

Class I: FSMSX

FS Multi-Strategy Alternatives Fund

An open-end mutual fund seeking absolute returns with low correlation

Performance

	QTD	YTD	1 year	3 year	Since inception (5/16/2017)
FSMSX (inception 5/16/2017)	3.19%	-2.24%	-2.94%	0.94%	0.95%
ICE BofAML U.S. 3-Month T-Bill Index	0.04%	0.64%	1.10%	1.69%	1.61%
S&P 500 Index	8.93%	5.57%	15.14%	12.28%	12.70%

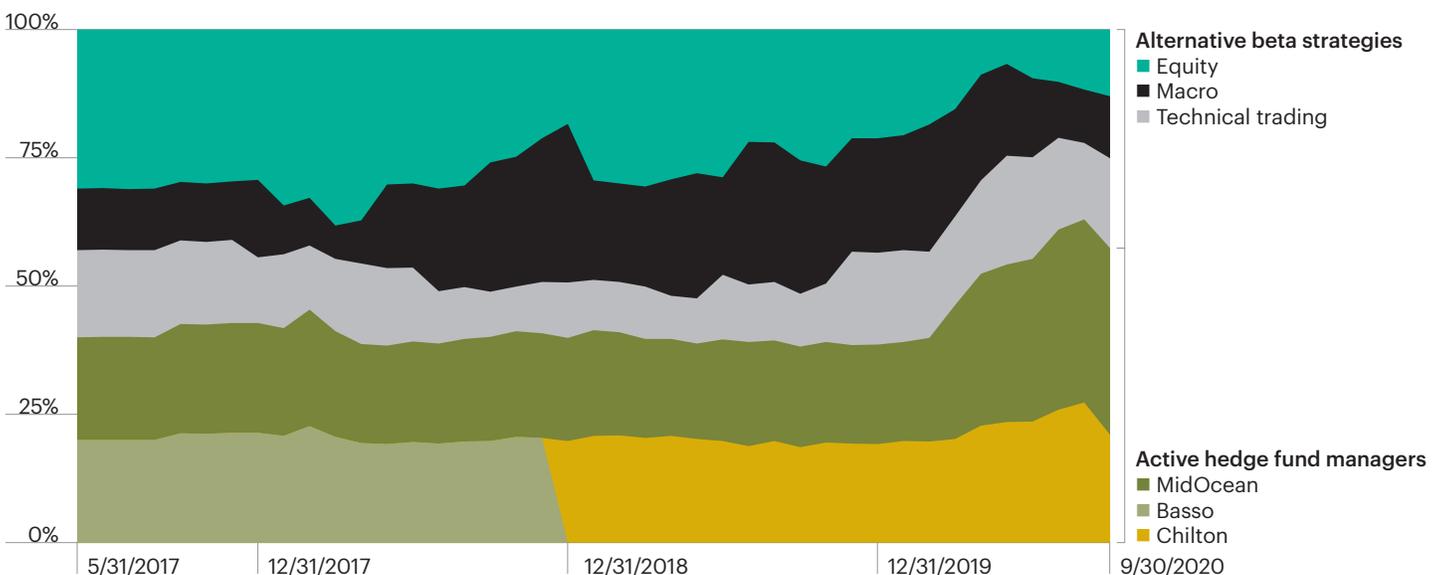
The expense ratios for Class I shares are 3.30% total annual fund operating expenses,¹ 1.97% total annual fund operating expenses (after expense reductions)^{2,3} and 1.50% total annual fund operating expenses after expense reductions, excluding dividend and interest expenses.^{2,3} Performance data quoted represents past performance and is not a 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. See definitions on page 5 for more information.

