INVESTMENTS®

Fund commentary

As of 6/30/2020
unless otherwise noted

Class I

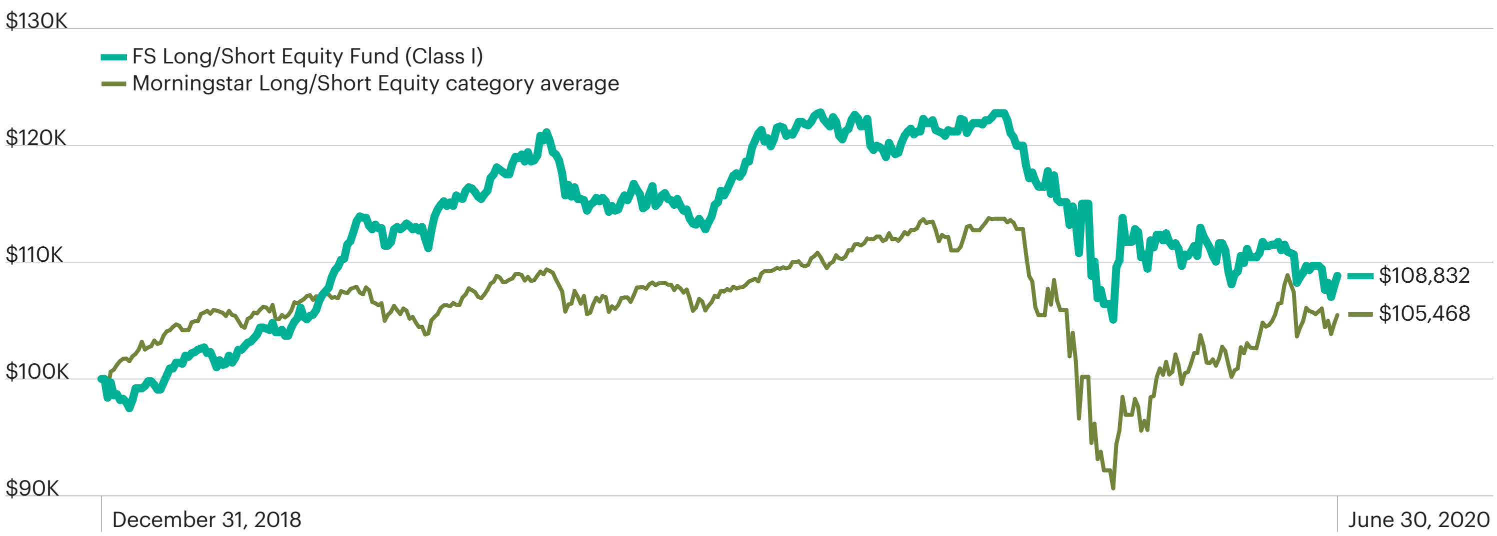
FS Long/Short Equity Fund

Seeking to generate equity-like returns with downside mitigation

Performance	**QTD**	**YTD**	**1 year**	**Since inception**
Class I (inception 12/31/2018)	-3.33%	-8.54%	-6.26%	5.82%
				Since 12/31/2018
Morningstar Long/Short Equity category average	7.81%	-5.12%	-1.87%	3.67%
S&P 500 Index	20.54%	-3.08%	7.51%	17.56%

The expense ratios for Class I Shares are 2.72% total annual fund operating expenses[1] and 1.35% total annual fund operating expenses (after expense reductions).[2,3] Not all investors can invest in Class I shares, and performance from other share classes would be different. Performance data quoted represents past performance and is no guarantee of future results. Returns for time periods greater than one year are annualized. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost, and current performance may be lower or higher than the performance quoted. Please call 877-628-8575 or visit our website at www.fsinvestments.com for performance data current to the most recent month-end. One cannot invest directly in an index.

GROWTH OF $100,000 (12/31/2018–6/30/2020)



Source: Bloomberg, as of June 30, 2020.

