
	129,235
Total expense reversal due to liquidation	129,235

Fund Expenses:

Distribution	\$ 2,764,557
Shareholder service	1,151,899
Printing	247,020
Transfer agent fees	118,887
Professional	72,179
Legal	30,098
Blue sky fees	23,142
Custody	11,170
Consultancy Fee	2,614
Other	15,702
	4,437,268
Total Fund expenses	4,437,268
Less Expenses reimbursed by Investment Manager*	(35,887)
Fund expenses	4,401,381
Net Investment Loss	(4,272,146)

Realized and Unrealized Gain/(Loss) from Investments:

Realized gain distribution from Master Fund	23,472,255
Realized loss from investment in Master Fund	(9,553,442)
Net change in unrealized depreciation from investment in Master Fund	(29,614,816)
	(15,696,003)
Net Realized and Unrealized Gain/(Loss) from Investments	(15,696,003)
Net Decrease in Net Assets resulting from Operations	\$(19,968,149)

* The reimbursement includes expenses incurred by the Fund and the Master Fund (as defined herein). See Note 5.

Blackstone Alternative Alpha Fund

Statements of Changes in Net Assets

	<u>For the Year Ended March 31, 2020</u>	<u>For the Year Ended March 31, 2019</u>
Increase (Decrease) in Net Assets:		
Operations:		
Net investment loss	\$ (4,272,146)	\$ (6,340,970)
Realized gain distribution from Master Fund	23,472,255	29,757,151
Realized (loss) gain from investment in Master Fund	(9,553,442)	(355,007)
Net change in unrealized (depreciation) appreciation from investment in Master Fund	<u>(29,614,816)</u>	<u>(29,133,219)</u>
Net decrease in net assets resulting from operations	<u>(19,968,149)</u>	<u>(6,072,045)</u>
Distributions to shareholders	<u>(21,013,254)</u>	<u>(23,338,865)</u>
Capital Transactions:		
Shareholder subscriptions	2,494,092	7,827,634
Reinvestment of distributions	—	20,547,138
Shareholder redemptions	(191,575,318)	(133,336,227)
Early withdrawal fee	<u>1,223</u>	<u>753</u>
Net decrease in net assets from capital transactions	<u>(189,080,003)</u>	<u>(104,960,702)</u>
Net Assets:		
Total decrease in net assets	(230,061,406)	(134,371,612)
Beginning of year	<u>570,430,029</u>	<u>704,801,641</u>
End of year	<u>\$ 340,368,623</u>	<u>\$ 570,430,029</u>
Share Transactions:		
Beginning of year	518,911	612,141
Shares issued	2,262	6,808
Shares reinvested	—	19,743
Shares redeemed	<u>(174,336)</u>	<u>(119,781)</u>
End of year	<u>346,837</u>	<u>518,911</u>

See accompanying Notes to Financial Statements.

Blackstone Alternative Alpha Fund
Statement of Cash Flows
For the Year Ended March 31, 2020

Cash Flows from Operating Activities:

Net decrease in net assets resulting from operations \$ (19,968,149)

Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:

Realized loss from investment in Master Fund	9,553,442
Net change in unrealized depreciation from investment in Master Fund	29,614,816
Purchase of investment in Master Fund	(2,494,072)
Proceeds from redemption of investments in Master Fund	188,152,487
Decrease in receivable for shares repurchased in Master Fund	41,902,989
Decrease in prepaid expenses	13,017
Increase in payable for shares purchased in Master Fund	444,092
Decrease in shareholder service and distribution fees payable	(187,795)
Decrease in payable to Investment Manager	(614,073)
Decrease in accrued expenses and other liabilities	(138,923)

Net cash provided by operating activities 246,277,831

Cash Flows from Financing Activities:

Proceeds from shareholder subscriptions and subscriptions received in advance	1,514,092
Payments for shareholder distributions	(21,013,254)
Payments for shareholder redemptions of shares	(221,890,667)

Net cash used in financing activities (241,389,829)

Net change in cash	4,888,002
Cash, beginning of year	2,837,215

Cash, end of year \$ 7,725,217

Blackstone Alternative Alpha Fund

Financial Highlights

	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017	For the Year Ended March 31, 2016
Per Share Operating Performance:					
Net Asset Value, Beginning of Year	\$ 1,099.28	\$ 1,151.37	\$ 1,148.21	\$ 1,085.30	\$ 1,260.80
Income/(loss) from Investment Operations:					
Net investment loss ¹	(9.96)	(10.95)	(11.61)	(11.50)	(12.22)
Net realized and unrealized gain/ (loss) from investments	(55.19)	0.20	55.97	118.90	(132.60)
Net income/(loss) from investment operations	(65.15)	(10.75)	44.36	107.40	(144.82)
Distributions to shareholders from ordinary income	(3.51)	(2.48)	(9.35)	—	—
Distributions to shareholders from net realized capital gains	(49.27)	(38.86)	(31.86)	(44.54)	(30.71)
Early withdrawal fee	—	—	0.01	0.05	0.03
Net Asset Value, end of year	<u>\$ 981.35</u>	<u>\$ 1,099.28</u>	<u>\$ 1,151.37</u>	<u>\$ 1,148.21</u>	<u>\$ 1,085.30</u>
Financial Ratios:					
Distribution and service fees	0.85%	0.85%	0.85%	0.85%	0.85%
Other expenses to average net assets for the Fund before repayment/ (reimbursement) to/from Investment Manager	0.07%	0.13%	0.12%	0.11%	0.09%
Repayment/(Reimbursement) to/ from Investment Manager ²	(0.01)%	(0.01)%	0.03%	0.06%	0.09%
Total expenses to average net assets for the Fund after repayment/ (reimbursement) to/ from Investment Manager ³	<u>0.91%</u>	<u>0.97%</u>	<u>1.00%</u>	<u>1.02%</u>	<u>1.03%</u>
Net investment loss to average net assets for the Fund	<u>(0.91)%</u>	<u>(0.97)%</u>	<u>(1.00)%</u>	<u>(1.02)%</u>	<u>(1.03)%</u>
Portfolio turnover ⁴	<u>0.05%</u>	<u>32.69%</u>	<u>2.47%</u>	<u>13.15%</u>	<u>8.97%</u>
Total return	<u>(6.41)%</u>	<u>(0.73)%</u>	<u>3.89%</u>	<u>10.07%</u>	<u>(11.63)%</u>
Net assets, end of year (000s)	<u>\$ 340,369</u>	<u>\$ 570,430</u>	<u>\$ 704,802</u>	<u>\$ 782,803</u>	<u>\$ 866,873</u>

¹ Calculated using average shares outstanding during the year.

² The repayment/reimbursement includes expenses incurred by the Fund and the Master Fund. See Note 5.

³ In accordance with the Expense Limitation and Reimbursement Agreement, Specified Expenses of the Master Fund are included in the limitation of the Expense Cap. See Note 5. The expenses of the Master Fund represent 1.39%, 1.57%, 1.50%, 1.48% and 1.45% on an annualized basis, of average net assets for the Fund for the years ended March 31, 2020, March 31, 2019, March 31, 2018, March 31, 2017 and March 31, 2016, respectively. The net expense ratio for the Fund, including the applicable Master Fund expenses, is 2.30%, 2.54%, 2.50%, 2.50% and 2.48% , on an annualized basis, for the years ended March 31, 2020, March 31, 2019, March 31, 2018, March 31, 2017 and March 31, 2016 respectively.

⁴ The Fund is invested solely in the Master Fund; therefore, this ratio reflects the portfolio turnover of the Master Fund.

The financial ratios represent the expenses and net investment loss to average monthly net assets for the year. The computation of such ratios does not reflect the Fund's share of the income and expenses of the underlying Investee Funds held by the Master Fund. The individual shareholder's total return may vary from this total return based on the timing of capital transactions.

See accompanying Notes to Financial Statements.

Blackstone Alternative Alpha Fund

Notes to Financial Statements

March 31, 2020

1. Organization

Blackstone Alternative Alpha Fund (the “Fund”), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a continuously offered, non-diversified, closed-end management investment company, commenced operations on April 1, 2012. The Fund’s investment objective is to seek to earn attractive long-term risk-adjusted returns. Risk-adjusted returns reflect that the Fund is managed to target, among other things, lower volatility than traditional equity markets and therefore the Fund’s performance is not expected to track traditional equity markets on an absolute basis. There can be no assurance that the Fund will achieve its objective or avoid significant losses. The Fund pursues its objective by investing substantially all of its assets in Blackstone Alternative Alpha Master Fund (the “Master Fund”), a Massachusetts business trust registered under the 1940 Act as a continuously offered, closed-end management investment company with the same investment objective and substantially the same investment policies as the Fund.

The Master Fund’s Consolidated Financial Statements and Notes to Consolidated Financial Statements, included elsewhere within this report, are an integral part of the Fund’s financial statements and should be read in conjunction with these financial statements. As of March 31, 2020, the Fund held a 85.76% ownership interest in the Master Fund.

The investment manager of the Fund and the Master Fund is Blackstone Alternative Asset Management L.P. (“BAAM” or the “Investment Manager”), a registered investment adviser under the Investment Advisers Act of 1940, as amended. Each of the Fund and the Master Fund is a commodity pool subject to regulation by the Commodity Futures Trading Commission (“CFTC”). BAAM, which serves as the commodity pool operator of the Fund and the Master Fund, is registered as such with the CFTC, but has claimed relief with respect to the Fund and the Master Fund pursuant to Rule 4.12(c)(3) under the Commodity Exchange Act from certain disclosure, reporting and recordkeeping requirements otherwise applicable to commodity pools. The Board of Trustees (the “Board” and each member a “Trustee”) of the Fund and the Master Fund supervises the conduct of the Fund’s and the Master Fund’s affairs and, pursuant to their respective investment management agreements, has engaged BAAM to manage the Fund’s and the Master Fund’s day-to-day investment activities.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the Prospectus of the Fund.

On December 16, 2019, the Board of Trustees of the Fund approved a plan to liquidate the Fund (the “Plan of Liquidation”) and a plan to liquidate the Master Fund. As of December 31, 2019, the Master Fund began to liquidate its investments in Investee Funds.

Based on the best available information, the Fund’s Investment Manager has accrued income and expenses which the Fund is expected to receive and pay through final dissolution of the Fund. Amounts are included in the Statement of Assets and Liabilities.

2. Basis of Presentation

The Fund’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and are stated in U.S. dollars.

The Fund is an investment company in accordance with Accounting Standards Codification 946, *Financial Services—Investment Companies* (“ASC 946”), which defines investment companies and prescribes specialized accounting and reporting requirements for investment companies. The Fund follows the accounting and reporting guidance in ASC 946.