Portfolio categories



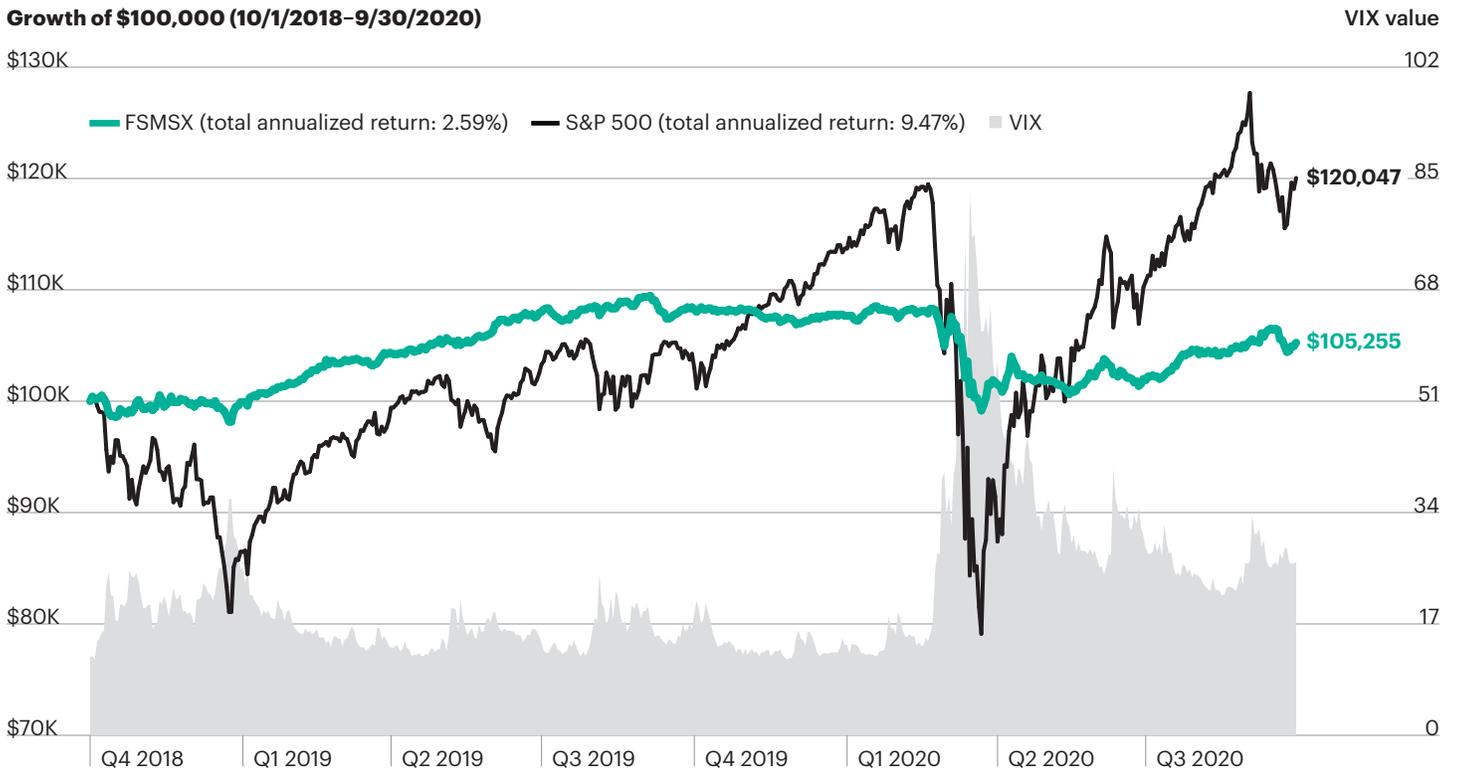
	Allocation	Performance
Alternative beta strategies	42.6%	
Equity	13.0%	-
Macro	12.1%	-
Technical trading	17.5%	+
Volatility	0.0%	
Active hedge fund managers	57.4%	
MidOcean credit long/short	36.4%	+
Chilton equity long/short	21.0%	+

Category allocation by month (5/31/2017–9/30/2020)



Source: Bloomberg, as of September 30, 2020. The benchmarks shown are for illustrative purposes only. An investment cannot be made directly in an index. The fund's actual investments and performance may differ substantially from those of the index presented.

Growth of \$100,000 (10/1/2018–9/30/2020)



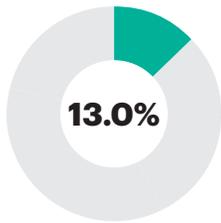
Source: Bloomberg, as of September 30, 2020. The benchmarks shown are for illustrative purposes only. An investment cannot be made directly in an index. The fund's actual investments and performance may differ substantially from those of the index presented.