Quarterly commentary

Markets rebounded in remarkable fashion in the second quarter. Following the historic sell-off in Q1, the S&P 500 returned 20.54% in Q2—its best performance since 1998—and is now down just -3.08% year to date. Unprecedented stimulus measures as well as optimism surrounding the economic reopening pushed markets higher. However, a disconnect persisted between markets and fundamentals as equities continually shrugged off historically weak economic data on their charge upward. A strong uptick in retail investing across platforms also contributed to this phenomenon as investors using such platforms have tended to favor poorly positioned companies and risky stocks, driving up their prices. In some extreme instances, bankrupt companies saw their stock prices increase tenfold as individual investors and day traders bid up what were likely to be essentially worthless shares.

The early stages of the rally were dominated by mega-cap tech companies as investors scoured the market for growth opportunities. Valuations for these companies now rival levels last seen during the tech bubble. As the rally continued, all other sectors advanced and each of the S&P 500's 11 sectors generated positive returns for the quarter.

Quarterly commentary (continued)

FS Long/Short Equity Fund was down -3.33% in the second quarter, underperforming the S&P 500[4] and the Morningstar Long/Short Equity category median.[5] The fund's long positions—driven by Novus's proprietary screen—outperformed the S&P 500, returning 26.57% during the quarter. The fund's overall underperformance was driven by strong returns in the short book (the fund was short stocks that rose in value), which is driven by Barclays' short interest screen and was up 46.18% in the quarter. In normalized markets, companies with a poor credit profile are appropriate candidates for short positions (the assumption being that these stocks should go down in value). However, for perspective, an index composed of only companies with the worst credit default swap (CDS) spreads was up roughly 200% from April 1 through mid-June. We believe this rally in the short positions can primarily be attributed to a combination of the market dynamics discussed above, as stocks broadly advanced and a new investor base in retail bought risky companies regardless of fundamentals.

Performance attribution

The fund's performance drivers can be decomposed into three main components: security selection, sector exposure and factor exposure.

Security selection

The fund's long positions outperformed the broader market by 6.03%, while the short positions surged, outperforming the S&P 500 by 25.64%, which contributed negatively to portfolio performance. The top long contributor was PayPal, as the coronavirus pandemic and associated economic shutdown hastened the adoption of digital payments. The company reported strong first quarter results and a significant jump in new active users.

The top contributor from the short book was Intercept Pharmaceuticals, whose shares traded lower after the company announced it had not received accelerated FDA approval for a recent drug.

The fund's largest long detractor was Iovance Biotherapeutics. During the quarter the company announced a public offering of common stock, which sent its outstanding shares lower.

TOP CONTRIBUTORS

Long	Short
PayPal	Intercept Pharmaceuticals, Inc.
Snap Inc.	LendingClub
Credit Acceptance Corp.	Gulfport Energy Corp.

TOP DETRACTORS

Long	Short
Iovance Biotherapeutics	Portola Pharmaceuticals
Interactive Brokers LLC	Wayfair Inc.
Delta Air Lines, Inc.	EverQuote

The top short detractor was Portola Pharmaceuticals, whose stock surged following an announcement that the company would be acquired by a competitor at a significant premium to the current share price.

The securities identified do not represent all of the securities purchased, sold or recommended. Holdings as of June 30, 2020 are subject to change, and any statement about a company is not an endorsement or recommendation to buy or sell any security. Past performance does not guarantee future results.

Sector exposure

The fund's sector exposure relative to the broader market contributed 0.45% to performance. The fund benefited from an overweight to the financials sector. Stay-at-home orders in place throughout much of the quarter accelerated the adoption of fintech companies as many companies were forced to shift their businesses to primarily online operations.

The fund's underweight to consumer discretionary stocks detracted from performance. In a typical recessionary environment, consumer discretionary stocks underperform as consumers, facing potentially lower income levels and heightened uncertainty, spend less, typically purchasing primarily necessities. As such, many hedge funds were underweight the sector. However, the rapid rebound in the market and consumer sentiment during this quarter led to a rally in consumer discretionary stocks, which was one of the strongest performing sectors in Q2. The fund was marginally net long the sector, but missed out on the strong performance, which contributed to the lag in fund returns versus the broader market.

