

Class I: FSMSX

FS Multi-Strategy Alternatives Fund

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

Performance

	Q2 2019	YTD	1 year	Since inception (5/16/17)
FSMSX (inception 5/16/17)	3.45%	8.02%	5.24%	2.73%
ICE BofAML U.S. 3-Month T-Bill Index	0.64%	1.24%	2.32%	1.78%

The expense ratios for Class I Shares are 3.52% total annual fund operating expenses,¹ 1.86% total annual fund operating expenses (after expense reductions)² 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 for more information.

Portfolio allocation

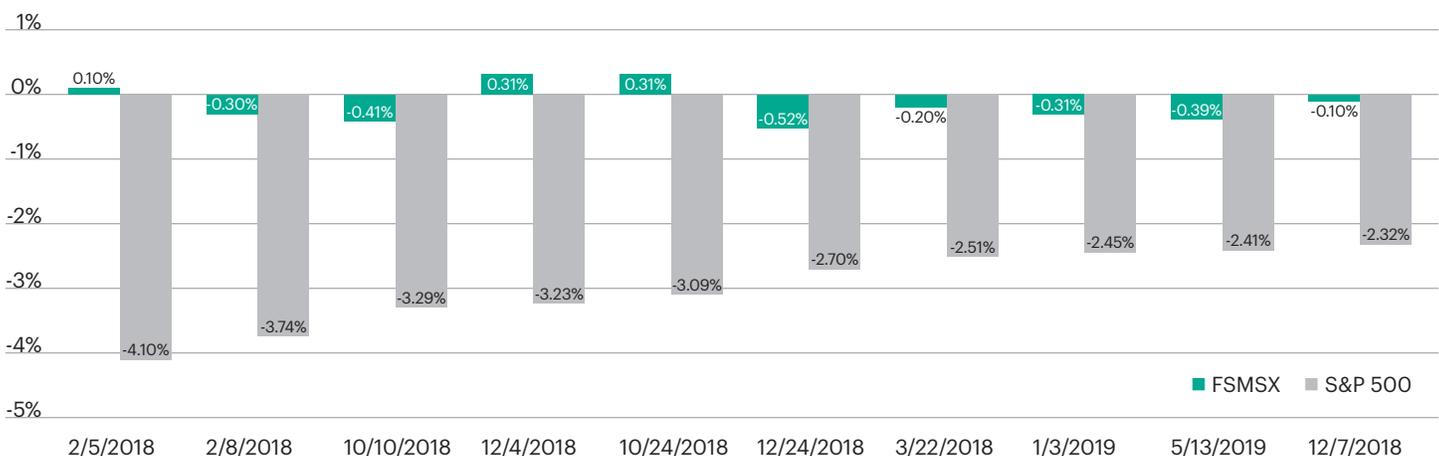
The fund's performance was driven by strong results across all four strategy categories.



Category	Allocation*	Performance
Equity hedge	48%	+
Relative value	17%	+
Event driven	20%	+
Global macro	15%	+