Quarterly commentary

Markets continued their rebound in the third quarter, albeit at a slower pace than the record-setting one witnessed in Q2. Optimism over reopening, an ultra-accommodative Fed and improved economic data continued to win out over news of rising COVID cases, which dominated headlines for much of the summer. Equities broadly advanced during July and August amid an extremely calm market backdrop. Volatility returned in September as equities sold off, led initially by the tech sector before the risk-off sentiment became broader based. Credit markets generally followed equity's lead, with strong performance during July and August and slight weakness in high yield bonds in September. Core fixed income struggled for much of the quarter. With little yield left as a cushion from price volatility, the duration-sensitive Barclays Agg was positive in July but posted consecutive monthly declines in August and September, ultimately returning just 0.62% for the quarter and failing to offset equity declines during the month of September.

FSMSX was up 3.19% for the quarter. The fund's equity and credit-oriented hedge fund managers contributed positively to performance while, in the aggregate, the fund's rules-based strategies detracted. The fund's technical trading category was positive during the quarter as technical drivers overtook fundamental drivers, while its equity and macro categories detracted from performance.

Equity

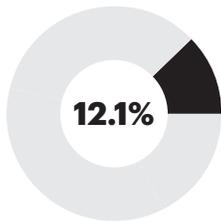


Equity strategies detracted -0.80% from performance during the quarter.

These strategies are designed to isolate stock-specific characteristics or themes. The primary positive contributor to performance was the fund's real asset dividend strategy. This strategy provides exposure to high dividend yielding companies that own real assets in energy, industrials, materials, real estate and utilities in a long/short market neutral format. The strategy performed well given the low-rate environment as investors continue to search for yield.

The primary negative contributor to performance was the fund's value versus growth strategy. Large-cap growth companies have continued to dominate performance year to date, driven in large part by the high-flying tech sector. Despite value outperforming growth from mid-August through mid-September by the largest margin since 2001, this strategy still detracted from performance overall during the quarter.

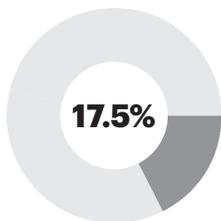
Macro



Macro strategies detracted -0.22% from performance during the quarter.

The primary positive contributor to performance was a basket of commodity risk premia strategies. These strategies are designed to monetize carry, backwardation and value factors exhibited in the commodity complex. This quarter the mean reversion component was the largest positive contributor, up 5.3% in Q3, as commodities such as natural gas and gold experienced a pickup in volatility and no meaningful market trend. The primary negative contributor to performance was the fund's interest rate swap basket, which struggled due to its long U.S. duration and short EU duration positioning.

Technical trading

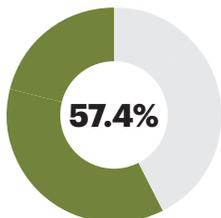


Technical trading strategies were up over the quarter, contributing 0.11% to performance.

These strategies are designed to monetize market patterns and perform during market environments that are driven by technicals in lieu of fundamentals, like we saw for much of Q2 and Q3 of this year. The primary contributor to performance within this category was the strategy designed to monetize the changes in the beta relationship between VIX futures and the S&P 500. Typically, on the first day of a risk-off market environment, VIX futures are much more reactive than normal to moves in the S&P 500. After this outsized move, VIX futures tend to revert to their typical trading relationship with the S&P 500. Thus, the strategy capitalizes over the short-term mean reversion of this spread. As a result, the strategy exhibits defensive characteristics as the spread between the VIX and S&P 500 tends to spike during times of market weakness, such as we saw in September, ultimately delivering positive performance.

The primary negative contributors to performance were the fund's medium-term equity mean reversion strategies. These strategies perform well in more volatile market environments, monetizing short-term swings in trading around the mean. Markets were extremely placid and only trended higher during July and August. Though the strategy delivered during the pickup in volatility in September, it detracted from performance over the full quarter.

Active hedge fund managers



The MidOcean credit long/short strategy was positive during the quarter and contributed 1.91% to FSMSX's performance.

MidOcean's sleeve returned 5.71% over the quarter, outperforming the high yield index, which returned 4.71%. Early in the quarter, the portfolio benefited from net long positioning as credit markets rallied in July and August, continuing the strength from Q2. This generated returns both from material price appreciations as well as strong income returns. As investments achieved price targets during this time, MidOcean began trimming positions that it believed had little upside remaining. When volatility struck in September, the manager continued to rotate the portfolio into positions it felt had better risk-adjusted return potential and materially increased hedge positions to provide protection in the event of further market declines.