Factor exposure

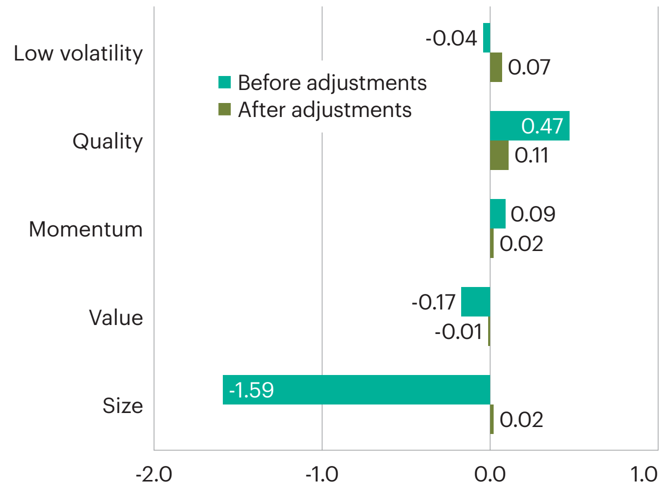
Factor risk management is an important component of FS Long/Short Equity Fund's approach to emphasize stock selection, manage volatility and maintain an overall factor profile that may provide a positive tailwind to returns. The fund had negative factor exposure to value, momentum, low volatility, size and quality, which in the aggregate contributed -1.24% to the fund's performance

The active factor adjustments made to growth contributed negatively to performance while the size factor adjustment contributed positively. Both adjustments continued to serve their primary goal of dampening portfolio volatility and balancing the fund's factor risk profile. Without the two factor adjustments made, the portfolio exhibited a strong size bias, meaning it was long large caps and short small caps, and a growth bias, meaning the fund was long growth stocks and short value. The adjustments were made to reduce these biases and to increase the portfolio's value exposure from negative to slightly negative.

In Q2, we continued to see unprecedented factor volatility, underscoring the importance of factor risk management. For example, the value factor rallied 12% from the end of May through June 8 before unwinding that performance by the end of June. These extreme price swings may continue as valuations are at extreme levels. Factor risk management remains an important component of the fund's approach to emphasize stock selection, manage volatility and maintain an overall factor profile that may provide a positive tailwind to returns.

NET FACTOR EXPOSURE AT 6/30/2020

FSYIX factor exposure before/after factor adjustments



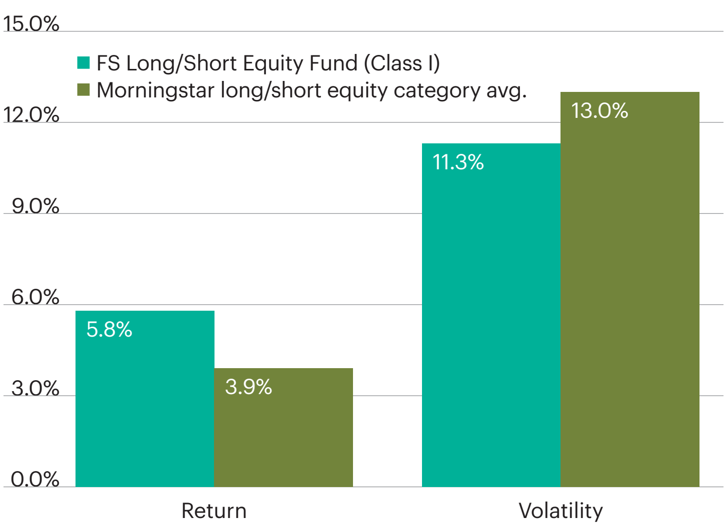
Source: Bloomberg, as of June 30, 2020.