Blackstone Alternative Alpha Fund

Notes to Financial Statements (Continued)

March 31, 2020

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates and these differences could be material.

3. Significant Accounting Policies

Fair Value Measurements

Investment in the Master Fund

The Fund's investment in the Master Fund is recorded at fair value and is based upon the Fund's percentage ownership of the net assets of the Master Fund. The performance of the Fund is directly affected by the performance of the Master Fund.

See Note 3 to the Master Fund's Consolidated Financial Statements for the determination of fair value of the Master Fund's investments.

Investment Transactions and Related Investment Income and Expenses

Investment transactions are accounted for on a trade date basis. Income and expenses, including interest, are recorded on an accrual basis.

The net realized gains or losses from investment in the Master Fund are recorded when the Fund redeems or partially redeems its interest in the Master Fund or receives distributions in excess of return of capital. Realized gains and losses from redemptions of investments are calculated using the first-in, first-out cost basis methodology.

Cash

At March 31, 2020, the Fund had \$7,725,217 of cash held at a major U.S. bank.

Contingencies

Under the Fund's Amended and Restated Agreement and Declaration of Trust ("Declaration of Trust"), the Fund's officers and Trustees are indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of representations and indemnifications. The Fund's maximum exposure under these arrangements is unknown. To date, the Fund has not had claims or losses pursuant to these contracts, although there is no assurance that it will not incur losses in connection with these indemnifications in the future.

Income Taxes

The Fund's policy is to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986 and to distribute substantially all of its investment company taxable income and net long-term capital gains to its shareholders. Therefore, no federal income tax provision is expected to be required. The Fund files U.S. federal and various state and local tax returns.

Management of the Fund has evaluated the tax positions taken or expected to be taken in the course of preparing the Fund's tax returns for the current open tax years ended October 31, 2016, October 31, 2017, October 31, 2018 and October 31, 2019 and has concluded, as of March 31, 2020, that no provision for

Blackstone Alternative Alpha Fund

Notes to Financial Statements (Continued)

March 31, 2020

income tax would be required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for the current open tax years are subject to examination by the Internal Revenue Service and state taxing authorities.

Dividends and Distributions to Shareholders

Dividends from net investment income and distributions of capital gains, if any, are declared and paid at least annually. The Fund's Automatic Dividend Reinvestment Plan (the "DRIP") has been suspended effective December 17, 2019. As a result of the suspension of the DRIP, no dividends or distributions will be reinvested in additional Shares after December 17, 2019 and instead shareholders will receive any dividend or distributions in cash.

Prior to December 17, 2019, dividends and capital gain distributions paid by the Fund were reinvested in additional Shares (defined below) of the Fund pursuant to the DRIP unless a shareholder elected not to reinvest in Shares or was otherwise ineligible. Shares purchased by reinvestment were issued at their net asset value on the ex-dividend date.

COVID-19 and Global Economic and Market Conditions

During the fourth quarter of the fiscal year, the World Health Organization designated the global outbreak of COVID-19 as a pandemic, and numerous countries, including the United States, have declared national emergencies with respect to COVID-19. The global impact of the outbreak continues to rapidly evolve, and many countries have instituted quarantines and restrictions on travel, closed financial markets and/or restricted trading, and closed or limited hours of operations of non-essential businesses. Such actions are creating severe economic contraction and adversely impacting many industries.

The continued rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on financial market and economic conditions. The estimates and assumptions underlying these condensed consolidated financial statements are based on the information available as of March 31, 2020, including judgments about the ultimate adverse impact of COVID-19 on financial market and economic conditions which may change substantially over time.

4. Fund Terms

Issuance of Shares

In conjunction with the Plan of Liquidation, the Fund suspended offers and sales of shares of beneficial interest ("Shares").

Prior to the Plan of Liquidation, the Fund issued Shares to eligible investors as of the first business day of the month or at such other times as determined by the Board upon receipt of an initial or additional application for Shares.

The Fund reserved the right to reject, in whole or in part, any applications for subscriptions of Shares. The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Fund's Declaration of Trust.

Repurchase of Shares

In conjunction with the Plan of Liquidation, the Investment Manager does not currently intend to recommend that the Board approve the commencement of any offers to purchase Shares.

Blackstone Alternative Alpha Fund

Notes to Financial Statements (Continued)

March 31, 2020

Prior to the Plan of Liquidation, the Fund from time to time offered to repurchase a portion of its outstanding Shares pursuant to written tenders by shareholders. Repurchases were made only at such times and on such terms as determined by the Board, in its complete and exclusive discretion. Shareholders who tendered Shares in a repurchase offer that had a Tender Valuation Date within the 12 month period following the original issue date of such Shares were subject to an early withdrawal fee of 2% of the aggregate net asset value of the Shares repurchased by the Fund.

In determining whether the Fund should repurchase Shares from shareholders pursuant to written tenders, the Fund's Board considered the Investment Manager's recommendations, among other factors. The Investment Manager expected to recommend quarterly repurchases. Since the Fund's assets consist primarily of its investment in the Master Fund, the ability of the Fund to have its Shares in the Master Fund be repurchased were subject to the Master Fund's repurchase policy.

5. Related Party Transactions

Blackstone Holdings Finance Co. L.L.C. ("FINCO"), an affiliate of the Fund, pays expenses on behalf of the Fund. The Fund reimburses FINCO for such expenses paid on behalf of the Fund. FINCO does not charge any fees for providing such administrative services. At year-end March 31, 2020, the amount outstanding is \$115,839.

Management Fee

In conjunction with the Plan of Liquidation, effective January 1, 2020, the Investment Manager waived its management fee (the "Management Fee").

Prior to January 1, 2020, the Investment Manager would not charge the Fund a management fee as long as substantially all of the assets of the Fund were invested in the Master Fund. The Master Fund paid the Investment Manager a Management Fee quarterly in arrears (accrued on a monthly basis), equal to 1.25% (annualized) of the Master Fund's net asset value at the end of such month before giving effect to the payment of the management fee or any purchases or repurchases of Master Fund shares or any distributions by the Master Fund. The Management Fee for any period less than a full quarter was prorated.

Expense Limitation and Reimbursement

In conjunction with the Plan of Liquidation and the Investment Manager's waiver of its management fee, effective January 1, 2020, the Board terminated the Expense Limitation and Reimbursement Agreement (the "Agreement").

Prior to January 1, 2020, the Investment Manager had an Agreement with the Fund to limit the amount of the Fund's Specified Expenses (as described below) to an amount not to exceed 0.35% per annum of the Fund's net assets (the "Expense Cap") (computed and applied on a monthly basis). Specified Expenses were defined to include all expenses incurred by the Fund and the Fund's pro rata share of all expenses incurred by the Master Fund with the exception of: (i) the Management Fee, (ii) the Distribution and Service Fee (as defined below), (iii) fees and expenses of the Investment Funds in which the Master Fund invests, (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 (in each case, as determined in the sole discretion of the Investment Manager). To the extent that Specified Expenses for the Fund (including the Fund's pro rata share of the Master Fund's Specified Expenses) for any month exceeded the Expense Cap, the Investment Manager would waive its fees and/or reimburse the Fund for expenses to the extent necessary to eliminate such excess. The Fund agreed to repay the amounts borne by the Investment Manager under the Agreement within the three year period after the Investment Manager bears the expense,

Blackstone Alternative Alpha Fund

Notes to Financial Statements (Continued)

March 31, 2020

when and if requested by the Investment Manager, but only if and to the extent that the estimated annualized Specified Expenses of the Fund (including the Fund's pro rata share of the Master Fund's Specified Expenses) for a given month are less than the lower of the Expense Cap and any expense limitation agreement then in effect with respect to the Specified Expenses. The Investment Manager is permitted to receive such repayment from the Fund provided that the reimbursement amount does not raise the level of Specified Expenses of the Fund (including the Fund's pro rata share of the Master Fund's Specified Expenses) in the month the repayment is being made to a level that exceeds the Expense Cap or any other expense limitation agreement then in effect with respect to the Specified Expenses.

Distribution and Servicing Agreement

Blackstone Advisory Partners L.P., an affiliate of the Investment Manager, serves as the distributor of the Shares of the Fund (the "Distributor"). The Fund pays the Distributor a fee (the "Distribution and Service Fee") equal to 0.85% (annualized) of the average net assets of the Fund. The Distribution and Service Fee consists of compensation at a rate of 0.60% for the sale and marketing of the Shares and 0.25% for services provided to Investors. The Distributor may pay all or a portion of the Distribution and Service Fee to the selling agents that sell Shares and/or provide sales support services and to other financial intermediaries that provide personal services and/or the maintenance of shareholder accounts.

Expense Payments

The Investment Manager pays expenses on behalf of the Fund and is subsequently reimbursed for such payments. Subject to the Expense Limitation and Reimbursement Agreement, the Fund was allocated \$35,887 of the repayment amount, which reduced the amount payable by the Fund to the Investment Manager for reimbursement of such expenses. As of March 31, 2020, the Fund had a net payable to the Investment Manager of \$241,171 recorded in the Statement of Assets and Liabilities.

6. Financial Instruments and Off-Balance Sheet Risk

In the normal course of business, the investment partnerships, managed funds and other investment funds ("Investee Funds") held by the Master Fund may enter into certain financial instrument transactions which may result in off-balance sheet market risk and credit risk. The Fund's market risk is also impacted by an Investee Fund's exposure to interest rate risk, foreign exchange risk, and industry or geographic concentration risk. The Investee Funds held by the Master Fund invest in these instruments for trading and hedging purposes. The Fund is indirectly subject to certain risks arising from investments made by the Investee Funds held by the Master Fund.

Market Risk

The Fund, through its investments in Investee Funds held by the Master Fund, has exposure to financial instrument transactions which may have off-balance sheet market risk. Off-balance sheet market risk is the risk of potential adverse changes to the value of financial instruments and derivatives because of changes in market conditions such as interest and currency rate movements. See Notes to the Consolidated Master Fund's Financial Statements.

Credit Risk

The Fund is subject to certain inherent credit risks arising from transactions involving derivative financial instruments by exposure through the Master Fund's investments. Credit risk is the amount of accounting loss that the Fund would incur if a counterparty fails to perform its obligations under contractual terms. See notes to the Consolidated Master Fund's financial statements.