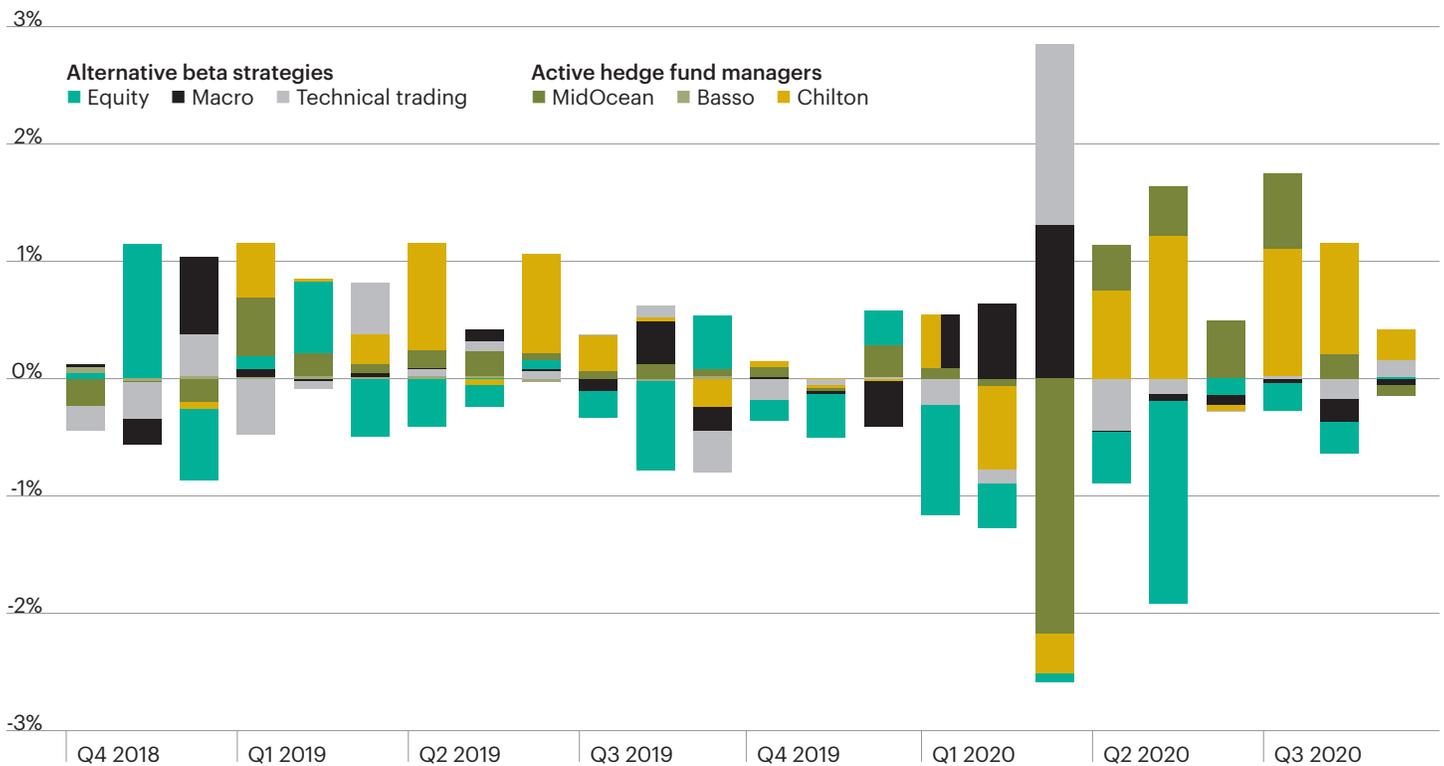
Considering near-term uncertainty, the portfolio remains defensively positioned. MidOcean remains optimistic about the ability to generate carry-based returns while utilizing short positions and hedges to mitigate downside risk.

The Chilton equity long/short strategy posted positive returns over the quarter, contributing 2.70% to FSMSX's performance.