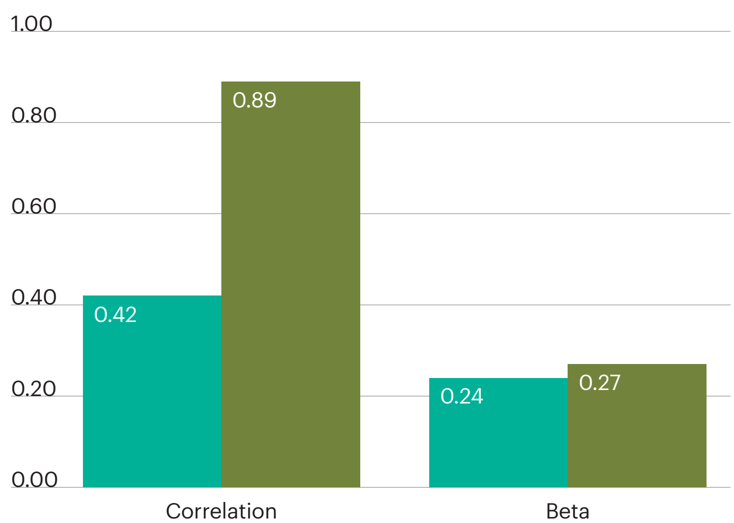
Outlook

The recovery witnessed in Q2 was in many ways as historic as the sell-off in Q1. Markets returned to near pre-pandemic levels at record pace as the Fed unleashed unprecedented levels of stimulus. We remind investors, however, of the pitfalls of relying solely on market beta to deliver returns. The pain felt during Q1 was acute and we believe there still exists extreme uncertainty. Economic data continues to be poor and COVID-19 cases continue to rise, all while equity valuations are at or near historic highs. Eventually, we believe fundamentals will win out. In that environment, active management and stock picking will become increasingly important.

We believe that the portfolio's ability to harness the best ideas of top hedge fund managers—both on the long and short side—while managing beta and factor exposures will position the fund to deliver compelling returns while reducing downside volatility when compared to broad equity markets.

FSYIX HAS GENERATED STRONG RISK-ADJUSTED RETURNS WITH LOWER EQUITY CORRELATION (12/31/2018–6/30/2020)





Source: Bloomberg, Morningstar Direct. Performance measured from December 31, 2018 through June 30, 2020. Beta and correlation calculated versus S&P 500.

Fund objective

FS Long/Short Equity Fund is a mutual fund that seeks to generate equity-like returns through a combination of quantitative, factor-based information and fundamental, stock-specific information.

1 The total annual fund operating expenses ratio calculation is a percentage of average net assets for the 12 months ended December 31, 2019.

2 Total annual fund operating expenses (after expense reduction) is a percentage of average net assets for the 12 months ended December 31, 2019. The Adviser has entered into an expense limitation agreement with the Fund under which it has agreed to waive or reduce its fees and to assume other expenses of the Fund, if necessary, in an amount that limits ordinary operating expenses (exclusive of management fees, distribution or servicing fees, interest, taxes, brokerage fees and commissions, dividends and interest paid on short positions, acquired fund fees and expenses and extraordinary expenses (as determined in the sole discretion of the Adviser)) to not more than 0.25% of the average daily net assets for the Fund at least until April 30, 2021. The Fund may terminate the expense limitation agreement at any time. The expense limitation agreement permits the Adviser to recoup waived or reimbursed amounts within the three-year period from the date of the waiver after the Adviser bears the expense, provided total expenses, including such recoupment, do not exceed the annual expense limit in effect at the time of such waiver/reimbursement or recoupment.

3 The Adviser has contractually agreed to waive a portion of its management fee so that the fee received equals 0.60% of the Fund's average daily net assets until the earlier of (i) December 31, 2021 or (ii) the date on which gross proceeds that have been received by the Fund from investors, in the aggregate, exceed $150 million. The Adviser's contractual management fee, without giving effect to this waiver, is equal to 1.10% of the Fund's average daily net assets.