Blackstone Alternative Alpha Fund
Notes to Financial Statements (Continued)
March 31, 2020

7. Income Taxes

The tax character of dividends paid to shareholders during the year January 1, 2019 to December 31, 2019 was as follows:

<u>Ordinary Income</u>	<u>Net Long Term Capital Gains</u>	<u>Total Taxable Distributions</u>	<u>Tax Return of Capital</u>	<u>Total Distributions</u>
\$1,399,072	\$19,614,182	\$21,013,254	\$—	\$21,013,254

The tax character of dividends paid to shareholders during the year January 1, 2018 to December 31, 2018 was as follows:

<u>Ordinary Income</u>	<u>Net Long Term Capital Gains</u>	<u>Total Taxable Distributions</u>	<u>Tax Return of Capital</u>	<u>Total Distributions</u>
\$1,399,072	\$21,939,793	\$23,338,865	\$—	\$23,338,865

As of the tax year ended October 31, 2019, the components of accumulated earnings (deficit) on a tax basis were as follows:

<u>Undistributed Ordinary Income</u>	<u>Undistributed Long-Term Capital Gains</u>	<u>Accumulated Capital and Other Losses</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Total Accumulated Earnings (Deficit)</u>
\$—	\$19,614,182	\$—	\$(11,468,495)	\$8,145,687

The amounts of net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of dividends and distributions made during the fiscal year from net investment income or net realized gains may differ from the ultimate characterization for federal income tax purposes. The timing of dividends from net investment income and distributions from net realized gains distributed during the fiscal year may also differ from the year that the income or realized gain was recorded by the Fund. To the extent these differences are permanent, adjustments are made to the appropriate equity accounts in the period the differences arise.

Accordingly, the following permanent differences, primarily due net operating losses, to distribution redesignations and reversal of redemption penalty income, have been reclassified to increase (decrease) such accounts during the tax year ended October 31, 2019:

<u>Accumulated Net Investment Income (Loss)</u>	<u>Accumulated Net Realized Gain (Loss)</u>	<u>Paid-in Capital</u>
\$3,504,209	\$(1,399,072)	\$(2,105,137)

8. Subsequent Events

The Investment Manager has evaluated the impact of subsequent events through the date of financial statement issuance, and determined there were no subsequent events outside the normal course of business requiring adjustment to or disclosure in the financial statements.

Blackstone Alternative Alpha Fund

Supplemental Information

March 31, 2020 (Unaudited)

Management of the Fund

The Fund's operations are managed by the Investment Manager under the direction and oversight of the Board of Trustees. A majority of the Trustees are not "interested persons" (as defined in the 1940 Act) of the Fund or the Investment Manager (the "Independent Trustees"). The Fund's Trustees and officers are subject to removal or replacement in accordance with Massachusetts law and the Fund's Amended and Restated Declaration of Trust ("Declaration of Trust"). The Fund's Board of Trustees also serves as the board of trustees of the Master Fund and the board of trustees of Blackstone Alternative Alpha Fund II ("BAAF II" together with the Fund, the "Feeder Funds"), an affiliate of the Fund that also invests substantially all of its assets in the Master Fund.

Compensation for Trustees

Each of the Independent Trustees is paid by the Fund Complex (as defined below) at a rate of \$150,000 per fiscal year in the aggregate for his or her services to the Fund Complex (including the subsidiaries of Blackstone Alternative Multi-Strategy Fund, the "Subsidiaries"). Mr. Coates (a Trustee being treated as an "interested person" (as defined in the 1940 Act) of the Fund due to his employment by Envestnet, Inc., which conducts business with certain Investee Funds and may conduct business with the Investment Adviser and its affiliates in the future) is paid by the Fund Complex at a rate of \$129,000 per fiscal year in the aggregate for his services to the Fund Complex (excluding the Subsidiaries). The Chairpersons of the Board of Trustees and the Audit Committee are paid by the Fund Complex an additional \$35,000 and \$15,000, respectively, per fiscal year. These payments are allocated among the Fund and the other funds in the Fund Complex on the basis of assets under management. The Fund Complex pays for the Trustees' travel expenses related to the Board meetings. The Trustees do not receive any pension or retirement benefits from the Fund Complex.

The following table sets forth information regarding the compensation paid to the persons who served as Trustees of the BAAF Funds during the fiscal year ended March 31, 2020.

Name of Independent Trustee	Aggregate Compensation From the BAAF Funds	Total Compensation From the Fund Complex ¹
John M. Brown	\$10,529	\$185,000
Peter M. Gilbert	\$ 8,282	\$150,000
Paul J. Lawler	\$ 8,282	\$150,000
Kristen M. Leopold	\$ 9,245	\$165,000
Name of Interested Trustee	Aggregate Compensation From the BAAF Funds	Total Compensation From the Fund Complex ¹
Frank J. Coates	\$ 8,282	\$129,000
Peter Koffler	None	None

¹ These amounts represent aggregate compensation for the services of each Trustee to each fund in the Fund Complex for which each Trustee serves as trustee, including the BAAF Funds, Blackstone Alternative Multi-Strategy Fund, a series of Blackstone Alternative Investment Funds, and the Subsidiaries.

**Blackstone Alternative Alpha Fund
Supplemental Information (Continued)
March 31, 2020 (Unaudited)**

Board of Trustees and Officers

The identity of the Trustees and officers of the Fund, and brief biographical information regarding each Trustee and officer during the past five years, is set forth below.

INDEPENDENT TRUSTEES:

Name and Year of Birth of Independent Trustees ¹	Position(s) Held with each of the Feeder Funds and the Master Fund	Term of Office ² and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex ³ Overseen by Trustee	Other Trusteeships Held by Trustee
John M. Brown (1959)	Trustee	January 2012 to Present	Retired (2004 – Present)	4	None
Peter M. Gilbert (1947)	Trustee	February 2016 to Present	Retired (2015 – Present); CIO, Lehigh University Endowment Fund (2007 – 2015)	4	None
Paul J. Lawler (1948)	Trustee	January 2012 to Present	Retired (2011 – Present)	4	Trustee, First Eagle Funds (8 portfolios)
Kristen M. Leopold (1967)	Trustee	January 2012 to Present	CFO, WFL Real Estate Services, LLC (2006 – Present); CFO, KL Associates LLC (Hedge Fund Consulting) (2007 – 2014)	4	Trustee, CPG Funds (6 portfolios)

**Blackstone Alternative Alpha Fund
Supplemental Information (Continued)
March 31, 2020 (Unaudited)**

INTERESTED TRUSTEES:

Name and Year of Birth of Interested Trustees ¹	Position(s) Held with each of the Feeder Funds and the Master Fund	Term of Office ² and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex ³ Overseen by Trustee	Other Trusteeships Held by Trustee
Frank J. Coates ⁴ (1964)	Trustee	January 2012 to Present	Executive Managing Director ⁶ , Envestnet, Inc. (Wealth Management Solutions) (2016 – Present); CEO, Wheelhouse Analytics, LLC (Technology Solutions) (2010 – 2016)	4	None
Peter Koffler ⁵ (1956)	Trustee	December 2012 to Present	Senior Managing Director ⁶ , The Blackstone Group Inc. (“Blackstone”) (2012 – Present); General Counsel, BAAM (2010 – Present) and Blackstone Alternative Investment Advisors LLC (“BAIA”) (2012 – Present); Chief Compliance Officer, BAAM (2008 – 2012, 2018) and BAIA (2018 – Present); Chief Compliance Officer, Blackstone (2013 – 2016)	4	None

**Blackstone Alternative Alpha Fund
Supplemental Information (Continued)
March 31, 2020 (Unaudited)**

OFFICERS

Name and Year of Birth of Officers ¹	Position(s) Held with each of the Feeder Funds and the Master Fund	Term of Office ⁷ and Length of Time Served	Principal Occupation(s) During Past 5 Years
Brian F. Gavin (1969)	President (Principal Executive Officer)	November 2011 to Present	Chief Operating Officer & Senior Managing Director ⁶ , Blackstone (2007 – Present)
James Hannigan (1983)	Chief Compliance Officer and Chief Legal Officer	Chief Compliance Officer (August 2016 to Present); Chief Legal Officer (March 2015 to Present) Anti-Money Laundering Officer (August 2016 to September 2018)	Managing Director ⁶ , Blackstone (2018 – Present); Vice President, Blackstone (2013 – 2017)
Charmagne Kukulka (1989)	Interim Secretary	March 2020 to Present	Associate, Blackstone (2020 – Present); Analyst, Blackstone (2015 – 2019)
Natasha Kulkarni (1985)	Secretary	May 2018 to Present	Principal, Blackstone (2020 – Present) Vice President, Blackstone (2016 – 2019); Associate, Blackstone (2013 – 2015)
Arthur Liao (1972)	Treasurer (Principal Financial and Accounting Officer)	November 2011 to Present	Senior Managing Director ⁶ , Blackstone (2016 – Present); Chief Financial Officer, BAAM (2007 – Present) and BAIA (2012 – Present); Managing Director ⁶ , Blackstone (2007 – 2015)
Sherilene Sibadan (1976)	Anti-Money Laundering Officer	July 2019 to Present	Senior Vice President, Blackstone (2016 – Present); Vice President, Blackstone (2013 – 2016)

Blackstone Alternative Alpha Fund

Supplemental Information (Continued)

March 31, 2020 (Unaudited)

- ¹ Unless otherwise noted, the business address of each officer and Trustee is c/o Blackstone Alternative Asset Management L.P., 345 Park Avenue, 28th Floor, New York, New York 10154.
- ² Term of office of each Trustee is indefinite, until his or her resignation, removal, replacement, or death. Any Trustee of each of the Feeder Funds or the Master Fund may be removed from office in accordance with the provisions of each of the Feeder Fund's and the Master Fund's Amended and Restated Agreement and Declaration of Trust and Bylaws.
- ³ As of December 31, 2019, the "Fund Complex" consisted of Blackstone Alternative Multi-Strategy Fund, funds managed by Blackstone Alternative Asset Management LP (Blackstone Alternative Alpha Fund, Blackstone Alternative Alpha Fund II, and Blackstone Alternative Alpha Master Fund), funds managed by Blackstone / GSO Debt Funds Management LLC (Blackstone / GSO Floating Rate Enhanced Income Fund, Blackstone / GSO Senior Floating Rate Term Fund, Blackstone /GSO Long-Short Credit Income Fund, Blackstone / GSO Strategic Credit Fund, and Blackstone / GSO Secured Lending Fund), and funds managed by Blackstone Real Estate Income Advisors L.L.C. (Blackstone Real Estate Income Fund, Blackstone Real Estate Income Fund II and Blackstone Real Estate Income Master Fund).
- ⁴ Mr. Coates is being treated as an "interested person" of the Fund and the Master Fund, as defined in the 1940 Act, due to his employment by Envestnet, Inc., which conducts business with certain Investment Funds and may conduct business with BAAM and/or its affiliates in the future.
- ⁵ Mr. Koffler is an "interested person" of the Feeder Funds and the Master Fund, as defined in the 1940 Act, due to his position with BAAM and its affiliates.
- ⁶ Executive title, not a board directorship.
- ⁷ Term of office of each Officer is indefinite, until his or her death, resignation, removal or disqualification.