Chilton's sleeve returned 11.8% during the quarter, outperforming the S&P 500, which was up 8.9%. The long book contributed strong performance, more than doubling the returns of the broader market, while the short book detracted. Performance was led by investments in the materials, consumer discretionary and industrials sectors, while communications services was the only sector that detracted. Notably, when volatility picked up during September, both the long and short portfolios generated positive returns, demonstrating the benefits of an equity hedge strategy and fundamental stock picking during periods of market weakness.

At the end of the quarter, the net exposure remained relatively unchanged at 60%–65% and the long book has become slightly more concentrated in a smaller number of high-conviction names. Chilton expects continued volatility as the election draws near and remains focused on companies with what it believes have strong underlying fundamentals and defensible business models.

Category attribution by month (10/1/2018–9/30/2020)



Source: State Street, Bloomberg, as of September 30, 2020.

Outlook

Looking forward, we believe the fund remains prepared for a multitude of market scenarios. Near-term uncertainty remains high, with COVID-19 cases continuing to rise, no definitive news on further stimulus and a looming U.S. presidential election. The fund has implemented positions designed to participate in a continued recovery, but alongside these exposures, the fund maintains its meaningful allocations to the defensive, dynamic strategies that deliver protection during periods of heightened volatility and market stress. This barbelled portfolio approach of both offensive exposures and dynamic, defensive exposures is well positioned to achieve its goal of producing uncorrelated absolute returns through market cycles.

Fund objective

FS Multi-Strategy Alternatives Fund seeks to generate positive, low-correlated returns over a complete market cycle.



To learn more about investing in alternatives, visit

fsinvestments.com/fsmsx

- 1 The total annual fund operating expense ratio calculation is a percentage of average net assets for the 12 months ended December 31, 2019.
- 2 The total annual fund operating expenses after expense reductions, excluding dividend and interest expenses and total operating expenses (after expense reduction) ratios, are a percentage of average net assets for the 12 months ended December 31, 2019 and are based on the expense limitation for such period. The expense limitation may be different in future years. 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 total annual fund operating expenses after expense reductions, excluding dividend and interest expenses ratio, does not include dividend expense on short sales of 0.19% and interest, commitment fees and other borrowing costs of 0.28%.

GLOSSARY OF TERMS

Alternative beta strategies: Rules-based strategies that seek to capture alternative sources of return across asset classes. **Backwardation:** When the current price of an underlying asset is higher than prices trading in the futures market. **Basis points (bps):** Refers to a common unit of measure for interest rates and other percentages. **Beta:** A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Carry:** The return obtained from holding an asset (if positive) or the cost of holding it (if negative). **Commodity risk premia:** Strategy takes on an exposure that other market participants would prefer to lay off and from which an investor earns a return not conditioned on manager skill. **Contagion:** The spread of market changes or disturbances from one regional market to others. **Correlation:** A statistic that measures the degree to which two securities move in relation to each other. **Credit long/short:** Income and growth-based strategy targeting inefficiencies in the credit market through fundamental credit analysis. **Duration:** A measure of the sensitivity of the price of a fixed income investment to a change in interest rates, expressed as a number of years. **Equity:** Strategies that invest in stocks to generate returns less sensitive to market direction based on specific factors (e.g., size, quality). **Fixed income strategies:** Relative value carry strategies that seek to monetize the different level of interest rates and term premium across global bond markets. **Macro:** Strategies that invest in bonds, currencies and commodities to generate risk-adjusted returns through specific factors (e.g., value, carry). **Market neutral:** Market-neutral exposure to five well-known and researched equity risk premia: low beta, size, value, momentum and quality. **Mean reversion:** Strategies that seek to monetize the tendency for the equity market to mean revert over short periods of time. **Technical trading:** Strategies that invest across asset classes to seek to profit from price trends and trading patterns, while also cushioning against market downturns. **Trend following:** An investment strategy that takes long and short positions across global markets and asset classes based on historical price movements. **Volatility:** Strategies that invest across asset classes to capture a premium or spread based on changes in implied, realized or expected volatility.

INDEX DEFINITIONS

S&P 500 Total Return Index is a benchmark of large-cap U.S. equities. The index includes 500 leading companies, captures approximately 80% coverage of available market capitalization and assumes all resulting dividends are automatically reinvested. **ICE BofAML U.S. 3-Month Treasury Bill Index** is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. **Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

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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.

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