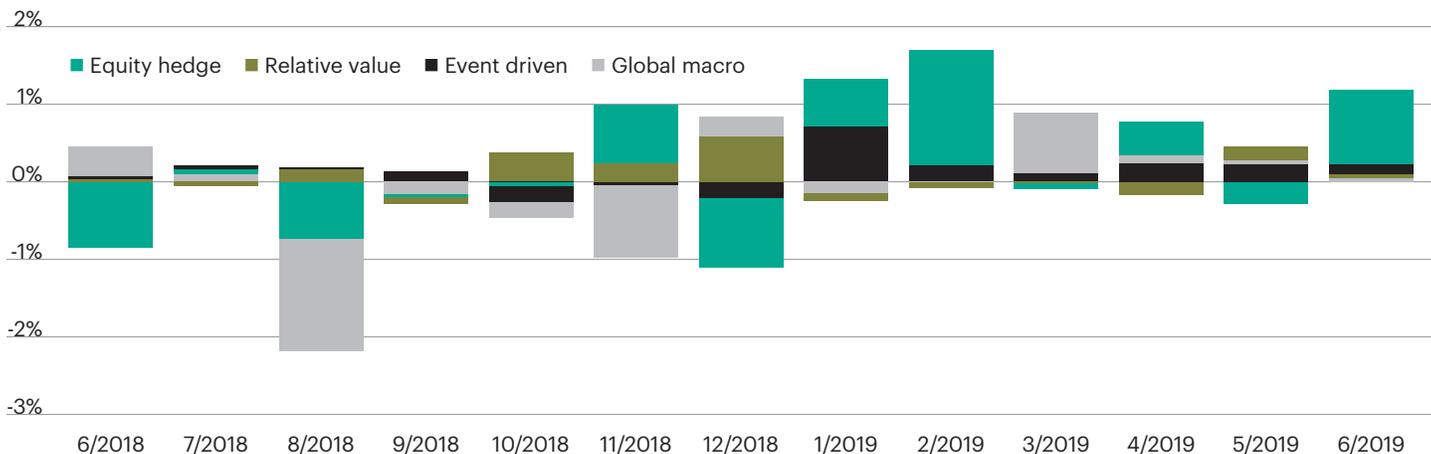
*Percentages may not total 100% due to rounding.

FSMSX PERFORMANCE VS. 10 WORST TRADING DAYS FOR S&P 500 SINCE INCEPTION



Source: Bloomberg, as of June 30, 2019.

CATEGORY ATTRIBUTION BY MONTH



Source: State Street, Bloomberg, as of June 30, 2019.

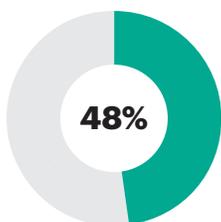
Quarterly commentary

FSMSX was up 3.45% for the quarter and is up 8.02% year to date. While equity markets finished the quarter in positive territory, the month of May saw the S&P 500 decline by over 6%. The fund held up well and was up 0.68% in May, continuing to manage downside risk and exhibit capital preservation characteristics. Positive performance of 0.62% was generated from the fund's alternative beta strategies during the quarter, while managers contributed 2.82%.⁴ All four strategy categories delivered positive performance over the quarter.

Equity markets generated solid gains in the second quarter, driven by a perceived shift in the Federal Reserve's plans for interest rate policy. The S&P 500 returned 4.3% in the second quarter and is up 18.5% this year after having returned -13.5% in the fourth quarter of last year. Strong performance was seen in the face of both an escalating trade war between the U.S. and China and mounting concerns of a global economic slowdown that saw bond yields move significantly lower. The total amount of global sovereign debt with yields below zero touched a record of \$13 trillion during the quarter—a staggering amount.⁵ As reliable sources of income continue to diminish, a hunt for yield may continue to force investors into higher-risk assets in order to meet their investment objectives.

Allocation by category

EQUITY HEDGE



The equity factor strategies were down over the quarter, contributing -0.50% to FSMSX's performance.

In the second quarter, five out of six equity factor positions were negative: size, quality, momentum, value and emerging market exposure. Our long emerging market exposure traded against developed markets (i.e., U.S.) was the worst performer as continued trade wars and additional tariffs weighed on this pro-cyclical exposure. The one positive performer over the quarter was the low-volatility factor, which continued its strong performance due to the outperformance of safer, low-volatility stocks vs. riskier, higher-volatility stocks.

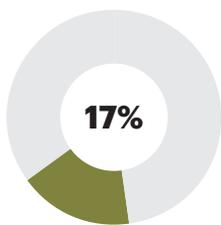
Looking forward, we believe this part of the portfolio has the potential to generate meaningful returns in both upside and downside market scenarios given the increasingly attractive valuations that are reflected in these exposures.

The equity long/short strategy posted strong returns over the quarter, contributing 2.19% to FSMSX's performance.