Allocation of Investments

The Fund invests substantially all of its assets in the Master Fund. See the Consolidated Master Fund's supplemental information for the allocation of investments among asset classes.

Form N-PORT Filings

The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year as an exhibit on Form N-PORT. The Fund's Form N-PORT is available on the SEC's website at <http://www.sec.gov> within 60 days after the Fund's first and third fiscal quarters. Holdings and allocations shown on any Form N-PORT are as of the date indicated in the filing and may not be representative of future investments. Holdings and allocations should not be considered research or investment advice and should not be relied upon in making investment decisions.

Proxy Voting Policies

The Fund and the Master Fund have delegated proxy voting responsibilities to the Investment Manager, subject to the Board's general oversight. A description of the policies and procedures used to vote proxies related to the Fund's and the Master Fund's portfolio securities, and information regarding how the Fund and the Master Fund voted proxies relating to their portfolio securities during the most recent 12-month period ended June 30 will be available by August 31 of that year (1) without charge, upon request, by calling toll free, 1-855-890-7725 and (2) on the SEC's website at <http://www.sec.gov>.

Additional Information

The Fund's prospectus and statement of additional information include additional information about the Trustees of the Fund. The prospectus and statement of additional information are available, without charge, upon request by calling 1-855-890-7725.

FACTS

WHAT DO BLACKSTONE REGISTERED FUNDS DO WITH YOUR PERSONAL INFORMATION?

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- Assets and investment experience
- Risk tolerance and transaction history

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Blackstone Registered Funds (as defined below) choose to share; and whether you can limit this sharing.

Reasons we can share your personal information	Do Blackstone Registered Funds share?	Can you limit this sharing?
For our everyday business purposes —such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes —to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes —information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes —information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?

Email us at GLB.privacy@blackstone.com

Who We Are	
Who is providing this notice?	Blackstone Registered Funds include Blackstone Alternative Alpha Fund, Blackstone Alternative Alpha Fund II, Blackstone Real Estate Income Fund, Blackstone Real Estate Income Fund II, Blackstone Real Estate Income Trust, Inc., Blackstone Alternative Investment Funds, on behalf of its series Blackstone Alternative Multi-Strategy Fund, Blackstone Diversified Multi-Strategy Fund, a sub-fund of Blackstone Alternative Investment Funds plc, and the GSO Funds, consisting of Blackstone / GSO Senior Floating Rate Term Fund, Blackstone / GSO Long-Short Credit Income Fund, Blackstone / GSO Strategic Credit Fund, Blackstone / GSO Floating Rate Enhanced Income Fund and Blackstone / GSO Secured Lending Fund and Blackstone / GSO Floating Rate Enhanced Income Fund
What We Do	
How do Blackstone Registered Funds protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How do Blackstone Registered Funds collect my personal information?	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> ■ open an account or give us your income information ■ provide employment information or give us your contact information ■ tell us about your investment or retirement portfolio <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> ■ sharing for affiliates' everyday business purposes—information about your creditworthiness ■ affiliates from using your information to market to you sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.</p>
What happens when I limit sharing for an account I hold jointly with someone else?	Your choices will apply to everyone on your account—unless you tell us otherwise.
Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ■ Our affiliates include companies with a Blackstone name and financial companies such as GSO Capital Partners LP and Strategic Partners Fund Solutions.
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ■ Blackstone Registered Funds do not share with nonaffiliates so they can market to you.

Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> ■ Our joint marketing partners include financial services companies.
Other Important Information	
<p>California Residents—In accordance with California law, we will not share information we collect about California residents with nonaffiliates except as permitted by law, such as with the consent of the customer or to service the customer’s accounts. We will also limit the sharing of information about you with our affiliates to the extent required by applicable California law.</p> <p>Vermont Residents—In accordance with Vermont law, we will not share information we collect about Vermont residents with nonaffiliates except as permitted by law, such as with the consent of the customer or to service the customer’s accounts. We will not share creditworthiness information about Vermont residents among Blackstone Registered Funds’ affiliates except with the authorization or consent of the Vermont resident.</p>	
Contact Us	
<p>If you have any questions or comments about this Privacy Notice, or if you would like us to update information we have about you or your preferences, please email us at PrivacyQueries@Blackstone.com or access our web form www.blackstone.com/privacy.</p> <p>You also may write to:</p> <p>The Blackstone Group Inc. Attn: Legal & Compliance 345 Park Avenue New York, NY 10154</p>	

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Trustees of
Blackstone Alternative Alpha Master Fund and Subsidiary

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying consolidated statement of assets and liabilities of Blackstone Alternative Alpha Master Fund and Subsidiary (the “Master Fund”), including the consolidated schedule of investments, as of March 31, 2020, the related consolidated statements of operations and cash flows for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended, the consolidated financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the consolidated financial statements and consolidated financial highlights present fairly, in all material respects, the financial position of the Master Fund as of March 31, 2020, and the consolidated results of its operations and its cash flows for the year then ended, the consolidated changes in its net assets for each of the two years in the period then ended, and the consolidated financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Master Fund’s management. Our responsibility is to express an opinion on the Master Fund’s financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Master Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Master Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Master Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of investments in investee funds owned as of March 31, 2020, by correspondence with the investment managers or their administrators; when replies were not received from the investment managers or their administrators, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on December 16, 2019, the Board of Trustees of the Fund approved a plan to liquidate the Master Fund. As of December 31, 2019, the Master Fund began to liquidate its investments in investee funds. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP
New York, New York
May 26, 2020

We have served as the auditors of one or more investment companies within the group of investment companies since 2010.

Blackstone Alternative Alpha Master Fund and Subsidiary

Consolidated Statement of Assets and Liabilities

As of March 31, 2020

Assets:

Investments in Investee Funds, at fair value (Cost \$5,794,333)	\$ 1,634,791
Cash	45,312,664
Receivable from Investments sold/redeemed	353,911,392
Receivable for shares issued to feeder funds	2,380,092
Interest receivable	3,817
Total assets	403,242,756

Liabilities:

Management fees payable	1,616,724
Payable to Investment Manager	1,104,864
Commitment fees payable	54,166
Trustees fees payable	6,382
Accrued expenses and other liabilities	380,447
Total liabilities	3,162,583
Net assets	\$400,080,173

Components of Net Assets:

Paid-in capital	\$397,215,102
Total Accumulated Earnings	2,865,071
Net assets	\$400,080,173

Net Asset Value:

Net assets	\$400,080,173
Shares of beneficial interests outstanding, no par value, unlimited shares authorized	389,813
Net asset value per share	\$ 1,026.34

See accompanying Notes to Consolidated Financial Statements.

Blackstone Alternative Alpha Master Fund and Subsidiary

Consolidated Schedule of Investments

March 31, 2020

	Shares	Cost	Fair Value	Percentage of Total Net Assets	First Acquisition Date	Redemptions Permitted ⁽¹⁾	Redemption Notification Period ⁽¹⁾
Investments in Investee Funds:							
Equity^(a)							
STM LCB, LLC ⁽²⁾	4,650	\$5,758,374	\$1,627,500	0.41%	3/31/2020	Non- Redeemable	Non- Redeemable
Visium Balanced Offshore Fund, Ltd. ⁽²⁾	18	35,959	7,291	—	4/1/2012	Non- Redeemable	Non- Redeemable
Total		<u>5,794,333</u>	<u>1,634,791</u>	<u>0.41%</u>			
Total Investments in Investee Funds⁽³⁾		<u>\$5,794,333</u>	<u>\$1,634,791</u>	<u>0.41%</u>			
Other assets, less liabilities			<u>398,445,382</u>	<u>99.59%</u>			
Total Net Assets			<u><u>\$400,080,173</u></u>	<u><u>100.00%</u></u>			

Percentage of total net assets represents each respective investment in Investee Fund at fair value as compared to total net assets.

The Consolidated Master Fund (as defined herein) is not able to obtain information about certain specific investments held by the Investee Funds due to lack of available data.

Investee Funds are organized in the United States, unless otherwise noted. Investee Funds are non-income producing securities.

Investee Funds are restricted securities per Rule §210.12-12.8 of Regulation S-X.

- ⁽¹⁾ Reflects general redemption terms for each Investee Fund. See Note 4 in the Notes to the Consolidated Financial Statements for Major Investment Strategies disclosure.
- ⁽²⁾ Investee Fund is organized in a non-U.S. offshore jurisdiction.
- ⁽³⁾ The total cost of Investee Funds organized in non-U.S. offshore jurisdictions is \$5,794,333 with a fair value of \$1,634,791.
- ^(a) The Equity strategy generally includes equity-focused Investee Funds with strategies using a bottom-up analysis that do not actively trade exposures, strategies focusing on shorter-term dynamics and appreciation for market technicals, strategies based on top-down thematic/macro views and strategies using technically driven statistical arbitrage with fundamental quantitative long/short positions.

Blackstone Alternative Alpha Master Fund and Subsidiary
Consolidated Statement of Operations
For the Year Ended March 31, 2020

Net Investment Loss:

Income:

Interest	\$ 337,675
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Expenses:

Management fees	5,384,487
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Legal	663,932
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Administration	309,659
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Commitment fees	262,031
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Risk monitoring	247,729
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Professional	189,666
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Transfer agent fees	89,276
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Custody	72,178
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Trustee	61,779
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Insurance	48,938
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Other	81,260
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Total expenses	7,410,935
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Net Investment Loss	(7,073,260)
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Realized and Unrealized Gain/(Loss) from Investments:

Net realized gain from investments in Investee Funds	91,472,369
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Net change in unrealized depreciation from investments in Investee Funds	(103,162,506)
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Net Realized and Unrealized Gain/(Loss) from Investments	(11,690,137)
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Net Decrease in Net Assets resulting from Operations	\$ (18,763,397)
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Blackstone Alternative Alpha Master Fund and Subsidiary Consolidated Statements of Changes in Net Assets

	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
Increase (Decrease) in Net Assets:		
Operations:		
Net investment loss	\$ (7,073,260)	\$ (10,912,681)
Net realized gain from investments in Investee Funds	91,472,369	44,748,790
Net change in unrealized depreciation from investments in Investee Funds	<u>(103,162,506)</u>	<u>(33,458,493)</u>
Net increase (decrease) in net assets resulting from operations	<u>(18,763,397)</u>	<u>377,616</u>
Distributions to shareholders	<u>(27,066,622)</u>	<u>(32,848,208)</u>
Capital Transactions:		
Shareholder subscriptions	7,388,092	19,382,134
Shareholder redemptions	(195,955,611)	(154,294,057)
Reinvestment of distributions	<u>—</u>	<u>32,848,208</u>
Net decrease in net assets from capital transactions	<u>(188,567,519)</u>	<u>(102,063,715)</u>
Net Assets:		
Total decrease in net assets	(234,397,538)	(134,534,307)
Beginning of year	<u>634,477,711</u>	<u>769,012,018</u>
End of year	<u>\$ 400,080,173</u>	<u>\$ 634,477,711</u>
Share Transactions:		
Beginning of year	554,182	640,352
Shares issued	6,369	16,714
Shares redeemed	(170,738)	(133,246)
Shares reinvested	<u>—</u>	<u>30,362</u>
End of year	<u>389,813</u>	<u>554,182</u>

See accompanying Notes to Consolidated Financial Statements.