4 Bloomberg, as of June 30, 2020.

5 Morningstar, as of June 30, 2020.

GLOSSARY OF TERMS

Alpha measures excess return relative to expected returns based on the fund's degree of beta. A positive alpha indicates the portfolio is earning excess returns. A negative alpha indicates the portfolio is lagging in returns. **Barclays' short interest screen** is the total number of open short positions of a security. **Beta** is a measure of an asset's or a portfolio's volatility, or systematic risk, in comparison to a benchmark or the market as a whole, reflecting the tendency of returns to respond to market swings. **Book value** is a measure of a company's assets, such as stocks, bonds, inventory, manufacturing equipment, real estate, etc. **Correlation** is a statistical measure of the extent to which two securities move in relation to each other, often expressed via a coefficient ranging from +1 to -1. **Credit default swap (CDS)** is a financial derivative or contract that allows an investor to swap or offset an investor's credit risk with that of another investor. A **long position** is the buying of a stock, commodity or currency with the expectation that it will rise in value. **Quality** is a strategy based on a set of clearly defined fundamental criteria that seeks to identify companies with outstanding quality characteristics, such as low debt, stable earnings, consistent asset growth and strong corporate governance. **Return dispersion** is measured as the standard deviation of returns across different stocks or portfolios. A **short position** is created when a trader sells a security first with the intention of repurchasing it or covering it later at a lower price. **Size** is a strategy capturing small-cap stocks that exhibit greater returns than portfolios with just large-cap stocks captured by looking at the market capitalization of a stock. **Upside/downside capture ratio** shows whether and to what extent an investment has outperformed a broad benchmark during periods of market strength and weakness. An upside capture ratio over 100 means it usually gained more than the benchmark when benchmark returns were positive. A downside capture ratio less than 100 means it lost less than the benchmark when benchmark returns were negative. **Value** is a strategy capturing excess returns from stocks that have low prices relative to their fundamental value. **VIX** is the ticker symbol and popular name for the Chicago Board Options Exchange's (CBOE) Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 Index options. **Yield curve** is a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates.

INDEX DEFINITIONS

Morningstar Long/Short Equity category is composed of funds holding sizable stakes in both long and short equity and related derivatives positions. Some funds may shift their exposure to long and short positions depending on their macro outlook or the opportunities they uncover. Some funds may hedge long stock positions through exchange-traded funds or derivatives. At least 75% of the assets are in equity securities or derivatives. **S&P 500 Index** is a market capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value.

The indexes referenced herein are the exclusive property of each respective index provider and have been licensed for use by FS Investments. The index providers do not guarantee the accuracy and/or completeness of the indexes and accept no liability in connection with the use, accuracy, or completeness of the data included therein. Inclusion of the indexes in these materials does not imply that the index providers endorse or express any opinion in respect of FS Investments. Visit www.fsinvestments.com/support/articles/index-disclaimers for more information.

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An investment in FS Long/Short Equity Fund (the "Fund") involves a high degree of risk and may be considered speculative. Investors are advised to consider the investment objectives, risks, and charges and expenses of the Fund carefully before investing. The Fund's prospectus contains this and other information about the Fund. Investors may obtain a copy of the Fund's prospectus free of charge at www.fsinvestments.com or by contacting FS Investments at 201 Rouse Blvd., Philadelphia, PA 19112 or by phone at 877-628-8575. Investors should read and carefully consider all information found in the Fund's prospectus and other reports filed with the U.S. Securities and Exchange Commission before investing.

This Fund is new and has limited operating history. Investing in the Fund involves risk, including the risk that a shareholder may receive little or no return on their investment or that a shareholder may lose part or all of their investment. The Fund is subject to interest rate risk and will decline in value as interest rates rise. The Fund may engage in leveraging and other speculative investment practices that may increase the risk of loss of investment and accelerate the velocity of potential losses. In addition to the normal risks associated with investing, international and emerging markets may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles or from social, economic, or political instability in other nations. The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses.

Diversification does not protect an investor from market risk and does not ensure a profit.

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