The manager's sleeve delivered strong outperformance, up 11.3% on the quarter compared to 4.3% for the S&P 500. Outperformance was generated on both the long side and the short portfolio. After years of being in a market where there was little performance differentiation among stocks, the manager has benefited from an environment of more disperse equity performance, where stock picking has been at a premium. Following the strong performance of many core holdings, the manager reduced the overall net long exposure of the portfolio from approximately 59% to 53%.

Looking forward, while the macro picture has gotten cloudier, the manager's view into the individual businesses owned in the portfolio is a lot more encouraging than the top-down view of the global economy. Innovation, smart capital allocation, robust capital returns and prodigious free cash flow generation from core holdings give the manager confidence that their sleeve of the fund is well positioned.

RELATIVE VALUE



The fixed income relative value strategies were up over the quarter and contributed 0.45% to FSMSX's performance.

The fixed income strategies exhibited positive performance as yields fell globally. During the quarter, we made several changes to our strategy mix: 1) we added a new carry-based strategy that buys long-dated fixed income volatility, which benefits from a positive carry as it rolls up the volatility curve over time, 2) we added a momentum-based strategy to position for a continued rise in interest rate volatility and further diversify our carry-oriented strategy exposure, and 3) we replaced our existing fixed income carry strategy with direct exposure to the U.S. 10-year to better reflect our market views and manage portfolio-level exposure.

EVENT DRIVEN

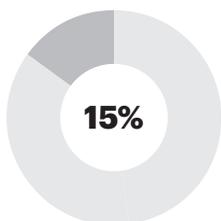


The credit long/short strategy return increased over the quarter and contributed 0.63% to FSMSX's performance.

Over the quarter the long/short credit portfolio generated a 3.39% return. Solid security selection in low-volatility income and relative value positions continued to drive strong performance, coupled with active management of long/short exposures against a volatile market backdrop month over month. The manager is choosing to remain cautious by buying names with strong credit metrics and staying invested to generate yield. At the same time, the manager is focused on maintaining low net portfolio duration and avoiding the common tendency to chase the market.

Going forward, the manager plans to use any further credit market appreciation as an opportunity to further enhance the overall credit quality of the portfolio and to establish new single-name short positions in issuers with low asset coverage and potential for upcoming negative catalysts that may be underappreciated by the market. Additionally, as the Fed may potentially reduce interest rates in the second half of the year, the manager could seek to increase low-volatility income exposure as a strategic way to defensively position the portfolio without sacrificing significant net interest income.

GLOBAL MACRO



The currency multi-factor strategy posted a positive return during the quarter and contributed 0.06% to FSMSX's overall performance.

Despite positive performance from our currency carry exposure over the quarter, in June we removed the strategy due to risk management considerations. In particular, global trade disputes and their impact on specific emerging market currencies created increased volatility and uncertainty. As a result, we removed the strategy and reallocated the assets.

The cross asset trend following strategies increased over the quarter and contributed 0.45% to FSMSX's performance.

Following negative performance during Q1, our multi-asset trend strategies delivered strong returns. The shift to a long equities posture across global equity markets generated positive returns, as did the long bond exposure across global bond markets. Foreign exchange exposure led to some modest losses, as several long U.S. dollar positions vs. developed market currencies and short U.S. dollar positions vs. emerging market currencies generated negative performance.

The equity mean reversion strategies were flat during the quarter and contributed -0.02% to FSMSX's overall performance.

Following a strong first quarter, the equity mean reversion strategies were flat. Despite some large market moves month over month, market volatility was relatively muted and trading opportunities were limited.

The commodity carry and curve strategies posted a positive return during the quarter and contributed 0.16% to FSMSX's overall performance.

The commodity carry strategy generated gains driven by energy, precious metals and grains. In energy, the strategy benefited from the market movement due to political situations in Venezuela and Iran that continued to limit supply. In precious metals, our portfolio benefited from relative performance from safe haven metals. In grains, one specific relative trade stands out as harvesting season began. This sleeve was long a grain that appreciated due to disappointing supply and was short a grain that fell in price due to production that exceeded market expectations.