Blackstone Alternative Alpha Master Fund and Subsidiary

Consolidated Statement of Cash Flows

For the Year Ended March 31, 2020

Cash Flows from Operating Activities:

Net decrease in net assets resulting from operations \$ (18,763,397)

Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:

Net realized gain from investments in Investee Funds	(91,472,369)
Net change in unrealized depreciation from investments in Investee Funds	103,162,506
Purchase of investments in Investee Funds	(205,566)
Proceeds from redemptions of investments in Investee Funds	616,637,075
Increase in receivable from Investments sold/redeemed	(317,622,102)
Increase in receivable for shares issued to feeder funds	(2,379,972)
Decrease in interest receivable	24,803
Decrease in management fees payable	(486,202)
Decrease in payable to Investment Manager	(449,784)
Decrease in commitment fees payable	(15,709)
Increase in trustees fees payable	6,382
Decrease in accrued expenses and other liabilities	(314,320)

Net cash provided by operating activities 288,121,345

Cash Flows from Financing Activities:

Proceeds from shareholder subscriptions	7,388,092
Payments for shareholder distributions	(27,066,622)
Payments for shareholder redemptions of shares	(239,021,751)

Net cash used in financing activities (258,700,281)

Net change in cash 29,421,064

Cash, beginning of year 15,891,600

Cash, end of year \$ 45,312,664

Supplemental Disclosure of Non-cash Operating Activities:

In-kind transfer from SteelMill Fund Ltd to STM LCB LLC \$ 5,758,367

Blackstone Alternative Alpha Master Fund and Subsidiary

Consolidated Financial Highlights

	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019	For the Year Ended March 31, 2018	For the Year Ended March 31, 2017	For the Year Ended March 31, 2016
Per Share Operating Performance:					
Net Asset Value, Beginning of Year	\$ 1,144.89	\$ 1,200.92	\$ 1,190.72	\$ 1,073.77	\$ 1,234.31
Income/(loss) from Investment Operations:					
Net investment loss ¹	(15.09)	(17.85)	(16.20)	(14.16)	(15.48)
Net realized and unrealized gain/(loss) from investments	(42.15)	17.08	74.00	133.39	(114.95)
Net income/(loss) from investment operations	(57.24)	(0.77)	57.80	119.23	(130.43)
Distributions to shareholders from ordinary income	(8.35)	(5.52)	(19.10)	(2.28)	—
Distributions to shareholders from net realized capital gains	(52.96)	(49.74)	(28.50)	—	(30.11)
Net Asset Value, end of year	\$ 1,026.34	\$ 1,144.89	\$ 1,200.92	\$ 1,190.72	\$ 1,073.77
Financial Ratios:					
Expenses to average net assets	1.39%	1.57%	1.48%	1.46%	1.45%
Net investment loss to average net assets	(1.32)%	(1.50)%	(1.33)%	(1.25)%	(1.33)%
Portfolio turnover	0.05%	32.69%	2.47%	13.15%	8.97%
Total return	(5.52)%	0.20%	4.90%	11.11%	(10.70)%
Net assets, end of year (000s)	\$ 400,080	\$ 634,478	\$ 769,012	\$ 863,662	\$ 944,402

¹ Calculated using average shares outstanding during the year.

The financial ratios represent the expenses and net investment loss to average monthly net assets for the year. The ratios do not reflect the Consolidated Master Fund's share of the income and expenses of the underlying Investee Funds.

Blackstone Alternative Alpha Master Fund and Subsidiary

Notes to Consolidated Financial Statements

March 31, 2020

1. Organization

Blackstone Alternative Alpha Master Fund (the “Master Fund”), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a continuously offered, non-diversified, closed-end management investment company, commenced operations on April 1, 2012. Blackstone Alternative Alpha Fund and Blackstone Alternative Alpha Fund II (the “Feeder Funds”) invest substantially all of their assets in the Master Fund. The Master Fund’s investment objective is to seek to earn attractive long-term risk-adjusted returns.

The Master Fund owns 100% of the shareholder interest of Blackstone Alternative Alpha Sub Fund I Ltd. (the “Intermediate Fund”), an exempted company incorporated under the laws of the Cayman Islands on March 14, 2012 for the purpose of facilitating the implementation of the Master Fund’s investment objectives. The Consolidated Financial Statements include the financial statements of the Master Fund and the Intermediate Fund (collectively, the “Consolidated Master Fund”).

The investment manager of the Consolidated Master Fund and the Feeder Funds is Blackstone Alternative Asset Management L.P. (“BAAM” or the “Investment Manager”), a registered investment adviser under the Investment Advisers Act of 1940, as amended. Each of the Master Fund, the Feeder Funds and the Intermediate Fund is a commodity pool subject to regulation by the Commodity Futures Trading Commission (“CFTC”). BAAM, the commodity pool operator of the Master Fund, the Feeder Funds and the Intermediate Fund, is registered with the CFTC, but has claimed relief with respect to the Fund and the Master Fund pursuant to Rule 4.12(c)(3) under the Commodity Exchange Act with respect to the Master Fund and the Feeder Funds, and Rule 4.7 with respect to the Intermediate Fund, from certain disclosure, reporting and recordkeeping requirements otherwise applicable to commodity pools. The Board of Trustees (the “Board” and each member a “Trustee”) of the Master Fund supervises the conduct of the Consolidated Master Fund’s and the Feeder Funds’ affairs and, pursuant to their respective investment management agreements, has engaged BAAM to manage the Consolidated Master Fund’s and Feeder Funds’ day-to-day investment activities.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the registration statement of the Master Fund.

On December 16, 2019, the Board of Trustees of the Master Fund approved a plan to liquidate the Master Fund (the “Plan of Liquidation”) and a plan to liquidate each Feeder Fund. As of December 31, 2019, the Master Fund began to liquidate its investments in Investee Funds.

Based on the best available information, the Master Fund’s Investment Manager has accrued income and expenses which the Fund is expected to receive and pay through final dissolution of the Fund. Amounts are included in the Consolidated Statement of Assets and Liabilities.

2. Basis of Presentation

The Consolidated Master Fund’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and are stated in U.S. dollars.

The Master Fund is an investment company in accordance with Accounting Standards Codification 946, *Financial Services—Investment Companies* (“ASC 946”), which defines investment companies and prescribes specialized accounting and reporting requirements for investment companies. The Master Fund follows the accounting and reporting guidance in ASC 946.

Blackstone Alternative Alpha Master Fund and Subsidiary

Notes to Consolidated Financial Statements (Continued)

March 31, 2020

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates and these differences could be material.

Consolidation

The Fund consolidates its investment in the Intermediate Fund. Accordingly, the consolidated financial statements include the assets and liabilities and the results of operations of the Intermediate Fund. All material intercompany balances and transactions have been eliminated.

3. Significant Accounting Policies

Fair Value Measurements

Valuation Process

The valuation of the Consolidated Master Fund's investments is reviewed monthly by the valuation committee ("Valuation Committee"). The Valuation Committee is delegated by the Board with the administration and oversight of the Consolidated Master Fund's valuation policies and procedures. The Valuation Committee determines the fair value of investments in accordance with the current fair value guidance and as described below. In the event the Valuation Committee determines, in its discretion and based on its own due diligence and investment monitoring procedures, that the valuation of any investment determined, as set forth below, does not represent fair value, the Valuation Committee will value such investments at fair value in accordance with procedures adopted in good faith and approved by the Board, as may be amended from time to time.

Investments in Investee Funds

The fair value of investments in investment partnerships, managed funds, and other investment funds ("Investee Fund(s)") is generally determined using the reported net asset value per share of the Investee Fund, or its equivalent ("NAV"), as a practical expedient for fair value if the reported NAV of the Investee Fund is calculated in a manner consistent with the measurement principles applied to investment companies, in accordance with ASC 946. In order to use the practical expedient, the Investment Manager has internal processes to independently evaluate the fair value measurement process utilized by the underlying Investee Fund to calculate the Investee Fund's NAV in accordance with ASC 946. Such internal processes include the evaluation of the Investee Fund's process and related internal controls in place to estimate the fair value of its underlying investments that are included in the NAV calculation, performing ongoing operational due diligence, review of the Investee Fund's audited financial statements, and ongoing monitoring of other relevant qualitative and quantitative factors. Any investments in Investee Funds that do not use NAV as a practical expedient for fair value will follow the fair value hierarchy disclosed in Note 4. The fair value of Master Fund's investments is valued in good faith by the Investment Manager and the investments are classified as Level 3 within the fair value hierarchy. As of year-end, the fair value of Level 3 investments was \$1,634,791, of which one investment was considered a transfer into Level 3, which had a fair value of \$1,627,500 as of year-end. There were no purchases or sales during the year.

The fair value of investments in Investee Funds is reported net of management fees and incentive allocations/fees. The Investee Funds' management fees and incentive allocations/fees are reflected in realized and unrealized gain from investments in the Consolidated Statement of Operations.

Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed and the differences could be material.

Blackstone Alternative Alpha Master Fund and Subsidiary

Notes to Consolidated Financial Statements (Continued)

March 31, 2020

The investments in Investee Funds may involve varying degrees of interest rate risk, credit risk, foreign exchange risk, and market, industry or geographic concentration risk. While the Investment Manager monitors and attempts to manage these risks, the varying degrees of transparency into and potential illiquidity of the financial instruments held by the Investee Funds may hinder the Investment Manager's ability to effectively manage and mitigate these risks.

Fair Value of Financial Instruments

The fair value of the Consolidated Master Fund's assets and liabilities which qualify as Financial Instruments under the existing accounting guidance for Financial Instruments approximates the carrying amounts presented in the Consolidated Statement of Assets and Liabilities due to their short term nature.

Investment Transactions and Related Investment Income and Expenses

Investment transactions are accounted for on a trade date basis. Income and expenses, including interest, are recorded on an accrual basis.

The net realized gains or losses from investments in Investee Funds are recorded when the Consolidated Master Fund redeems or partially redeems its interest in the Investee Funds or receives distributions in excess of return of capital. Realized gains and losses from redemptions of investments are calculated using the first-in, first-out cost basis methodology.

Cash

At March 31, 2020, the Consolidated Master Fund had \$45,312,664 of cash held at a major U.S. bank.

Contingencies

Under the Master Fund's Amended and Restated Declaration of Trust ("Declaration of Trust"), the Master Fund's officers and Trustees are indemnified against certain liabilities that may arise out of the performance of their duties to the Master Fund. Additionally, in the normal course of business, the Consolidated Master Fund enters into contracts that contain a variety of representations and indemnifications. The Consolidated Master Fund's maximum exposure under these arrangements is unknown. To date, the Consolidated Master Fund has not had claims or losses pursuant to these contracts, although there is no assurance that it will not incur losses in connection with these indemnifications in the future.

Income Taxes

The Master Fund's policy is to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986 applicable to regulated investment companies and to distribute substantially all of its investment company taxable income and net long-term capital gains to its shareholders. Therefore, no federal income tax provision is expected to be required. The Master Fund files U.S. federal and various state and local tax returns.

Management of the Master Fund has evaluated the tax positions taken or expected to be taken in the course of preparing the Master Fund's tax returns for the current open tax years ended October 31, 2016, October 31, 2017, October 31, 2018 and October 31, 2019 and has concluded, as of March 31, 2020, that no provision for income tax would be required in the Master Fund's financial statements. The Master Fund's federal and state income and federal excise tax returns for the current open tax years are subject to examination by the Internal Revenue Service and state taxing authorities.

Blackstone Alternative Alpha Master Fund and Subsidiary

Notes to Consolidated Financial Statements (Continued)

March 31, 2020

The Intermediate Fund is a controlled foreign corporation (“CFC”) for U.S. income tax purposes. As a wholly-owned CFC, the Intermediate Fund’s net income and capital gains, to the extent of its earnings and profits, are included in the Master Fund’s investment company taxable income.

For the current open tax years and for all major jurisdictions, management of the Intermediate Fund has concluded that there are no significant uncertain tax positions that would require recognition in the Master Fund’s financial statements. Management is also not aware of any tax positions for which it is reasonably possible that the total amounts of uncertain unrecognized tax benefits will significantly change in the next twelve months. As a result, no income tax liability or expense, including interest and penalties, has been recorded within these consolidated financial statements.

Dividends and Distributions to Shareholders

Dividends from net investment income and distributions of capital gains, if any, are declared and paid at least annually. Dividends and capital gain distributions paid by the Master Fund will be reinvested in additional Shares (defined below) of the Master Fund unless a shareholder elects not to reinvest in Shares or is otherwise ineligible. Shares purchased by reinvestment will be issued at their net asset value on the ex-dividend date.

Borrowings Under Credit Facility

During the year, the Master Fund had two secured revolving borrowing facilities (the “Facilities”) of \$43,000,000 and \$35,000,000 (the “First Facility” and the “Second Facility”, respectively). Borrowings under the Facilities are used primarily for bridge financing purposes and are secured by the assets of the Master Fund. During the year, the First Facility was terminated and the Second Facility was entered into.

Under the terms of the agreement for the First Facility, the outstanding borrowings bore interest at a rate equal to 3-month LIBOR plus 1.00% per annum. A commitment fee was charged in the amount of 0.65% per annum on the total commitment amount of the First Facility. On September 30, 2019, outstanding borrowings and accrued interest, if any, were paid and the First Facility was terminated.

Effective October 1, 2019, the Master Fund entered into the Second Facility. Under the terms of the agreement for the Second Facility, the Second Facility may be increased or decreased upon mutual written consent of the Master Fund and the lender. Outstanding borrowings would bear interest at a rate equal to 3-month LIBOR plus 1.00% per annum (3.33% at March 31, 2020). A commitment fee was charged in the amount of 0.60% per annum on the total commitment amount of the Second Facility. At March 31, 2020, the Master Fund had no outstanding borrowings under the Second Facility. On April 24, 2020, outstanding borrowings and accrued interest, if any, were paid and the Second Facility was terminated.

During the year ended March 31, 2020, the Master Fund did not borrow from either of the Facilities.

Restricted Securities

The Master Fund may purchase securities which are considered restricted. Restricted securities are securities that cannot be offered for public sale without first being registered under the Securities Act of 1933, as amended, or are subject to contractual restrictions on public sales. Many such restricted securities may be resold in the secondary market in transactions exempt from registration. The Master Fund will not incur any registration costs upon such resales. The Master Fund cannot demand registration of restricted securities. The Master Fund’s restricted securities, like other securities, are priced in accordance with the Valuation Procedures. Restricted securities are identified in the Consolidated Schedule of Investments.

Blackstone Alternative Alpha Master Fund and Subsidiary

Notes to Consolidated Financial Statements (Continued)

March 31, 2020

COVID-19 and Global Economic and Market Conditions

During the fourth quarter of the fiscal year, the World Health Organization designated the global outbreak of COVID-19 as a pandemic, and numerous countries, including the United States, have declared national emergencies with respect to COVID-19. The global impact of the outbreak continues to rapidly evolve, and many countries have instituted quarantines and restrictions on travel, closed financial markets and/or restricted trading, and closed or limited hours of operations of non-essential businesses. Such actions are creating severe economic contraction and adversely impacting many industries.

The continued rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on financial market and economic conditions. The estimates and assumptions underlying these condensed consolidated financial statements are based on the information available as of March 31, 2020, including judgments about the ultimate adverse impact of COVID-19 on financial market and economic conditions which may change substantially over time.

4. Investments

Major Investment Strategies

Investments in Investee Funds that are non-redeemable or subject to other restrictions such as a lockup at the measurement date or have the ability to limit the individual amount of investor redemptions shall be classified as having a redemption restriction.

The following table summarizes investments in Investee Funds, by investment strategy, the unfunded commitment of each strategy (if applicable), and the amount of the investment in Investee Fund that cannot be redeemed as of year-end because of redemption restrictions put in place by the Investee Funds.

Investments in Investee Funds by Strategy	Unfunded Commitment \$	Non-Redeemable Investments (A)		Other Restricted Investments (B)		Investments Subject to No Restrictions	Total \$
		Amount \$	Redemption Restriction Commencement Date	Amount \$	Redemption Restriction Term	Amount \$	
Equity	—	1,634,791	June 2016	—	—	—	1,634,791
Total	—	1,634,791	—	—	—	—	1,634,791

(A) Investments in Investee Funds cannot currently be redeemed and the remaining redemption restriction period is not known. The date the redemption restriction commenced is disclosed.

(B) Investments subject to other restrictions include investments in Investee Funds that are subject to a lockup at the measurement date and/or have the ability to limit the individual amount of investor redemptions. The redemption restriction term is based on the restriction period (or range of restriction periods) for Investee Funds as defined in each respective Investee Fund's governing legal agreement, without consideration of the length of time elapsed from the date of the investments in the Investee Funds. The Consolidated Master Fund's investment in a particular Investee Fund classified within the strategies above may be comprised of investments with differing liquidity terms or investments which were made at differing points in time.

Blackstone Alternative Alpha Master Fund and Subsidiary

Notes to Consolidated Financial Statements (Continued)

March 31, 2020

Purchases and sales of investments (inclusive of non-cash activity) for the year ended March 31, 2020 were \$5,963,933 and \$622,395,442 respectively.

Fair Value Hierarchy

Fair value guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The hierarchy established under the fair value guidance gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 — Quoted prices are available in active markets for identical investments as of the measurement date. Quoted prices for these investments are not adjusted.

Level 2 — Quoted prices are available in markets that are not active or model inputs are based on inputs that are either directly or indirectly observable as of the measurement date.

Level 3 — Pricing inputs are unobservable for the investment and include instances where there is little, if any, market activity for the investment.

The fair value hierarchy is not meant to be indicative of the classification of investments held in the underlying portfolio of the Investee Fund.

5. Fund Terms

Issuance of Shares

In conjunction with the Plan of Liquidation, the Master Fund suspended offers and sales of shares of beneficial interest (“Shares”).

Prior to the Plan of Liquidation, the Master Fund was authorized to issue an unlimited number of Shares. The Master Fund issued Shares as of the first business day of the month or at such other times as determined by the Board upon receipt of an initial or additional application for Shares. The Master Fund reserved the right to reject, in whole or in part, any applications for subscriptions of Shares. The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Master Fund’s Declaration of Trust.

Repurchase of Shares

In conjunction with the Plan of Liquidation, the Investment Manager does not currently intend to recommend that the Board approve the commencement of any offers to purchase Shares.

Prior to the Plan of Liquidation, the Master Fund from time to time offered to repurchase a portion of its outstanding Shares pursuant to written tenders by shareholders. Repurchases were made only at such times and on such terms as determined by the Board, in its complete and exclusive discretion. In determining whether the Master Fund should repurchase Shares from shareholders pursuant to written tenders, the Master Fund’s Board considered the Investment Manager’s recommendations, among other factors. The Investment Manager expected to recommend quarterly repurchases.

Blackstone Alternative Alpha Master Fund and Subsidiary

Notes to Consolidated Financial Statements (Continued)

March 31, 2020

6. Related Party Transactions

Blackstone Holdings Finance Co. L.L.C. (“FINCO”), an affiliate of the Master Fund, pays expenses on behalf of the Master Fund. The Master Fund reimburses FINCO for such expenses paid on behalf of the Master Fund. FINCO does not charge any fees for providing such administrative services. At year-end March 31, 2020, the amount outstanding is \$1,104,864.

Management Fee

In conjunction with the Plan of Liquidation, effective January 1, 2020, the Investment Manager waived its management fee (the “Management Fee”).

Prior to January 1, 2020, the Master Fund paid the Investment Manager a Management Fee quarterly in arrears (accrued on a monthly basis), equal to 1.25% (annualized) of the Master Fund’s net asset value at the end of such month before giving effect to the payment of the management fee or any purchases or repurchases of Master Fund shares or any distributions by the Master Fund. The Management Fee for any period less than a full quarter was pro-rated.

Expense Payments

The Investment Manager pays expenses on behalf of the Consolidated Master Fund and is subsequently reimbursed for such payments. As of March 31, 2020, the Consolidated Master Fund had \$1,104,864 payable to the Investment Manager recorded in the Consolidated Statement of Assets and Liabilities.