Outlook

Looking forward, the fund is positioned to reflect a cautious stance on risk assets, but with a balanced portfolio that we believe can perform in a wide range of market scenarios. More specifically, we are allocating to 1) segments of the market that provide defensive characteristics and 2) pro-cyclical exposures in the fund that provide a greater margin of safety through more attractive valuations. The overall level of equity beta in the fund remains low, which we believe continues to position the fund to benefit from a continued decline in interest rates.

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 expenses ratio calculation is a percentage of average net assets for the year ended December 31, 2018.

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 year ended December 31, 2018 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, 2020. 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 0.29% and interest, commitment fees and other borrowing costs of 0.07%.

4 Due to rounding, individual sleeve returns may not match total fund return.

5 Bloomberg, as of June 30, 2019.

GLOSSARY OF TERMS

Alternative beta strategies: Rules-based strategies that seek to capture alternative sources of return across asset classes. **Alpha:** Gauges the performance of an investment against a market index or benchmark that is considered to represent the market's movement as a whole. **Basis points (bps):** Refers to a common unit of measure for interest rates and other percentages. **Beta:** 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. **Contagion:** The spread of market changes or disturbances from one regional market to others. **Convertible arbitrage:** Market-neutral strategy exploiting relative value opportunities from events, volatility, valuations and market complexities in the convertible securities market. **Correlation:** 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 long/short:** Income and growth-based strategy targeting inefficiencies in the credit market through fundamental credit analysis. **Cyclical stock:** A type of equity security whose price is affected by macroeconomic, systematic changes in the overall economy. **Defensive stock:** A stock that provides a constant dividend and stable earnings regardless of the state of the overall stock market. **Dispersion:** A statistical term that describes the size of the range of values expected for a particular variable. **Duration:** A measure of how sensitive a fixed income investment's price is to a change in interest rates, expressed as a number of years. **Equity market neutral:** Market-neutral exposure to five well-known and researched equity risk premia: low beta, size, value, momentum and quality. **Equity mean reversion:** Strategies that seek to monetize the tendency for the equity market to mean revert over short periods of time. **Event driven:** Strategies that seek to exploit pricing inefficiencies that may occur before or after a corporate event, such as bankruptcy, merger, acquisition or spinoff. **Fixed income curve trading:** A strategy that implements positions based on the expectation of movements in the term structure of interest rates. It corresponds to a strategy where you are positioned for either curve flattening (i.e., long the 10-year note and short the 2-year note) or curve steepening (i.e., long the 2-year note and short the 10-year note). **Fixed income strategies:** Relative value carry strategies that seek to monetize the different level of interest rates and term premium across global bond markets. **Global macro:** Global macro strategies invest across stocks, bonds, currencies and commodities, primarily through the use of futures instruments. They tend to place directional bets on the prices of underlying assets. **Growth stock:** A publicly traded share in a company expected to grow at a rate higher than the market average. **Margin of safety:** refers to the principle of investing in securities that are purchased when the market price is significantly below its intrinsic value. **Merger arbitrage:** Hedged stock selection strategy that buys and sells stocks of companies involved in announced mergers. **Momentum factor:** A market-neutral strategy that seeks to provide exposure to momentum risk premia. **Realized volatility:** Measures what actually happened with volatility in the past. The measurement of the realized volatility depends on the particular situation. For example, one could calculate the realized volatility of a fund in a given month by taking the standard deviation of the daily returns within that month. **Relative value:** Strategies that attempt to monetize the price convergence or divergence of related securities by buying and selling related assets. **Risk premia:** The excess return on an investment to compensate for excess risk. **Trend following:** An investment strategy that takes long and short positions across global markets and asset classes based on historical price movements. **Value stock:** A stock that tends to trade at a lower price relative to its fundamentals, making it appealing to value investors.

INDEX DEFINITIONS

S&P 500 Index is market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. **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.

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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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