7. Financial Instruments and Off-Balance Sheet Risk

In the normal course of business, the Investee Funds may enter into certain financial instrument transactions which may result in off-balance sheet market risk and credit risk. The Consolidated Master Fund’s market risk is also impacted by an Investee Fund’s exposure to interest rate risk, foreign exchange risk, and industry or geographic concentration risk. The Investee Funds invest in these instruments for trading and hedging purposes. The Consolidated Master Fund is indirectly subject to certain risks arising from investments made by the Investee Funds.

Market Risk

Market risk is the risk of potential adverse changes to the value of financial instruments because of changes in market conditions such as interest and currency rate movements. The Consolidated Master Fund is exposed to market risk indirectly as a result of the types of investments entered into by the Investee Funds. The Consolidated Master Fund actively monitors its exposure to market risk.

Investee Funds may invest in entities that trade or may invest directly in interest rate swaps, credit default swaps, exchange-traded and over-the-counter options, futures transactions, forward transactions, and securities sold, not yet purchased.

Credit Risk

Credit risk arises from the potential inability of counterparties to perform their obligations under the terms of a contract. The Consolidated Master Fund is indirectly exposed to credit risk related to the amount of accounting loss that the Investee Funds would incur if a counterparty fails to perform its obligations under contractual terms and if the Investee Funds fail to perform under their respective agreements.

Blackstone Alternative Alpha Master Fund and Subsidiary

Notes to Consolidated Financial Statements (Continued)

March 31, 2020

8. Income Taxes

The primary difference between book and tax appreciation/depreciation of Investee Funds is attributable to adjustments to the tax basis of Investee Funds based on allocation of income and distributions from Investee Funds and the realization for tax purposes of financial statement unrealized gain/loss. In addition, the cost of Investee Funds for federal income tax purposes is adjusted for items of taxable income allocated to the Master Fund from the Investee Funds. As of March 31, 2020, the aggregate cost of Investee Funds and the composition of unrealized appreciation and depreciation on Investee Funds for federal income tax purposes are noted below.

Federal tax cost of investments in Investee Funds	\$ 50,333,270
Gross unrealized appreciation	19,674,810
Gross unrealized depreciation	(68,373,289)
Net unrealized depreciation	<u><u>\$(48,698,479)</u></u>

The tax character of dividends paid to shareholders during the year January 1, 2019 to December 31, 2019 was as follows:

<u>Ordinary Income</u>	<u>Net Long Term Capital Gains</u>	<u>Total Taxable Distributions</u>	<u>Tax Return of Capital</u>	<u>Total Distributions</u>
\$3,687,027	\$23,379,595	\$27,066,622	\$—	\$27,066,622

The tax character of dividends paid to shareholders during the year January 1, 2018 to December 31, 2018 was as follows:

<u>Ordinary Income</u>	<u>Net Long Term Capital Gains</u>	<u>Total Taxable Distributions</u>	<u>Tax Return of Capital</u>	<u>Total Distributions</u>
\$3,278,676	\$29,569,532	\$32,848,208	\$—	\$32,848,208

As of the tax year ended October 31, 2019, the components of accumulated earnings (deficit) on a tax basis were as follows:

<u>Undistributed Ordinary Income</u>	<u>Undistributed Long-Term Capital Gains</u>	<u>Accumulated Capital and Other Losses</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Total Accumulated Earnings (Deficit)</u>
\$—	\$7,621,371	\$—	\$36,839,188	\$44,460,559

The amounts of net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of dividends and distributions made during the fiscal year from net investment income or net realized gains may differ from the ultimate characterization for federal income tax purposes. The timing of dividends from net investment income and distributions from net realized gains distributed during the fiscal year may also differ from the year that the income or realized gain was recorded by the Master Fund. To the extent these differences are permanent, adjustments are made to the appropriate equity accounts in the period the differences arise.

Blackstone Alternative Alpha Master Fund and Subsidiary
Notes to Consolidated Financial Statements (Continued)
March 31, 2020

Accordingly, the following permanent differences, primarily due to distribution redesignation, passive foreign investment companies and partnership basis adjustments, have been reclassified to increase (decrease) such accounts during the tax year ended October 31, 2019:

Accumulated Net Investment Income (Loss)	Accumulated Net Realized Gain (Loss)	Paid-in Capital
\$13,121,112	\$(9,515,448)	\$(3,605,664)

9. Subsequent Events

The Investment Manager has evaluated the impact of subsequent events through the date of financial statement issuance.

The Master Fund has received substantially all of the receivables from investments sold/redeemed on the Consolidated Statement of Assets and Liabilities and the remaining receivables from investments sold/redeemed have been sold in a secondary transaction to a non-affiliated counterparty in order to facilitate the redemption of the Feeder Funds from the Master Fund. Accordingly, the proceeds from such receivables will be returned to shareholders in accordance with the Master Fund's and Feeder Funds' respective plans of liquidation.

Blackstone Alternative Alpha Master Fund and Subsidiary

Supplemental Information

March 31, 2020 (Unaudited)

Management of the Fund

The Consolidated Master Fund’s operations are managed by the Investment Manager under the direction and oversight of the Board of Trustees. A majority of the Trustees are not “interested persons” (as defined in the 1940 Act) of the Consolidated Master Fund or the Investment Manager, (the “Independent Trustees”). The Consolidated Master Fund’s Trustees and officers are subject to removal or replacement in accordance with Massachusetts law and the Master Fund’s Declaration of Trust. The Consolidated Master Fund’s Board of Trustees also serves as the board of trustees of the Feeder Funds.

Compensation for Trustees

Each of the Independent Trustees is paid by the Fund Complex (as defined below) at a rate of \$150,000 per fiscal year in the aggregate for his or her services to the Fund Complex (including the subsidiaries of Blackstone Alternative Multi-Strategy Fund, the “Subsidiaries”). Mr. Coates (a Trustee being treated as an “interested person” (as defined in the 1940 Act) of the Fund due to his employment by Envestnet, Inc., which conducts business with certain Investee Funds and may conduct business with the Investment Adviser and its affiliates in the future) is paid by the Fund Complex at a rate of \$129,000 per fiscal year in the aggregate for his services to the Fund Complex (excluding the Subsidiaries). The Chairpersons of the Board of Trustees and the Audit Committee are paid by the Fund Complex an additional \$35,000 and \$15,000, respectively, per fiscal year. These payments are allocated among the Feeder Funds and the other funds in the Fund Complex on the basis of assets under management. The Fund Complex pays for the Trustees travel expenses related to the Board meetings. The Trustees do not receive any pension or retirement benefits from the Fund Complex.

The following table sets forth information regarding the compensation paid to the persons who served as Trustees of the BAAF Funds during the fiscal year ended March 31, 2020.

Name of Independent Trustee	Aggregate Compensation From the BAAF Funds	Total Compensation From the Fund Complex ¹
John M. Brown	\$10,529	\$185,000
Peter M. Gilbert	\$ 8,282	\$150,000
Paul J. Lawler	\$ 8,282	\$150,000
Kristen M. Leopold	\$ 9,245	\$165,000

Name of Interested Trustee	Aggregate Compensation From the BAAF Funds	Total Compensation From the Fund Complex ¹
Frank J. Coates	\$ 8,282	\$129,000
Peter Koffler	None	None

¹ These amounts represent aggregate compensation for the services of each Trustee to each fund in the Fund Complex, for which each Trustee serves as trustee, including the BAAF Funds, Blackstone Alternative Multi-Strategy Fund, a series of Blackstone Alternative Investment Funds, and the Subsidiaries.

Blackstone Alternative Alpha Master Fund and Subsidiary Supplemental Information (Continued) March 31, 2020 (Unaudited)

Board of Trustees and Officers

The identity of the Trustees and officers of the Fund, and brief biographical information regarding each Trustee and officer during the past five years, is set forth below.

INDEPENDENT TRUSTEES

Name and Year of Birth of Independent Trustees ¹	Position(s) Held with each of the Feeder Funds and the Master Fund	Term of Office ² and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex ³ Overseen by Trustee	Other Trusteeships Held by Trustee
John M. Brown (1959)	Trustee	January 2012 to Present	Retired (2004 – Present)	4	None
Peter M. Gilbert (1947)	Trustee	February 2016 to Present	Retired (2015 – Present); CIO, Lehigh University Endowment Fund (2007 – 2015)	4	None
Paul J. Lawler (1948)	Trustee	January 2012 to Present	Retired (2011 – Present)	4	Trustee, First Eagle Funds (8 portfolios)
Kristen M. Leopold (1967)	Trustee	January 2012 to Present	CFO, WFL Real Estate Services, LLC (2006 – Present); CFO, KL Associates LLC (Hedge Fund Consulting) (2007 – 2014)	4	Trustee, CPG Funds (6 portfolios)

**Blackstone Alternative Alpha Master Fund and Subsidiary
Supplemental Information (Continued)
March 31, 2020 (Unaudited)**

INTERESTED TRUSTEES

Name and Year of Birth of Interested Trustees ¹	Position(s) Held with each of the Feeder Funds and the Master Fund	Term of Office ² and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex ³ Overseen by Trustee	Other Trusteeships Held by Trustee
Frank J. Coates ⁴ (1964)	Trustee	January 2012 to Present	Executive Managing Director ⁶ , Envestnet, Inc. (Wealth Management Solutions) (2016 – Present); CEO, Wheelhouse Analytics, LLC (Technology Solutions) (2010 – 2016)	4	None
Peter Koffler ⁵ (1956)	Trustee	December 2012 to Present	Senior Managing Director ⁶ , The Blackstone Group Inc. (“Blackstone”) (2012 – Present); General Counsel, BAAM (2010 – Present) and Blackstone Alternative Investment Advisors LLC (“BAIA”) (2012 – Present); Chief Compliance Officer, BAAM (2008 – 2012, 2018) and BAIA (2018 – Present); Chief Compliance Officer, Blackstone (2013 – 2016)	4	None

**Blackstone Alternative Alpha Master Fund and Subsidiary
Supplemental Information (Continued)
March 31, 2020 (Unaudited)**

OFFICERS

Name and Year of Birth of Officers ¹	Position(s) Held with each of the Feeder Funds and the Master Fund	Term of Office ⁷ and Length of Time Served	Principal Occupation(s) During Past 5 Years
Brian F. Gavin (1969)	President (Principal Executive Officer)	November 2011 to Present	Chief Operating Officer & Senior Managing Director ⁶ , Blackstone (2007 – Present)
James Hannigan (1983)	Chief Compliance Officer and Chief Legal Officer	Chief Compliance Officer (August 2016 to Present); Chief Legal Officer (March 2015 to Present) Anti-Money Laundering Officer (August 2016 to September 2018)	Managing Director ⁶ , Blackstone (2018 – Present); Vice President, Blackstone (2013 – 2017)
Charmagne Kukulka (1989)	Interim Secretary	March 2020 to Present	Associate, Blackstone (2020 – Present); Analyst, Blackstone (2015 – 2019)
Natasha Kulkarni (1985)	Secretary	May 2018 to Present	Principal, Blackstone (2020 – Present) Vice President, Blackstone (2016 – 2019); Associate, Blackstone (2013 – 2015)
Arthur Liao (1972)	Treasurer (Principal Financial and Accounting Officer)	November 2011 to Present	Senior Managing Director ⁶ , Blackstone (2016 – Present); Chief Financial Officer, BAAM (2007 – Present) and BAIA (2012 – Present) Managing Director ⁶ , Blackstone (2007 – 2015)
Sherilene Sibadan (1976)	Anti-Money Laundering Officer	July 2019 to Present	Senior Vice President, Blackstone (2016 – Present); Vice President, Blackstone (2013 – 2016)

¹ Unless otherwise noted, the business address of each officer and Trustee is c/o Blackstone Alternative Asset Management L.P., 345 Park Avenue, 28th Floor, New York, New York 10154.

² Term of office of each Trustee is indefinite, until his or her resignation, removal, replacement or death. Any Trustee of each of the Feeder Funds or the Master Fund may be removed from office in accordance with the provisions of each of the Feeder Fund's and the Master Fund's Amended and Restated Agreement and Declaration of Trust and Bylaws.

Blackstone Alternative Alpha Master Fund and Subsidiary Supplemental Information (Continued) March 31, 2020 (Unaudited)

- ³ As of December 31, 2019, the “Fund Complex” consisted of Blackstone Alternative Multi-Strategy Fund, funds managed by Blackstone Alternative Asset Management LP (Blackstone Alternative Alpha Fund, Blackstone Alternative Alpha Fund II, and Blackstone Alternative Alpha Master Fund), funds managed by Blackstone / GSO Debt Funds Management LLC (Blackstone / GSO Floating Rate Enhanced Income Fund, Blackstone / GSO Senior Floating Rate Term Fund, Blackstone /GSO Long-Short Credit Income Fund, Blackstone / GSO Strategic Credit Fund, and Blackstone / GSO Secured Lending Fund), and funds managed by Blackstone Real Estate Income Advisors L.L.C. (Blackstone Real Estate Income Fund, Blackstone Real Estate Income Fund II and Blackstone Real Estate Income Master Fund).
- ⁴ Mr. Coates is being treated as an “interested person” of the Fund and the Master Fund, as defined in the 1940 Act, due to his employment by Envestnet, Inc., which conducts business with certain Investment Funds and may conduct business with BAAM and/or its affiliates in the future.
- ⁵ Mr. Koffler is an “interested person” of the Feeder Funds and the Master Fund, as defined in the 1940 Act, due to his position with BAAM and its affiliates.
- ⁶ Executive title, not a board directorship.
- ⁷ Term of office of each Officer is indefinite, until his or her death, resignation, removal or disqualification.

Allocation of Investments

The following chart indicates the allocation of investments among the asset classes in the Consolidated Master Fund as of March 31, 2020.

<u>Assets Class⁽¹⁾</u>	<u>Fair Value</u>	<u>%</u>
Equity	\$1,634,791	100.00%
Total Investments	<u>\$1,634,791</u>	<u>100.00%</u>

- ⁽¹⁾ The complete list of investments included in the listed asset class categories is included in the Consolidated Schedule of Investments of the Consolidated Master Fund’s financial statements.

Form N-PORT Filings

The Consolidated Master Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters as an exhibit of each fiscal year on Form N-PORT. The Consolidated Master Fund’s Form N-PORT is available on the SEC’s website at <http://www.sec.gov> within 60 days after the Consolidated Master Fund’s first and third fiscal quarters. Holdings and allocations shown on any Form N-PORT are as of the date indicated in the filing and may not be representative of future investments. Holdings and allocations should not be considered research or investment advice and should not be relied upon in making investment decisions.

Proxy Voting Policies

The Master Fund and the Feeder Funds have delegated proxy voting responsibilities to the Investment Manager, subject to the Board’s general oversight. A description of the policies and procedures used to vote proxies related to the Master Fund’s and the Feeder Funds’ portfolio securities, and information regarding how the Master Fund and Feeder Funds voted proxies relating to their portfolio securities during the most recent 12-month period ended June 30, will be available by August 31 of that year (1) without charge, upon request, by calling toll free, 1-855-890-7725 and (2) on the SEC’s website at <http://www.sec.gov>.

Blackstone Alternative Alpha Master Fund and Subsidiary Supplemental Information (Continued) March 31, 2020 (Unaudited)

Board Approval of the Continuance of the Investment Management Agreements

At a joint meeting of the Boards of the Master Fund, Blackstone Alternative Alpha Fund (“BAAF”), and Blackstone Alternative Alpha Fund II (“BAAF II,” and together with the Master Fund and BAAF, the “Funds”) held in person on February 20-21, 2020, the Board, including a majority of the Independent Trustees, considered and unanimously approved the Investment Management Agreements (the “Investment Management Agreements”) between each Fund and BAAM. The Board and the Independent Trustees present also considered and unanimously approved the Investment Management Agreement between the Intermediate Fund and BAAM. Because the Intermediate Fund is a wholly-owned subsidiary of the Master Fund, the Board and the Independent Trustees present evaluated its Investment Management Agreement in conjunction with that of the Master Fund, not separately, and references to the Master Fund’s Agreement should be considered to include reference to the Intermediate Fund Investment Management Agreement.

The Independent Trustees were assisted in their review of the BAAM Investment Management Agreements by independent legal counsel. The Board requested and evaluated all the information it deemed reasonably necessary under the circumstances in connection with the approval of the BAAM Investment Management Agreements. Prior to the meeting, the Board received, among other things, (1) materials prepared by independent legal counsel regarding the relevant factors to consider in connection with the approval of the continuation of the BAAM Investment Management Agreements; (2) materials prepared by BAAM relating to, among other things, BAAM’s experience and qualifications to serve as adviser to the Funds for the duration of the Funds’ wind-down and liquidation; (3) information relating to the waiver by BAAM of the management fees charged to the Funds; (4) analysis of BAAM’s expected profitability for providing services to the Funds; and (5) information regarding BAAM’s Code of Ethics and compliance program.

At the meeting, there was a discussion regarding the materials that had been provided to the Board, the terms of the BAAM Investment Management Agreements, the services being provided by BAAM, and other relevant considerations. Following this discussion, the Board, including all of the Independent Trustees present, determined to renew each Investment Management Agreement for an additional period of no more than twelve months on the basis of the following considerations:

Nature, Extent, and Quality of the Services

The Board discussed BAAM’s personnel, operations, and financial condition and considered: (i) the background and experience of key investment personnel and BAAM’s ability to attract and retain talent; (ii) BAAM’s significant risk management, compliance, and operational efforts; and (iii) BAAM’s relationships with distribution partners and oversight of and interaction with service providers. The Board concluded that the nature, extent, and quality of the management services provided were appropriate and thus supported a decision to renew the Investment Management Agreements. The Board also concluded that BAAM likely would be able to provide during the Funds’ wind-down and liquidation the same quality of investment management and related services as provided in the past and that these services are appropriate in scope and extent in light of the Funds’ and the Intermediate Fund’s planned liquidation.

Investment Performance

The Board received and reviewed information about the Funds’ performance including (i) the one year, inception-to-date, quarter-to-date, and trailing three months performance information of BAAF and Advisor Class III Shares of BAAF II, each in comparison to the HFRI Equity Hedge Index, HFRI Fund Weighted Composite Index, Russell 2000 Index, S&P 500 Index, MSCI World Index, Barclays Aggregate Bond Index, and a custom benchmark index (the “Comparative Indices”); (ii) the historical monthly performance of BAAF and Advisor Class III Shares of BAAF II since inception (net of fees and expenses); and (iii) the inception-to-date standard deviation (a measurement of volatility) and Sharpe ratio (a measurement of

Blackstone Alternative Alpha Master Fund and Subsidiary

Supplemental Information (Continued)

March 31, 2020 (Unaudited)

risk-adjusted return) of each of BAAF and Advisor Class III Shares of BAAF II, each in comparison to those of the Comparative Indices.

Given that each of the Funds has commenced winding down its investment program, the Board concluded that consideration of each Fund's performance was not particularly relevant to the approval of the continuance of the Investment Management Agreements.

Fees and Expenses

In connection with the planned liquidation of the Funds, BAAM has agreed, effective as of January 1, 2020, to waive any management fees paid to it by the Funds pursuant to the Investment Management Agreements. As such, the Board concluded that BAAM's fees and expense for the calendar year ended December 31, 2019 were not particularly relevant to the approval of the continuance of the Investment Management Agreements.

Costs of Services and Profitability

Given that the Funds have commenced winding down their investment programs and that BAAM has determined to waive any management fees during this process, the Board concluded that the cost of services and BAAM's profitability were not particularly relevant to the approval of the continuance of the Investment Management Agreements.

Economies of Scale

Given that the Funds have commenced winding down their investment programs, the Board concluded that economies of scale were not particularly relevant to the approval of the continuance of the Investment Management Agreements.

Other Benefits

The Board discussed other potential benefits that BAAM may receive from the Funds. The Board noted that BAAM indicated that it does not expect to receive significant ancillary, soft dollar, or other "fall out" benefits as a result of its relationship with the Funds. The Board concluded that other benefits derived by BAAM from its respective relationship with the Funds, to the extent such benefits are identifiable or determinable, are reasonable and fair, result from the provision of appropriate services to each of the Funds and its shareholders, and are consistent with industry practice and the best interests of each Fund and its shareholders.

Conclusion

The Board, including all of the Independent Trustees, concluded that the fees payable under each of the Investment Management Agreements were fair and reasonable with respect to the services that BAAM provides to the Funds and in light of the other factors described above that the Board deemed relevant. The Board, including all of the Independent Trustees, determined to approve the continuation of the Investment Management Agreements based on a comprehensive consideration of all information presented to the Board at its meetings throughout the year and not as a result of any single controlling factor. The Board was assisted by the advice of independent legal counsel in approving the Investment Management Agreements.

Additional Information

The Master Fund's prospectus and statement of additional information includes additional information about the Trustees of the Fund. The prospectus and statement of additional information is available, without charge, upon request by calling 1-855-890-7725.

Blackstone Alternative Alpha Fund
Blackstone Alternative Alpha Master Fund

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Frank J. Coates
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Paul J. Lawler
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Peter Koffler

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This report, including the financial information herein, is transmitted to the shareholders of Blackstone Alternative Alpha Fund for their information. It is not a prospectus or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

You can request a copy of the Fund's prospectus and statement of additional information without charge by calling the Fund's transfer agent at 1-855-890-7725.